

conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with Yachtcenter and City and shall name Yachtcenter, City and Pacific Rim as additional insured. Said policy shall specify that the policy may not be terminated, canceled or substantially altered or altered in a form which would negatively effect Yachtcenter, City and Pacific Rim without prior written notice to Yachtcenter, City, and Pacific Rim by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Yachtcenter a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance, including, but not

limited to Worker's Compensation, covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

→ 13. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Yachtcenter, City and Pacific Rim. An assignment by operation of law shall automatically terminate this Sublease.

14. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental rules and regulations as set forth by local, State and Federal agencies and organizations applicable to Subtenant's use of the Premises. Subtenant shall indemnify Knight & Carver Yachtcenter Inc. and Pacific Rim Marine Enterprises (California) Inc. against any and all violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

15. PARKING.

(a) Subtenant, all of Subtenant's employees and Subtenants guests shall park on the Subtenant's leased area, dirt parking lot south of the Yachtcenter, or on the street outside the leased area.

16. RIGHT TO INSPECT FACILITY.

Yachtcenter reserves the right to inspect facility, throughout the term of this sublease, with 24 hour notice given to Subtenant. In case of emergency, Yachtcenter reserves the right to enter property immediately.

17. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE AND PRIME SUBLEASE.

Subtenant shall conduct itself at all times so as not to violate any of the terms or provisions of the Master Lease or Prime Sublease as applicable to the use of the premises and such terms and provisions shall control as to Subtenant's use and shall remain in full force and effect for the entire term of this Sublease.

18. QUIET ENJOYMENT.

Notwithstanding any other provisions hereof, Yachtcenter covenants that Subtenant's use and enjoyment will not be disturbed during the term of this sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To PRME:	Mr. Roy Takei
	c/o Mission Bay Marina
	1500 Quivira Way
	San Diego, CA 92109

To Yachtcenter: Knight & Carver Yachtcenter, Inc.
Meri P. Knight
1500 Quivira Way
San Diego, CA 92109

To Subtenant: One Australia America's Cup Team 1995
Pty Limited
Level 4
468 St Kilda Road
Melbourne Vic 3004
Australia

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

→ 21. ATTORNEY'S FEES.

Should it become necessary for Yachtcenter and City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

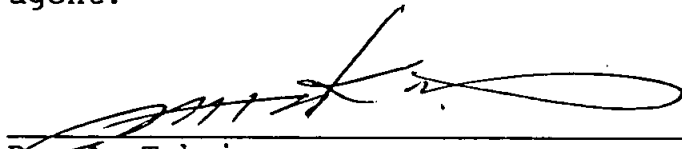
22. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

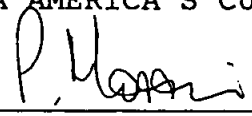
KNIGHT & CARVER YACHTCENTER, INC.
by PACIFIC RIM MARINE ENTERPRISES (CALIFORNIA), INC.
its agent:

By: 

Roy A. Takei
President & C.E.O
Pacific Rim Marine Enterprises, Inc.

SUBTENANT:

ONE AUSTRALIA AMERICA'S CUP TEAM 1995 PTY LIMITED

By: 

P.J. Morris, Chief Executive Officer
One Australia America's Cup Team 1995 Pty Limited

exh. A

OPTION

Knight & Carver Yachtcenter, Inc. offers to One Australia the first right of refusal for 90 days, provided this sublease is executed within fifteen (15) days from the date of this Sublease to acquire property designated in Exhibit ^A ~~Ø~~, defined as area for sail loft east of Building "A"; approximately 10,000 square feet. If this option is exercised, Sublease will be modified as follows:

R

(a) Lease Amount

Total value of Lease as contracted is \$US 245,000.

(b) Payment Agreement

Subtenant shall pay to Yachtcenter the agreed upon monthly rent of \$30,625.

Exercise of Option:

by:

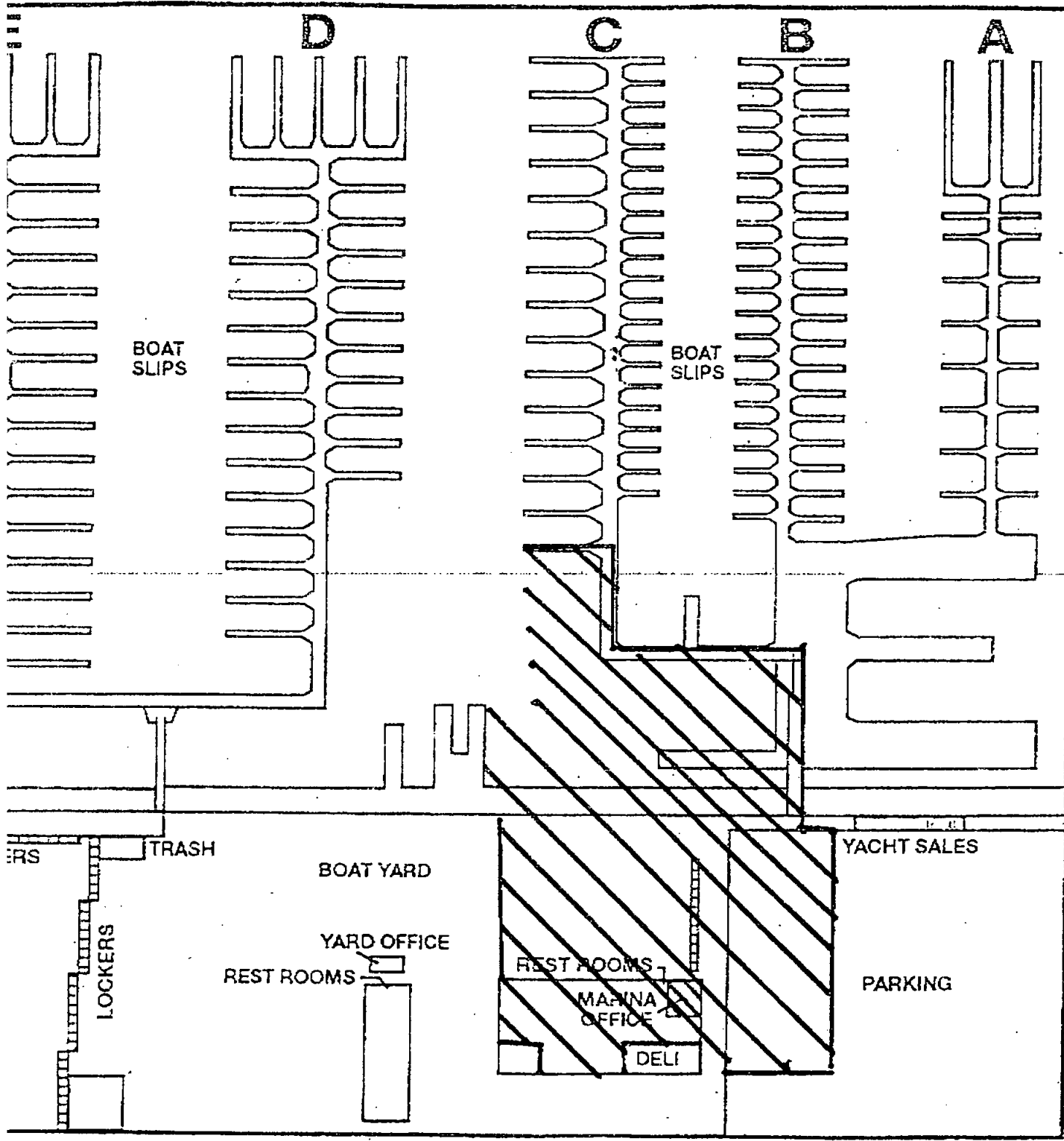
P. Morris

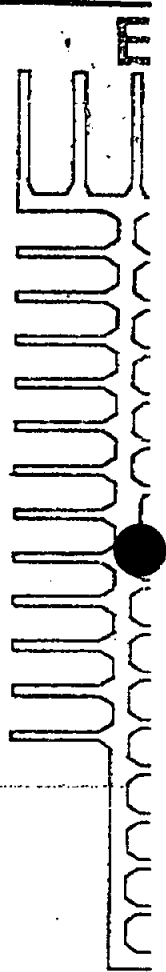
P.J. Morris, Chief Executive Officer
One Australia America's Cup Team 1995 Pty Limited

19 Jan 94

Date

Exhibit-A
One Australia





LOCKE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

Pacific Rim Marine Enterprises

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement between Knight & Carver Yachtcenter (SUBLESSOR) on behalf of the above LESSEE and

Dickson Yachting Ltd.

(SUBLESSEE) dated December 1, 1994. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions:

City's participation shall be eight-percent (8%) of the City approved net income from the rent received from the sublease of the premises and from any income not currently identified.

THE CITY OF SAN DIEGO

Dated 3/17/95

By Robert J. Collins
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 8/31/95

By [Signature]
Deputy

CEBK:rc-j

3/14/95

I:\1995\WPO\KODAMA\SL-PR.DL



SUBLEASE

This SUBLEASE ("Sublease") is made as of December 1, 1994 between Knight & Carver Yachtcenter, Inc., ("Yachtcenter"), by and through its agent Pacific Rim Marine Enterprises, Inc., ("PRME"), and Dickson Yachting Ltd. ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City"), as landlord, and Mission Bay Marina Associates, a limited partnership of which Coastal Marine Management, (DBA: Mission Bay Marina Associates), is a general partner, as tenant, signed that certain written Percentage Lease (the "Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease, certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease. Thereafter, on or about August 15, 1990, with the consent of the City, the Master Lease was assigned by Knight & Carver Yachtcenter

Inc. as successor of Mission Bay Marina, to Pacific Rim Marina Enterprises (California) Inc., a California corporation ("Pacific Rim"). Under the terms of transfer agreement, Pacific Rim became tenant of City and Yachtcenter became subtenant of Pacific Rim, pursuant to a Standard Industrial Lease-Net, dated July 21, 1990, including that certain addendum thereto. (the "Prime Sublease") This sublease shall terminate upon the first to occur of the following:

1. The end of the term of this Sublease.

2. Upon termination for any reason of the Master Lease between City and Pacific Rim, providing that Pacific Rim shall not voluntarily surrender the Master Lease, at anytime during term of Sublease.

3. Upon termination for any reason of the Prime Sublease between Pacific Rim and Yachtcenter, providing that Yachtcenter shall not voluntarily surrender the Prime Sublease at any time during term of Sublease.

4. Upon any default by Subtenant remaining uncured for 20 days after written notice thereof or upon any violation of conditions or provisions as provided in the terms of this sublease.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as the "Premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

A. This Sublease is subject to the provisions of the Master Lease and Prime Sublease. Yachtcenter represents and warrants that this Sublease does not violate any provision of the Master Lease or Prime Sublease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease or Prime Sublease. If the Master Lease or Prime Sublease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the Master Lease and the Prime Sublease.

B. Sublease shall be subject to approval by The City of San Diego, landlord. Without such approval, the parties shall be released from all liabilities and obligations under this sublease.

3. SUBLEASE OF THE PREMISES.

Yachtcenter Sublets to Subtenant and Subtenant sublets from Yachtcenter that certain space at Mission Bay Marina, which space consists of land and water and comprises approximately 9,000 square feet of land space, 8,000 square feet of City land on dirt strip south of Knight & Carver leasehold. ^① and approximately 120 linear feet of dock space, which space is delineated on the plan attached hereto as Exhibit "A", . The space shall hereinafter be

① and office space IN 1500 QUIVIRA BUILDING.

WY
CDD.

called the "Premises".

It is understood that Premises shall be used for the sole purpose of an America's Cup Sailing Challenge and subtenant's operations will in no way conflict, interfere or compete with operations by Yachtcenter or Pacific Rim.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process on December 1, 1994. Subtenant shall indemnify and hold harmless Yachtcenter, City, Pacific Rim and their principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition, unless the Subtenant shall have presented to Yachtcenter in writing prior to taking possession of the Premises a list of defects which such defects Yachtcenter shall make good as soon as reasonably practical thereafter. Immediately after the commencement date of the term of this Sublease, Subtenant may, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Term.

The term of this Sublease shall be for the period of December 1, 1994 through May 31, 1995. Subtenant's rent and other obligations are due and payable for the entire period, whether the Premises are occupied or not.

6. RENT.

(a) Lease Amount

Total value of lease as contracted is \$US 100,000.
(A breakdown for percent rent purposes).

(b) Payment Agreement

Subtenant shall pay to Yachtcenter the agreed upon monthly rent of \$16,667.00. Rent shall be due and payable on the first day of each month. Occupancy beyond Term shall be paid on a per diem basis. The per diem basis will be derived from the monthly rent of \$16,667.00.

(c) Upon execution of the Sublease, the Subtenant will be responsible for furnishing a \$16,667.00 security deposit plus the first month's rent. This deposit is fully refundable in the event that the approval of the City of San Diego as required by clause 2B is not secured within 60 days of the date of this Agreement. The deposit is not refundable if the Subtenant defaults on its obligations under this agreement and such default is not corrected within 20 days of Yachtcenter notifying the Subtenant of the default in writing. Yachtcenter shall notify the Subtenant of any default of any of the terms and conditions of this Sublease and

in the event Subtenant has not cured such default within twenty (20) days, or in the event such default requires more than twenty (20) days to cure, and Subtenant has failed to undertake reasonable steps to effect cure, only then in such events may Yachtcenter apply all or portion of said security deposit as may be necessary to cure said default. In the event Yachtcenter elects to use all or part of said security deposit for purposes of curing an event of default, Yachtcenter shall notify subtenant in writing immediately, and Subtenant shall replenish such deposit to the full \$16,667.00. The security deposit will be subject to refund upon inspection and approval, by Yachtcenter, of premises after Subtenant is completely moved out.

7. IMPROVEMENTS.

(a) Subtenant shall construct on the Premises no improvements or signage without the prior written consent of Yachtcenter and the City of San Diego provided that Yachtcenter shall obtain the consent of City and any required consent of Pacific Rim to any such improvements or signage contemplated by or constructed pursuant to a construction agreement acceptable to all parties.

8. REPAIRS AND MAINTENANCE.

(a) Yachtcenter's Responsibility.

Yachtcenter shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises. Subtenant hereby expressly waives the right to make repairs at the expense of Yachtcenter as provided for

in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws. Upon vacating the Premises, Subtenant shall remove all of Subtenants personal property not permanently affixed to the premises and at their cost, restore any alterations and restore any damage to the premises caused by such removal and redeliver the space in a "broom clean" condition that is acceptable by Yachtcenter. The leased area as described in exhibit-A, will be returned to landlord in a similar or better condition than when it was delivered. This will determine the refund of the \$16,667.00 security deposit.

9. USE OF THE PREMISES.

Subtenant shall operate an America's Cup Sailing Challenge within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease and Prime Sublease, and consent to this Sublease as granted by the City of San Diego. The intended use of the Premises is compatible

with the stated restrictions so far as Yachtcenter is currently aware. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Yachtcenter in the normal repair, maintenance, and commissioning of boats.

10. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Yachtcenter it's share of charges for any utilities which are not separately billed or metered to the Premises, but which are billed or metered for the entire area, including, but not limited to, water, gas and heat. Yachtcenter shall pay such utilities prior to delinquency.

11. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

If applicable, Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Yachtcenter, Subtenant shall furnish Yachtcenter and City with satisfactory evidence of such payments. If any taxes on Subtenant's personal property are levied against Yachtcenter or Yachtcenter's property and the assessed value of the Building is

increased by the inclusion of a value placed upon Subtenant's personal property, and if Yachtcenter pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Yachtcenter for the sum of such taxes and increased assessments levied against Yachtcenter. Yachtcenter shall have the right to pay such taxes regardless of the validity of the levy. Notwithstanding the foregoing, however, it is understood and agreed that for all purposes of this Section 11 (a) that "Subtenants personal property" shall in no case include any property, work or improvements constructed or installed pursuant to this Agreement, except as taxed during the use by Subtenant.

12. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Yachtcenter, City and Pacific Rim, from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees, except acts committed by Yachtcenter, its agents employees or invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Yachtcenter and City, against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One

Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with Yachtcenter and City and shall name Yachtcenter, City and Pacific Rim as additional insured. Said policy shall specify that the policy may not be terminated, canceled or substantially altered or altered in a form which would negatively effect Yachtcenter, City and Pacific Rim without prior written notice to Yachtcenter, City, and Pacific Rim by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Yachtcenter a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance, including, but not limited to Worker's Compensation, covering and insuring against risks which reasonably may be anticipated in a business such as the

one in which Subtenant is engaged.

13. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Yachtcenter, City and Pacific Rim. An assignment by operation of law shall automatically terminate this Sublease.

14. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental health and safety rules and regulations as set forth by local, State and Federal agencies and organizations applicable to Subtenant's use of the Premises. Subtenant shall indemnify Knight & Carver Yachtcenter Inc. and Pacific Rim Marine Enterprises (California) Inc. against any and all violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

15. PARKING.

(a) Subtenant, all of Subtenant's employees and Subtenants guests shall park on the Subtenant's leased area, dirt parking lot south of the Yachtcenter, or on the street outside the leased area.

16. RIGHT TO INSPECT FACILITY.

Yachtcenter reserves the right to inspect facility, throughout the term of this sublease, with 24 hour notice given to Subtenant. In case of emergency, Yachtcenter reserves the right to enter property immediately.

17. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE AND PRIME
SUBLEASE.

Subtenant shall conduct itself at all times so as not to violate any of the terms or provisions of the Master Lease or Prime Sublease as applicable to the use of the premises and such terms and provisions shall control as to Subtenant's use and shall remain in full force and effect for the entire term of this Sublease.

18. QUIET ENJOYMENT.

Notwithstanding any other provisions hereof, Yachtcenter covenants that Subtenant's use and enjoyment will not be disturbed during the term of this sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To PRME:	Mr. Roy Takei c/o Mission Bay Marina 1500 Quivira Way San Diego, CA 92109
To Yachtcenter:	Knight & Carver Yachtcenter, Inc. Meri P. Knight 1500 Quivira Way San Diego, CA 92109
To Subtenant:	Mr. Chris Dickson Dickson Yachting Ltd. Level 1, Pier 21 11 Westhaven Drive Auckland, New Zealand

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Yachtcenter and City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

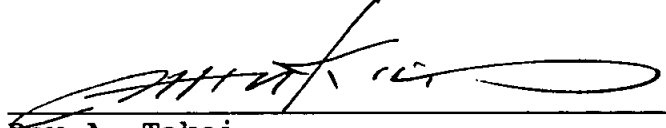
22. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

KNIGHT & CARVER YACHTCENTER, INC.
by PACIFIC RIM MARINE ENTERPRISES (CALIFORNIA), INC.
its agent:

By: 

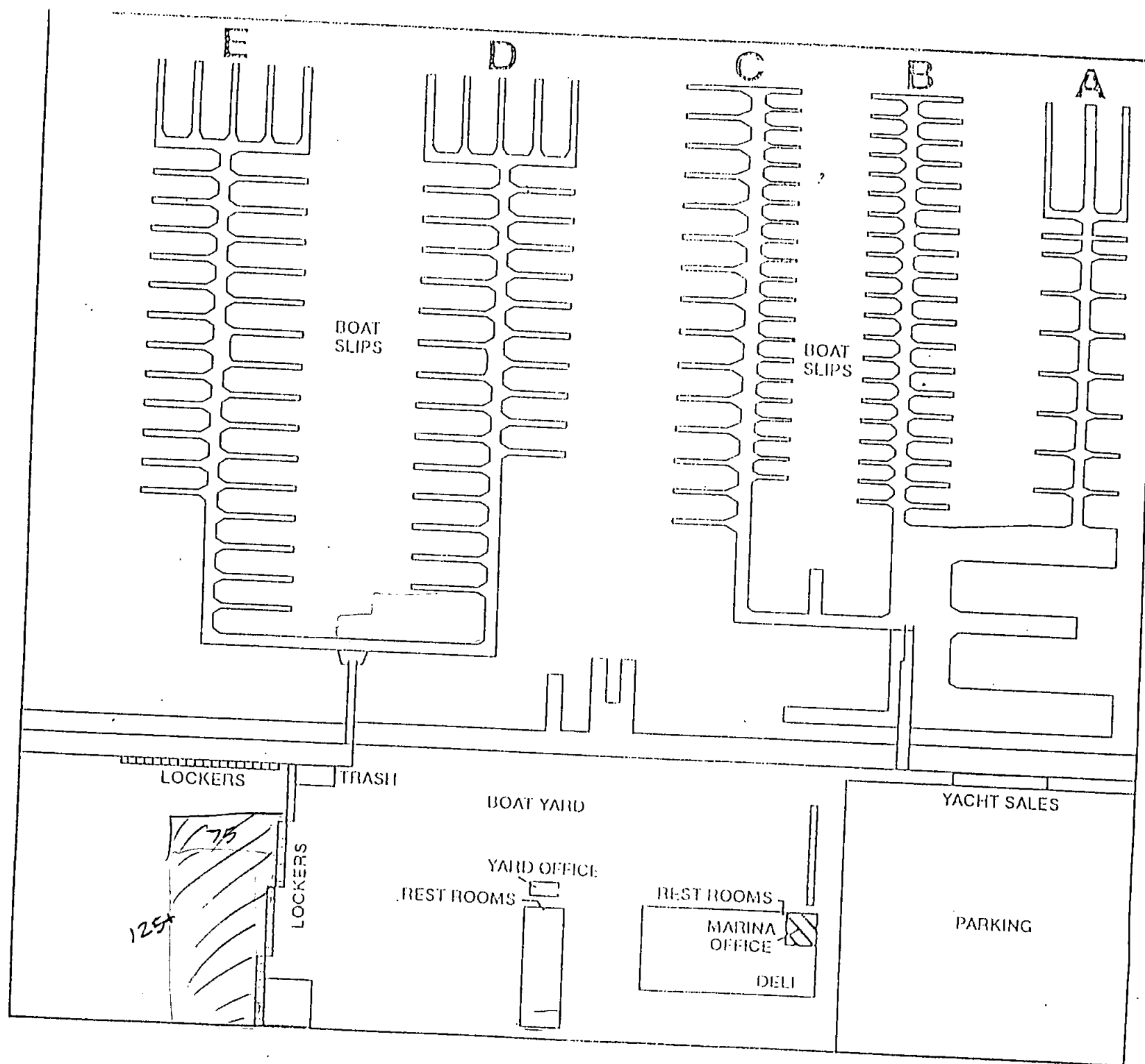
Roy A. Takei
President & C.E.O
Pacific Rim Marine Enterprises, Inc.

SUBTENANT:

DICKSON CHALLENGE LTD.

By: 

Christopher S. Dickson
Dickson Yachting Ltd.



125x75

CITY OF SAN DIEGO	
PROPERTY DEPT.	
☐	DIRECTOR
☐	DEPUTY MANAGER
☒	FILE COPY
☐	CHRON. COPY
☐	ORIGINATOR

January 2, 1992

File: Rising Sun Marine

Linda Klers, Operation Manager
Knight & Carver Yachtcenter
1500 Quivira Way
San Diego, CA 92109

Re: Consent to Sublease Agreement

Enclosed for your records is a fully City-executed
Consent to Sublease agreement with the Spirit of
Australia.

Cynthia E. Kodama, Property Agent
Property Management Division

CEBK:sb(1)

cc: John Leppert, Manager's Office
Mike Behan, Park & Rec.

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

RISING SUN MARINE ENTERPRISES, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 222988, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

NIPPON CHALLENGE, AMERICA'S CUP 1991

(SUBLESSEE) dated February 1, 1991. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions:

Percentage Rent Payable to City

	<u>Total Rent</u>	<u>Rent to City</u>	<u>Rent to Knight & Carver</u>
A. Land	\$363,000	\$33,000	\$330,000
B. Water/Dock .	\$ 65,000	\$12,000	\$ 53,000
C. Admin./Misc.	\$ 95,000	10% of remainder determined by City Auditor at expiration of lease.	
D. Parking Contribution	\$ 45,000	10% of remainder determined by City Auditor at expiration of lease.	

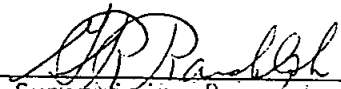
E. Boat Repairs & Accessories

.4% of any repairs or accessories performed or obtained from Knight & Carver by Nippon Challenge.

of lease.

THE CITY OF SAN DIEGO

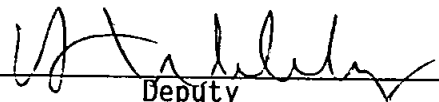
Dated 6-17-91

By 
Supervising Property Agent for
the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 6/11/91

By: 
Deputy

NRS:st-w(2)
6-10-91

SUBLEASE

This SUBLEASE ("Sublease") is made as of February 1, 1991 between Knight & Carver Yachtcenter, Inc., ("Marina"), and NIPPON Challenge, America's Cup, 1991 ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation "City", as landlord, and Marina, as tenant, signed that certain written Percentage Lease "Master Lease". The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease, certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease. Thereafter, on or about August 15, 1990, the Master Lease was assigned from Knight & Carver Yachtcenter Inc. to Rising Sun Marine Enterprises Inc., a California corporation. Under the terms of transfer agreement, Rising Sun Marine Enterprises Inc. became tenant of City of San Diego, and Knight & Carver Yachtcenter Inc. became subtenant of Rising Sun Marine Enterprises Inc. This sublease shall terminate upon the first to occur of the following:

1. The end of the term of this lease.
2. Upon termination, for any reason of the lease between the

City of San Diego and Rising Sun Marine Enterprises Inc.

3. Upon termination, for any reason of the lease between Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc.

4. Upon any uncured default by Subtenant.

5. Upon any violation of conditions or provisions as provided in the terms of this lease.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the covenants and conditions of the Master Lease.

Any reference to "City" in the Master Lease shall be deemed to be a reference to Marina and Rising Sun Marine Enterprises Inc. for the purposes of this Sublease and any reference to "Lessee" in the Master Lease shall be deemed to be a reference to Subtenant for the purposes of this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space consists of land and water and comprises approximately Forty-Five Thousand (45,000) square feet of land space and approximately 450 linear feet of dock space, which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises".

It is understood that Premises shall be used for the sole purpose of an America's Cup Sailing Challenge and subtenant's operations will in no way conflict, interfere or compete with operations by Knight & Carver Yachtcenter Inc. or Rising Sun Marine Enterprises Inc.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than February 1, 1991. Subtenant shall indemnify and hold harmless Marina, City, Rising Sun Marine Enterprises Inc. and their principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process.

Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Term.

The term of this Sublease shall be for the period of February 1, 1991 through July 1, 1992. Subtenant's rent and other obligations are due and payable for the entire period, whether the Premises are occupied or not. Subtenant to provide acceptable "Letter of Credit" to cover the full amount of lease.

6. RENT.

(a) Payment Agreement

Subtenant shall pay to Marina the agreed upon amounts as stated in "Payment Agreement", marked Exhibit "B" and incorporated herein by reference.

(b) Percentage Rent - City

In addition to the Rent set forth in Exhibit "B", Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, the amount determined by the Master Lease of the City of San Diego, as is applicable to

(i.e. 10% land rent, 22 1/2% boat slip rental, 4% boat repairs and accessories)

Ymk K.N.

percentage rents payments.

7. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements or signage without the prior written consent of Marina and the City of San Diego.

8. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws. Upon vacating the Premises, Subtenant shall, at their cost, restore the premises to Knight & Carver Yachtcenter Inc.'s acceptable standards, normal wear and tear excepted.

9. USE OF THE PREMISES.

Subtenant shall operate an America's Cup Sailing Challenge within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may

hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Knight & Carver Yachtcenter Inc. in the normal repair, maintenance, and commissioning of boats.

10. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges for any utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire Building, including, but not limited to, water, gas and heat, Marina shall pay such utilities prior to delinquency.

11. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

If applicable, Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with Satisfactory evidence of such payments. If any taxes on Subtenant's personal

property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina, or the portion of the taxes resulting from the increase in Marina's assessment, due to changes associated with relocating Bayliner Boats or the NIPPON Challenge, America's Cup, 1991. Marina shall have the right to pay such taxes regardless of the validity of the levy.

12. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Knight & Carver Yachtcenter Inc., the City of San Diego and Rising Sun Marine Enterprises Inc., from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed

with Marina and City of San Diego and shall name the City of San Diego, Knight & Carver Yachtcenter Inc. and Rising Sun Marine Enterprises Inc., as additional insureds. Said policy shall specify that the policy may not be terminated, canceled or substantially altered or altered in a form which would negatively effect Knight & Carver Yachtcenter Inc, City of San Diego and Rising Sun Marine Enterprises, Inc., without prior written notice to City, Knight & Carver Yachtcenter Inc., and Rising Sun Marine Enterprises Inc. by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance, including, but not limited to Worker's Compensation, covering and insuring against

risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

13. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Marina, City and Rising Sun Marine Enterprises Inc. An assignment by operation of Law shall automatically terminate this Sublease.

14. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental rules and regulations as set forth by local, State and Federal agencies and organizations. Subtenant shall indemnify Knight & Carver Yachtcenter Inc. and Rising Sun Marine Enterprises Inc. against any and all violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

15. PARKING.

Subtenant, all of Subtenant's employees and Subtenants guests shall park on the NIPPON Challenge America's Cup, 1991 leased area or on the street outside the leased area.

16. RIGHT TO INSPECT FACILITY.

Marina reserves the right to inspect facility, throughout the term of this sublease, with 24 hour notice given to Subtenant. In case of emergency, Marina reserves the right to enter property immediately.

17. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE.

~~Except as the provisions of the Master Lease are varied by~~

K.V. Jink

R.N. Jay
~~this Sublease, and except as the provisions of the Master Lease are~~
~~irrelevant to Subtenant,~~ All the provisions of the Master Lease
shall control as to Subtenant and shall remain in full force and
effect for the entire term of this Sublease.

18. AMENDMENT.

This Sublease may be amended only by a writing signed by
both parties.

19. NOTICES.

Any notice from one party to another shall be delivered either
personally or via United States mail, postage fully prepaid,
addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
Linda M. Klers
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises.

Any notice shall be deemed delivered at the time of
personal service or forty-eight (48) hours after the time of
deposit in the United States mail, as the case may be. In the
event that either party changes its address, the change of address
shall be communicated to the other party in the manner set forth in
this numbered paragraph.

20. ATTORNEY'S FEES.

Should it become necessary for City, Knight & Carver
Yachtcenter Inc. or Rising Sun Marine Enterprises Inc. to commence
legal proceedings to collect rent, to recover possession or enforce
any other problem of this Sublease, Subtenant shall pay all legal

costs in connection therewith, including a reasonable sum as attorney's fee's.

21. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

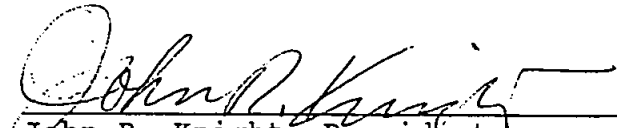
22. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

KNIGHT & CARVER YACHTCENTER, INC.

By:


John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

NIPPON CHALLENGE, AMERICA'S CUP, 1991

By:


Mr. Tatsumitsu Yamasaki, Chairman
Nippon Challenge, America's Cup, 1991



February 13, 1991

Mr. Kensaku Nomoto
Project Manager, NIPPON Challenge
San Diego, CA 92109

We submit the following payment schedule for your review:

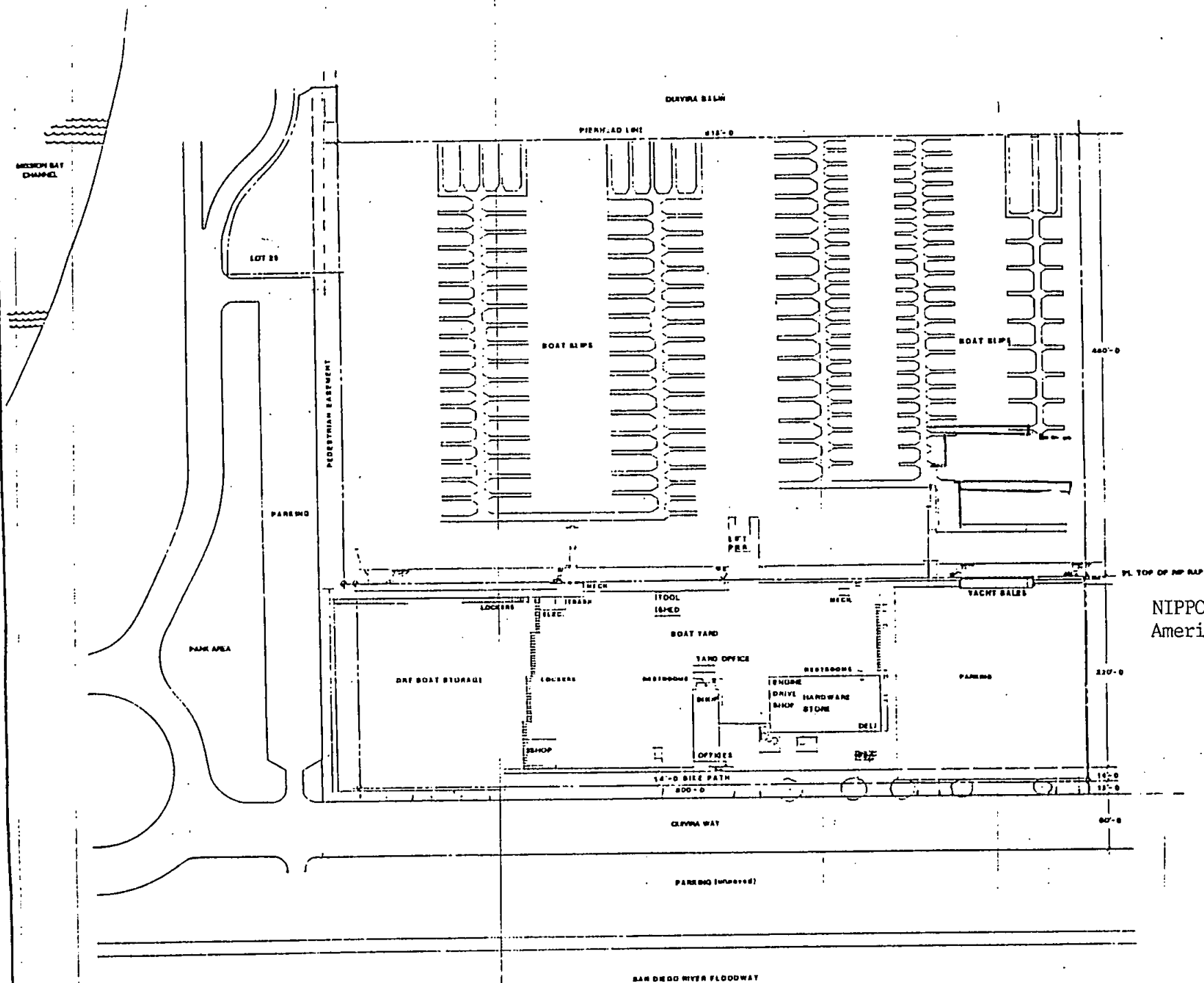
DATE DUE	ADMIN/ MISC	LAND/ % RENTS	WATER/ DOCKS	PARKING CONTRIB.	TOTAL
MARCH	\$7900	24200	4600		36700
APRIL	7900	24200	4600		36700
MAY	7900	24200	4600		36700
JUNE	7900	24200	4600	3750	40450
JULY	7900	24200	4600	3750	40450
AUGUST	7900	24200	4600	3750	40450
SEPTEMBER	7900	24200	4600	3750	40450
OCTOBER	7900	24200	4600	3750	40450
NOVEMBER	7900	24200	4600	3750	40450
DECEMBER	7900	24200	4600	3750	40450
JANUARY, 1992	7900	24200	4600	3750	40450
FEBRUARY	8100	24200	4600	3750	40650
MARCH		24200	4600	3750	32550
APRIL		24200	5200	3750	33150
MAY		24200		3750	27950
	95000	363000	65000	45000	568000
		33,000	12,000		

PAYMENTS ARE DUE AND PAYABLE ON THE FIRST OF EACH MONTH. IF PAYMENT IS NOT RECEIVED BY THE FIFTH OF THE MONTH, KNIGHT & CARVER YACHTCENTER INC. RETAINS THE RIGHT TO IMMEDIATELY DRAWN DOWN FUNDS FROM THE ESTABLISHED LINE OF CREDIT.

PAYMENTS MAY BE MADE BY WIRE TRANSFER, PROVIDING THE ABOVE SCHEDULE IS ADHERED TO. BANK INFORMATION REQUIRED FOR WIRING PROCESS WILL BE PROVIDED ON REQUEST.

Accepted: K. Nomoto Dated: 27th February 1991
Mr. Kensaku Nomoto
Accepted: Linda M. Klers Dated: February 27, 1991

EXHIBIT "B"



NIPPON Challenge
America's Cup, 1991

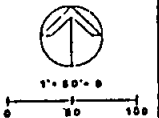


EXHIBIT "A"

CONSENT TO SUBLEASE AGREEMENT

File #
"LEGAL"

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

RISING SUN MARINE ENTERPRISES, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 222988, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

FRANCE CUP, INC.

(SUBLESSEE) dated April 1, 1991. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by an term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

Sublessee is prohibited from charging for admission to the Hospitality area located on City parkland. Sublessee may sell, with the exception of alcohol, souvenir merchandise in which case City shall be entitled to ten percent (10%) of the gross revenue generated by such sales.

Percentage Rent Payable to CITY

	<u>Monthly Total Rent</u>	<u>Monthly Rent to CITY</u>	<u>Monthly Rent to Knight & Carver</u>
A. Land	\$334,400	\$33,440	\$300,960
B. Water/Dock	\$ 42,000	\$ 9,450	\$ 32,550

THE CITY OF SAN DIEGO

Dated 10-18-91

By [Signature]
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 10/18/91

By [Signature]
Deputy

CEBK:jw(3)
10-17-91

CITY ATTORNEY

NON-DISTURBANCE AGREEMENT

AGREEMENT made as of May __, 1991 among the City of San Diego, hereinafter referred to as "LANDLORD", Knight & Carver Yacht Center, Inc., hereinafter referred to as "TENANT" and FRANCE CUP, INC., a Delaware corporation, hereinafter referred to as "SUBTENANT".

WHEREAS LANDLORD and Mission Bay Marina, a limited partnership ("Mission Bay"), entered into a Percentage Lease Agreement dated March 5, 1979 (the "Master Lease"), whereby LANDLORD leased certain premises located at 1500 Quivera Way, San Diego, California , together with the water areas adjacent thereto (the "Demised Premises");

WHEREAS the interest of Mission Bay in the Master Lease was assigned by TENANT, as successor interest to Mission Bay, to Rising Sun Marine Enterprises (California) Inc., a California corporation ("Rising Sun");

WHEREAS Rising Sun and TENANT have entered into a Sublease Agreement dated as of July 31, 1990, whereby Rising Sun has subleased the Demised Premises to TENANT;

WHEREAS TENANT has entered into a Sublease Agreement with SUBTENANT dated as of April 1, 1991 (the "Sublease Agreement"), whereby TENANT has subleased to SUBTENANT a portion of the Demised Premises;

WHEREAS the Sublease Agreement requires TENANT to obtain Non-Disturbance Agreements from LANDLORD and deliver such agreement to SUBTENANT;

NOW, THEREFORE in consideration of the covenants and agreements hereinafter contained, the parties do covenant and agree as follows:

1. LANDLORD covenants and agrees that, so long as SUBTENANT is in compliance with all of its obligations under the Sublease Agreement, SUBTENANT shall not be joined as a party defendant in any eviction or repossession action or proceeding which may be instituted or taken by LANDLORD, nor shall the SUBTENANT be evicted from the demised premises, or any of the SUBTENANT's rights under the Sublease Agreement be affected in any way, by reason of any default under the Master Lease except as hereinafter provided.

2. In the event any action is instituted by the LANDLORD to evict Rising Sun or TENANT or repossess the Demised Premises, SUBTENANT, after written notice to such effect from LANDLORD, shall promptly pay to LANDLORD all rent due and to become due under the Sublease Agreement.

3. It is a condition of this Agreement that SUBTENANT shall not at any time make any payment of advance rent or prepay rent to TENANT, other than to the extent specifically required by the Sublease Agreement, prior to the time when rent payments are due without the prior written consent of LANDLORD, it being understood that the rent is payable on the first day of each and every month in advance.

4. If LANDLORD shall have terminated the Master Lease, SUBTENANT shall attorn to LANDLORD and recognize it as the landlord under the Sublease Agreement and promptly execute and deliver an attornment agreement upon request of LANDLORD.

5. The covenants and agreements herein contained shall be deemed to be covenants running with the land and shall inure to the benefit of and be binding upon the successors in interest of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed
this agreement.

CITY OF SAN DIEGO

By: 
Name: _____
Title: Supervising Property Agent

KNIGHT & CARVER YACHT CENTER, INC.

By: _____
Name: _____
Title: _____

FRANCE CUP, INC.

By: _____
Name: _____
Title: _____

0431f

APPROVED as
to form by JOHN W. WITT, City Attorney

By: 
Deputy City Attorney



SUBLEASE

This SUBLEASE ("Sublease") is made as of April 1, 1991 between Knight & Carver Yachtcenter, Inc., ("Marina"), and France Cup, Inc., a Delaware Corporation ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City"), as landlord, and Mission Bay Marina, a limited partnership of which Coastal Marine Management, (DBA: Mission Bay Marina), is a general partner, as tenant, signed that certain written Percentage Lease (the "Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease, certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease. Thereafter, on or about August 15, 1990, with the consent of the City, the Master Lease was assigned by Knight & Carver Yachtcenter Inc. as successor of Mission Bay Marina, to

Rising Sun Marine Enterprises (California) Inc., a California corporation ("Rising Sun"). Under the terms of transfer agreement, Rising Sun became tenant of City and Marina became subtenant of Rising Sun, pursuant to a Standard Industrial Lease - Net, dated July 21, 1990, including that certain addendum thereto. (the "Prime Sublease") This sublease shall terminate upon the first to occur of the following:

1. The end of the term of this lease.
2. Upon termination for any reason of the Master Lease between City and Rising Sun, providing that Marina shall not voluntarily surrender the lease, at anytime during term of Sublease.
3. Upon termination for any reason of the Prime Sublease between Rising Sun and Marina, providing that Marina shall not voluntarily surrender the Prime Sublease at any time during term of Sublease.
4. Upon any default by Subtenant remaining uncured for 30 days after written notice thereof.
5. Upon any violation of conditions or provisions as provided in the terms of this lease remaining uncured for 30 days after written notice thereof.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibits "A" and "B" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibits "A" and "B" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease and Prime Sublease. Marina represents and warrants that this Sublease does not violate any provision of the Master Lease or Prime Sublease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease or Prime Sublease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the Master Lease and the Prime Sublease. Marina covenants and agrees to obtain, prior to July 31, 1991, the consent of the City and Rising Sun to this sublease and to use its best efforts to obtain and deliver a non-disturbance agreement in favor of Subtenant in a form reasonably satisfactory to Subtenant from each of City and Rising Sun, providing that so long as Subtenant is not in default of its obligations hereunder its tenancy will not be disturbed by the City or Rising Sun as the case may be.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space consists of land and water and comprises approximately 29,000

square feet of land space and approximately 300 linear feet of dock space, which space is delineated on the plan attached hereto as Exhibits "A" and Exhibit "B". The space shall hereinafter be called the "Premises".

It is understood that Premises shall be used for the sole purpose of an America's Cup Sailing Challenge and subtenant's operations will in no way conflict, interfere or compete with operations by Marina or Rising Sun.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than April 1, 1991. Subtenant shall indemnify and hold harmless Marina, City, Rising Sun and their principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process, but without prejudice to any claims which Subtenant may have against Marina arising under that certain Construction Management Agreement, as from time to time amended and relating to such improvements and fixturing (the "Construction Agreement"). Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant may, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Term.

The term of this Sublease shall be for the period of April 1, 1991 through May 31, 1992. Subtenant's rent and other obligations are due and payable for the entire period, whether the Premises are occupied or not. Subtenant shall provide an acceptable "Standby Letter of Credit", not later than May 30, 1991, to cover ten (10) month rental payments for "Land/Admin" each in the amount of \$24,600, as specified in Exhibit "C" annexed hereto.

6. RENT.

(a) Payment Agreement

Subtenant shall pay to Marina the agreed upon monthly amounts as stated in "Payment Agreement", marked Exhibit "C" and incorporated herein by reference.

(b) Percentage Rent - City

In addition to the Rent set forth in Exhibit "B", Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, the amount determined by the Master Lease or Prime Sublease, i.e. 10% land rent, 22 1/2% boat slip rental, 4% boat repairs and accessories) as is applicable to percentage rents payments.

7. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements or signage without the prior written consent of Marina and the City

or signage without the prior written consent of Marina and the City of San Diego provided that Marina shall obtain the consent of City and any required consent of Rising Sun to any such improvements or signage contemplated by or constructed pursuant to the Construction Agreement.

8. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws. Upon vacating the Premises, Subtenant shall remove all of Subtenants personal property not permanently affixed to the premises and at their cost, restore any damage to the premises caused by such removal and redeliver the space in a "broom clean" condition.

9. USE OF THE PREMISES.

Subtenant shall operate an America's Cup Sailing Challenge within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and

the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease and Prime Sublease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Marina in the normal repair, maintenance, and commissioning of boats.

10. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges for any utilities which are not separately billed or metered to the Premises, but which are billed or metered for the entire area, including, but not limited to, water, gas and heat. Marina shall pay such utilities prior to delinquency.

11. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

If applicable, Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with satisfactory

evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon Subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina. Marina shall have the right to pay such taxes regardless of the validity of the levy. Notwithstanding the foregoing, however, it is understood and agreed that for all purposes of this Section 11 (a) that "Subtenants personal property" shall in no case include any property, work or improvements constructed or installed pursuant to the Construction Agreement, except as taxed during the use by Subtenant.

12. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Marina, City and Rising Sun, from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City, against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations

insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with Marina and City and shall name Marina, City and Rising Sun as additional insureds. Said policy shall specify that the policy may not be terminated, canceled or substantially altered or altered in a form which would negatively effect Marina, City and Rising Sun without prior written notice to Marina, City, and Rising Sun by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance, including, but not limited to Worker's Compensation, covering and insuring against risks which reasonably may be anticipated in a business such as the

one in which Subtenant is engaged.

13. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Marina, City and Rising Sun. An assignment by operation of law shall automatically terminate this Sublease.

14. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental rules and regulations as set forth by local, State and Federal agencies and organizations applicable to Subtenant's use of the Premises. Subtenant shall indemnify Knight & Carver Yachtcenter Inc. and Rising Sun Marine Enterprises Inc. against any and all violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

15. PARKING.

(a) Subtenant, all of Subtenant's employees and Subtenants guests shall park on the Subtenant's leased area or on the street outside the leased area.

(b) On or about December 15, 1991 (the "Hospitality Area Delivery Date"), Marina shall sublease to Subtenant, from space theretofore leased by Marina from City, approximately 20,000 square feet of space located in the parking area adjacent to the premises and identified as the cross-hatched area on Exhibit A annexed hereto, as said space may hereafter be more specifically designated by Subtenant (the "Hospitality Area"). The Hospitality Area shall

be delivered to Subtenant on such date cleared of all vehicles, stored materials and debris and shall be in "broom clean" condition. Prior to such delivery, Marina shall secure any and all licenses, leases, permits, consents and approvals (the "Approvals") from all city, state and federal and other governmental authorities as may be necessary or appropriate to allow Marina to validly lease from City and sublease to Subtenant the Hospitality Area and to permit Subtenant to use same for the purpose of establishing a greeting area and erecting hospitality tents and conducting related activities. Commencing on the Hospitality Area Delivery Date, Subtenant shall pay to Marina a rent in respect of the Hospitality Area equal to \$0.35 per square foot per month. Upon request, Subtenant shall reimburse Marina for its reasonable costs incurred in obtaining Approvals.

16. RIGHT TO INSPECT FACILITY.

Marina reserves the right to inspect facility, throughout the term of this sublease, with 24 hour notice given to Subtenant. In case of emergency, Marina reserves the right to enter property immediately.

17. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE AND PRIME SUBLEASE.

Subtenant shall conduct itself at all times so as not to violate any of the terms or provisions of the Master Lease or Prime Sublease as applicable to the use of the premises and such terms and provisions shall control as to Subtenant's use and shall remain in full force and effect for the entire term of this Sublease.

18. QUIET ENJOYMENT.

Notwithstanding any other provisions hereof, Landlord covenants that Subtenant's use and enjoyment will not be disturbed during the term of this sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

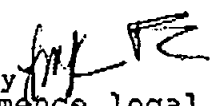
Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
Linda M. Klers
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises, with a copy to:
Boyle, Vogeler & Halmes
1270 Avenue of the Americas
New York, New York 10020
Attention: Francois Chateau, Esq.

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Marina, and City  to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs

in connection therewith, including a reasonable sum as attorney's fee's.

22. HEADINGS AND CAPTIONS.

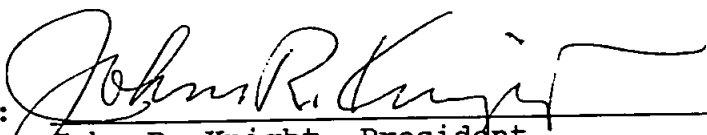
The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

KNIGHT & CARVER YACHTCENTER, INC.

By: 
John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

FRANCE CUP, INC.

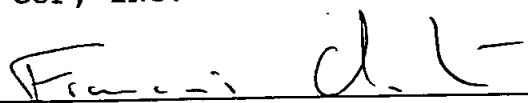
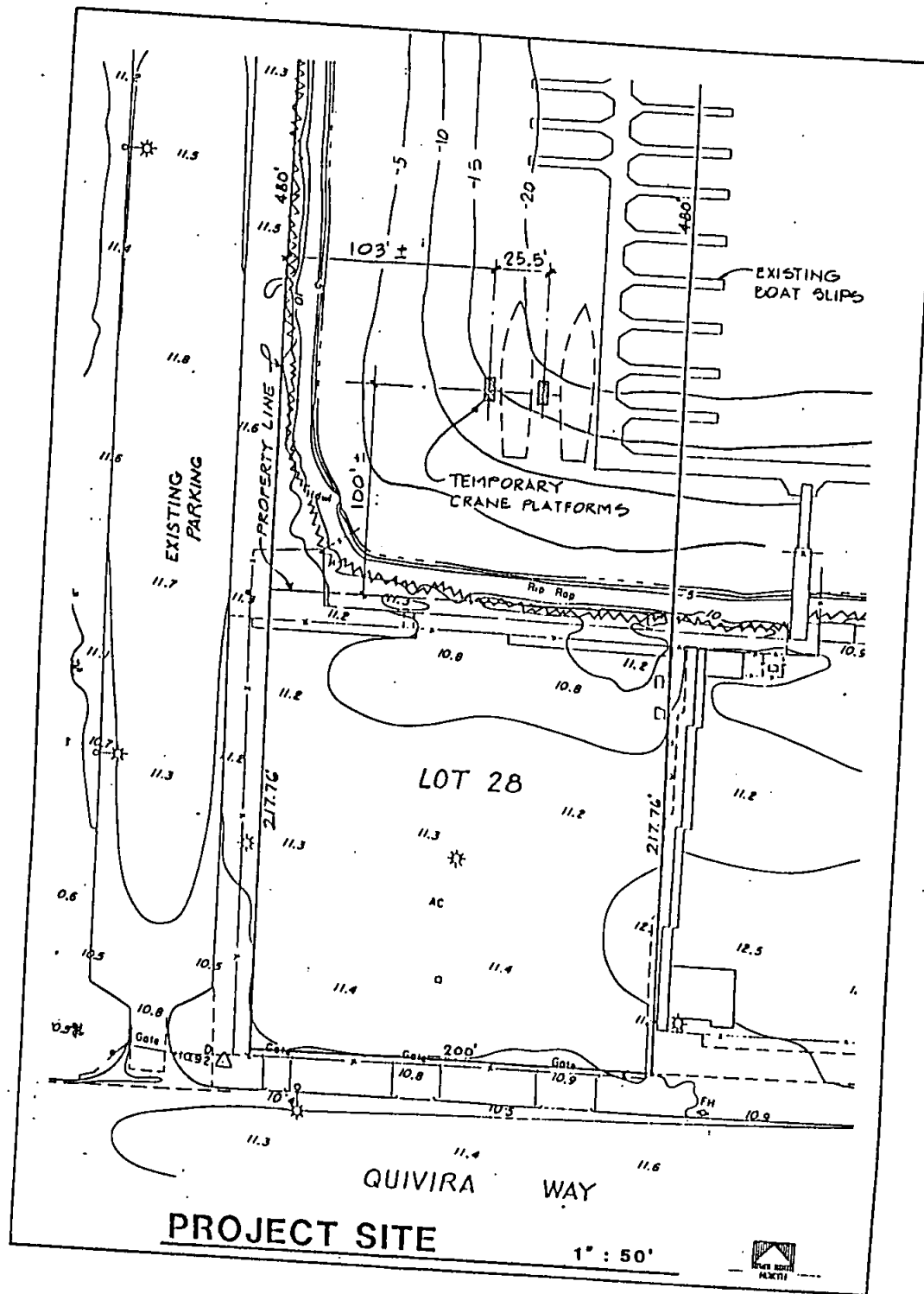
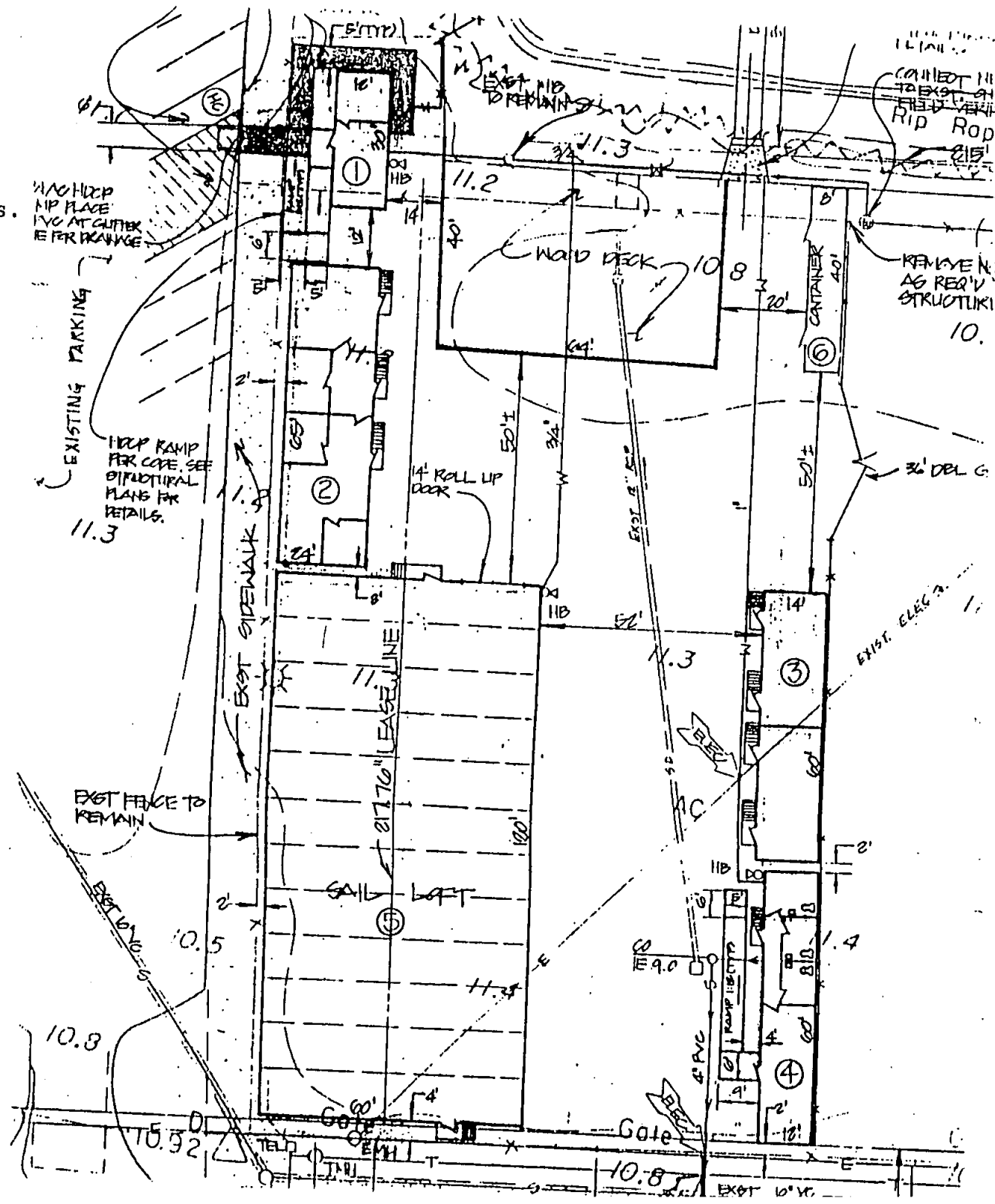
By: 
Mr. Francois Chateau, Secretary

EXHIBIT (B)

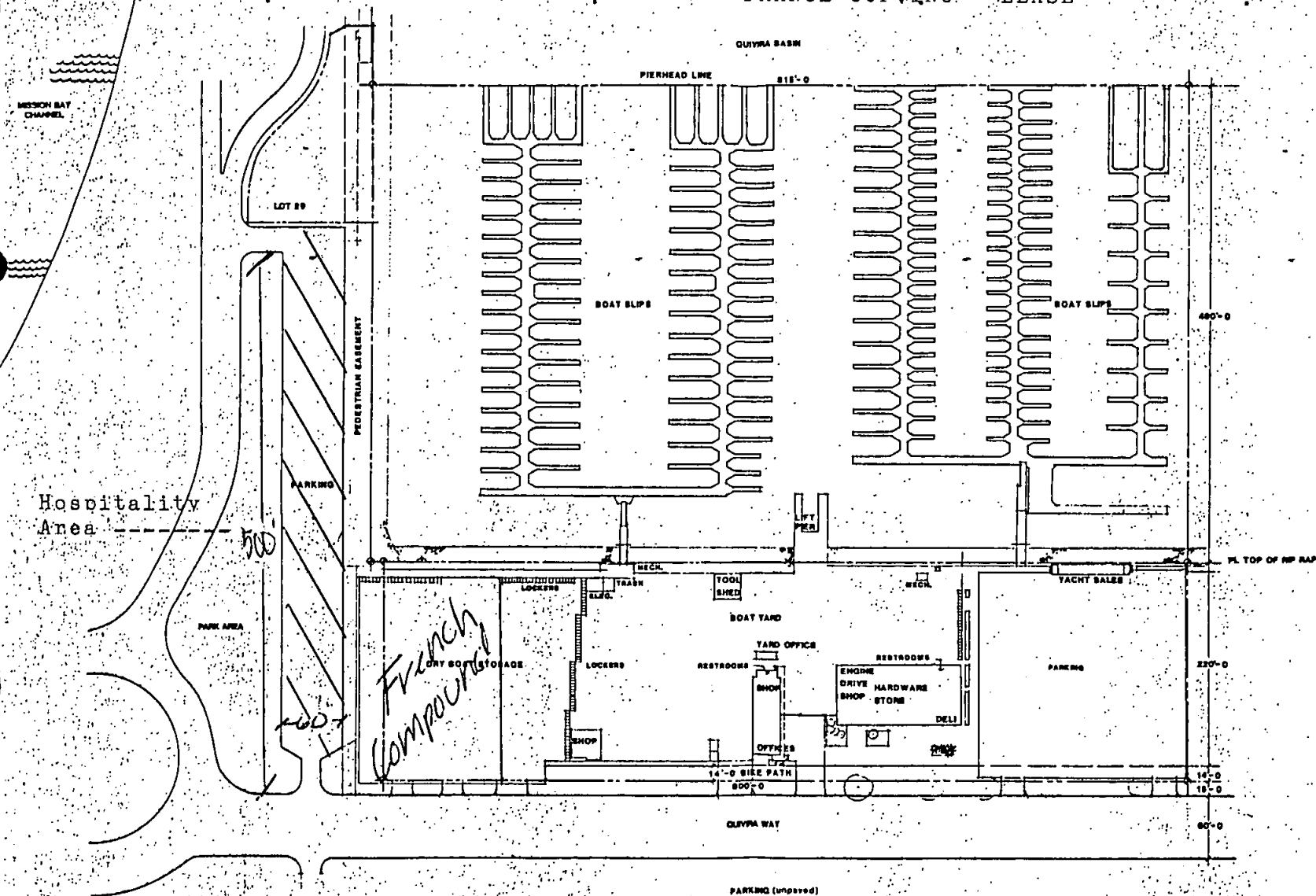
Water side
improvements.



Land side
improvements.



REFERENCE: FRANCE CUP, INC. - LEASE



Job No.
 Check of
 Approved
 Issue Date

Revisions
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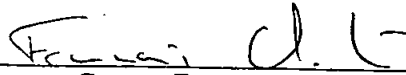
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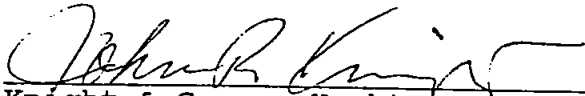
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 IMP
 PL/
 MISSIO
 BAY
 MARINA

Page 2
EXHIBIT "C"

If these terms and conditions are acceptable, please indicate by your signature.

Accepted: 
France Cup, Inc.
By:
Mr. Francois Chateau, Secretary

Dated: May 8, 1991

Accepted: 
Knight & Carver Yachtcenter Inc.
Mr. John R. Knight
President

Dated: May 9, 1991

Rising Sun Marine, Ent.
"Legal side"

NON-DISTURBANCE AGREEMENT

AGREEMENT made as of May __, 1991 among the City of San Diego, hereinafter referred to as "LANDLORD", Knight & Carver Yacht Center, Inc., hereinafter referred to as "TENANT" and FRANCE CUP, INC., a Delaware corporation, hereinafter referred to as "SUBTENANT".

WHEREAS LANDLORD and Mission Bay Marina, a limited partnership ("Mission Bay"), entered into a Percentage Lease Agreement dated March 5, 1979 (the "Master Lease"), whereby LANDLORD leased certain premises located at 1500 Quivera Way, San Diego, California , together with the water areas adjacent thereto (the "Demised Premises");

WHEREAS the interest of Mission Bay in the Master Lease was assigned by TENANT, as successor interest to Mission Bay, to Rising Sun Marine Enterprises (California) Inc., a California corporation ("Rising Sun");

WHEREAS Rising Sun and TENANT have entered into a Sublease Agreement dated as of July 31, 1990, whereby Rising Sun has subleased the Demised Premises to TENANT;

WHEREAS TENANT has entered into a Sublease Agreement with SUBTENANT dated as of April 1, 1991 (the "Sublease Agreement"), whereby TENANT has subleased to SUBTENANT a portion of the Demised Premises;

WHEREAS the Sublease Agreement requires TENANT to obtain Non-Disturbance Agreements from LANDLORD and deliver such agreement to SUBTENANT;

NOW, THEREFORE in consideration of the covenants and agreements hereinafter contained, the parties do covenant and agree as follows:

1. LANDLORD covenants and agrees that, so long as SUBTENANT is in compliance with all of its obligations under the Sublease Agreement, SUBTENANT shall not be joined as a party defendant in any eviction or repossession action or proceeding which may be instituted or taken by LANDLORD, nor shall the SUBTENANT be evicted from the demised premises, or any of the SUBTENANT's rights under the Sublease Agreement be affected in any way, by reason of any default under the Master Lease except as hereinafter provided.

2. In the event any action is instituted by the LANDLORD to evict Rising Sun or TENANT or repossess the Demised Premises, SUBTENANT, after written notice to such effect from LANDLORD, shall promptly pay to LANDLORD all rent due and to become due under the Sublease Agreement.

3. It is a condition of this Agreement that SUBTENANT shall not at any time make any payment of advance rent or prepay rent to TENANT, other than to the extent specifically required by the Sublease Agreement, prior to the time when rent payments are due without the prior written consent of LANDLORD, it being understood that the rent is payable on the first day of each and every month in advance.

4. If LANDLORD shall have terminated the Master Lease, SUBTENANT shall attorn to LANDLORD and recognize it as the landlord under the Sublease Agreement and promptly execute and deliver an attornment agreement upon request of LANDLORD.

5. The covenants and agreements herein contained shall be deemed to be covenants running with the land and shall inure to the benefit of and be binding upon the successors in interest of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed
this agreement.

CITY OF SAN DIEGO

By: *[Signature]*

Name:

Title: *Supervising Property Agent*

KNIGHT & CARVER YACHT CENTER, INC.

By: *[Signature]*

Name:

Title: *President*

FRANCE CUP, INC.

By: *[Signature]*

Name:

Title: *Rene MARQUEZE*
Operations Manager

0431f

APPROVED as
to form by JOHN W. WITT, City Attorney

By: *[Signature]*

Deputy City Attorney

File Rising Sun Marine
"Legal"

CITY OF SAN DIEGO

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

Rising Sun Marine Inc.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement on behalf of the above LESSEE and

Spirit of Australia

(SUBLESSEE) dated November 1, 1991. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions:

None

THE CITY OF SAN DIEGO

Dated 12/24/91

By 
C. V. Svensson, Supervising
Property Agent

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 1/2/92

By 
Deputy

CEBK:sb
12/24/91



SUBLEASE

This SUBLEASE ("Sublease") is made as of November 1, 1991 between Knight & Carver Yachtcenter, Inc., ("Marina"), and Spirit of Australia ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City"), as landlord, and Mission Bay Marina, a limited partnership of which Coastal Marine Management, (DEA: Mission Bay Marina), is a general partner, as tenant, signed that certain written Percentage Lease (the "Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease, certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease. Thereafter, on or about August 15, 1990, with the consent of the City, the Master Lease was assigned by Knight & Carver Yachtcenter Inc. as successor of Mission Bay Marina, to Rising Sun Marine Enterprises (California) Inc., a California

corporation ("Rising Sun"). Under the terms of transfer agreement, Rising Sun became tenant of City and Marina became subtenant of Rising Sun, pursuant to a Standard Industrial Lease - Net, dated July 21, 1990, including that certain addendum thereto. (the "Prime Sublease") This sublease shall terminate upon the first to occur of the following:

1. The end of the term of this lease.
2. Upon termination for any reason of the Master Lease between City and Rising Sun, providing that Marina shall not voluntarily surrender the lease, at anytime during term of Sublease.
3. Upon termination for any reason of the Prime Sublease between Rising Sun and Marina, providing that Marina shall not voluntarily surrender the Prime Sublease at any time during term of Sublease.
4. Upon any default by Subtenant remaining uncured for 30 days after written notice thereof.
5. Upon any violation of conditions or provisions as provided in the terms of this lease remaining uncured for 30 days after written notice thereof.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease and Prime Sublease. Marina represents and warrants that this Sublease does not violate any provision of the Master Lease or Prime Sublease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease or Prime Sublease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the Master Lease and the Prime Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space consists of land and water and comprises approximately 8,000 square feet of land space and approximately 150 linear feet of dock space, which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises".

It is understood that Premises shall be used for the sole purpose of an America's Cup Sailing Challenge and subtenant's operations will in no way conflict, interfere or compete with

operations by Marina or Rising Sun.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than November 1, 1991. Subtenant shall indemnify and hold harmless Marina, City, Rising Sun and their principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant may, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Term.

The term of this Sublease shall be for the period of November 1, 1991 through May 31, 1992. Subtenant's rent and other obligations are due and payable for the entire period, whether the Premises are occupied or not.

6. RENT.

(a) Payment Agreement

Subtenant shall pay to Marina the agreed upon monthly amount of \$25,714.28.

(b) Percentage Rent - City

In addition to the Rent set forth above, if applicable, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, the amount determined by the Master Lease or Prime Sublease, i.e. 10% land rent, 22 1/2% boat slip rental, 4% boat repairs and accessories) as is applicable to percentage rents payments.

7. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements or signage without the prior written consent of Marina and the City of San Diego provided that Marina shall obtain the consent of City and any required consent of Rising Sun to any such improvements or signage contemplated by or constructed pursuant to the Construction Agreement.

8. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in

accordance with all applicable laws. Upon vacating the Premises, Subtenant shall remove all of Subtenants personal property not permanently affixed to the premises and at their cost, restore any damage to the premises caused by such removal and redeliver the space in a "broom clean" condition that is acceptable by Marina.

9. USE OF THE PREMISES.

Subtenant shall operate an America's Cup Sailing Challenge within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease and Prime Sublease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Marina in the normal repair, maintenance, and commissioning of boats.

10. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges for any utilities which are not separately billed or metered to the Premises, but which are billed or metered for the entire area,

including, but not limited to, water, gas and heat. Marina shall pay such utilities prior to delinquency.

11. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

If applicable, Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with satisfactory evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon Subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina. Marina shall have the right to pay such taxes regardless of the validity of the levy. Notwithstanding the foregoing, however, it is understood and agreed that for all purposes of this Section 11 (a) that "Subtenants personal property" shall in no case include any property, work or improvements constructed or installed pursuant to the Construction Agreement, except as taxed during the use by Subtenant.

12. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and

save harmless Marina, City and Rising Sun, from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City, against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with Marina and City and shall name Marina, City and Rising Sun as additional insureds. Said policy shall specify that the policy may not be terminated, canceled or substantially altered or altered in a form which would negatively effect Marina, City and Rising Sun without prior written notice to Marina, City, and Rising Sun by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or

policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance, including, but not limited to Worker's Compensation, covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

13. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Marina, City and Rising Sun. An assignment by operation of law shall automatically terminate this Sublease.

14. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental rules and regulations as set forth by local, State and Federal agencies and organizations applicable to Subtenant's use of the Premises. Subtenant shall indemnify Knight & Carver Yachtcenter Inc. and Rising Sun Marine Enterprises Inc. against any and all violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

15. PARKING.

(a) Subtenant, all of Subtenant's employees and Subtenants guests shall park on the Subtenant's leased area or on the street outside the leased area.

16. RIGHT TO INSPECT FACILITY.

Marina reserves the right to inspect facility, throughout the term of this sublease, with 24 hour notice given to Subtenant. In case of emergency, Marina reserves the right to enter property immediately.

17. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE AND PRIME SUBLEASE.

Subtenant shall conduct itself at all times so as not to violate any of the terms or provisions of the Master Lease or Prime Sublease as applicable to the use of the premises and such terms and provisions shall control as to Subtenant's use and shall remain in full force and effect for the entire term of this Sublease.

18. QUIET ENJOYMENT.

Notwithstanding any other provisions hereof, Landlord covenants that Subtenant's use and enjoyment will not be disturbed during the term of this sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
Linda M. Klers
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises
Attention: David Kellet

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Marina and City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

22. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

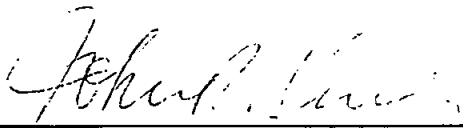
23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

KNIGHT & CARVER YACHTCENTER, INC.

By: _____


John R. Knight, President
Knight & Carver Yachtcenter, Inc.

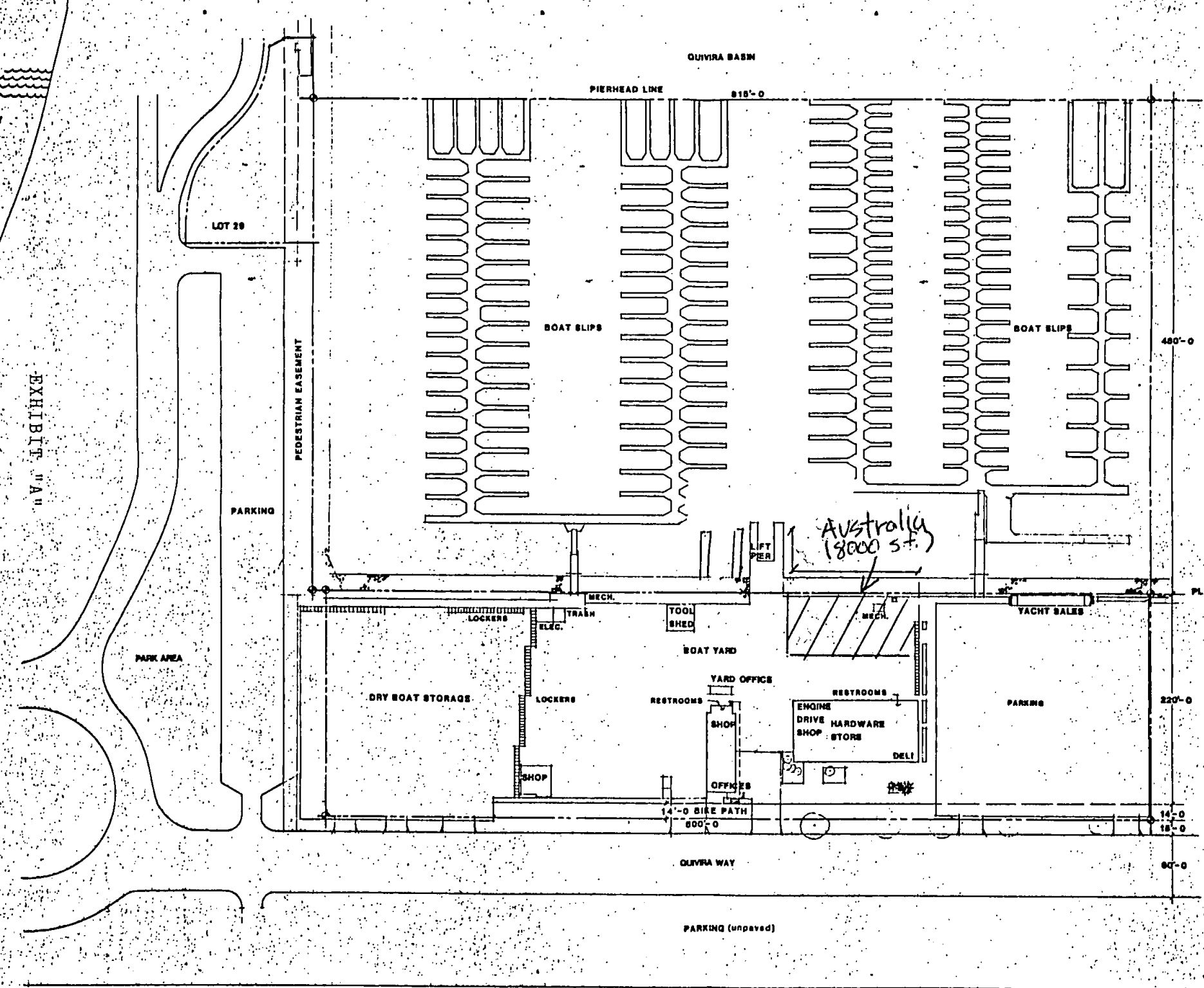
SUBTENANT:

SPIRIT OF AUSTRALIA

By: _____


David Kellet
Spirit of Australia

EXHIBIT "A"



PARKING (unpaved)

CITY OF SAN DIEGO

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

Rising Sun Marine Enterprises

(LESSEE) and filed in the Office of the City Clerk as Document 76604, hereby consents to that certain Sublease Agreement between Knight and Carver Yachtcenter (SUBLESSOR) on behalf of the above LESSEE and

Sundance Marine Inc.

(SUBLESSEE) dated November 1, 1990. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions:

Since the premises are part of a dedicated park and the property can only be used for park purposes, it is understood and agreed that Sundance Marine Inc., shall not use the lease-hold office space for any business off the leased premises.

THE CITY OF SAN DIEGO

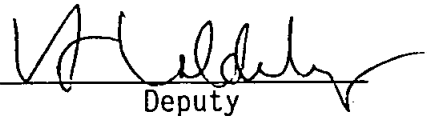
Dated 2-5-91

By 
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 2/6/91

By 
Deputy

CEBK:sb
02/4/91

SUBLEASE

This SUBLEASE ("Sublease") is made as of November 1, 1990 between KNIGHT & CARVER YACHTCENTER INC., "Marina", and SUNDANCE MARINE INC., commonly known as San Diego Sea Ray, ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation, "City", as landlord, and Marina, as tenant, signed that certain written Percentage Lease ("Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease. Thereafter, on or about August 15, 1990, the Master Lease was assigned from Knight & Carver Yachtcenter, Inc. to Rising Sun Marine Enterprises Inc., a California corporation. Under the terms of transfer agreement, Rising Sun Marine Enterprises Inc. became tenant of City of San Diego, and Knight & Carver Yachtcenter Inc. became subtenant of Rising Sun Marine Enterprises Inc. This sublease shall terminate upon the first to occur of the following:

1. The end of the term of this lease.

2. Upon termination for any reason of the lease between the City of San Diego and Rising Sun Marine Enterprises Inc.

3. Upon termination, for any reason of the lease between Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc.

4. Upon any uncured default by Subtenant.

5. Upon any violation of conditions or provisions as provided by in the terms of this lease.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way, designated as "the Premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Type of Sublease.

This Sublease is what is commonly called a "Net, Net Lease". Subtenant's net, net expenses shall be a prorata share of total facility expenses, (all expenses less property taxes). Tenant shall have access to documentation of actual expenses as they relate.

(d) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master

Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the covenants and conditions of the Master Lease. Any reference to "City" in the Master Lease shall be deemed to be a reference to Marina and Rising Sun Marine Enterprises Inc. for the purposes of this Sublease and any reference to "Lessee" in the Master Lease shall be deemed to be a reference to Subtenant for the purposes of this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space which consists of land and water and comprises approximately Thirteen Thousand, Six Hundred and Seventy-Five (13,675) square feet of land space and 380 lineal feet of dock space, which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises". The Premises shall include, but not necessarily be limited to, the structural improvements constituting the space and any and all interior improvements within the space including carpeting, fixtures, wall coverings, and all other interior items delivered to Subtenant by Marina at the time of Subtenant's initial occupancy of the Premises.

It is understood that Premises shall be used for the sole

purpose of new boat sales, brokerage boat sales and repair of Sundance Marine Inc. dealership boats and subtenant's operations will in no way conflict, interfere or compete with operations by Knight & Carver Yachtcenter Inc. or Rising Sun Marine Enterprises Inc.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than November 1, 1990. Subtenant shall indemnify and hold harmless Marina, Rising Sun Marine Enterprises Inc. and their principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process.

On the commencement date of the term of this Sublease, the Premises shall be in good condition. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Initial Term.

The initial term ("Initial Term") of this Sublease shall be for a period of five (5) years. The initial term shall

expire at 11:59 p.m. Pacific Standard Time on the date five (5) years after the commencement date.

(b) Commencement Date.

When the actual commencement date of the Initial Term is determined, the parties shall execute a memorandum setting forth the actual date of commencement of the Initial Term in the form and content of the memorandum attached hereto, marked Exhibit "B" and incorporated herein by reference.

(c) Option to Extend.

Subtenant is granted the option to extend the Initial Term on all the provisions and conditions of this sublease for one (1) successive period of five (5) years immediately following termination of the Initial Term provided that Subtenant shall have given to Marina written notice of Subtenant's exercise of the option to extend at least ninety (90) days but not more than one hundred eighty (180) days prior to the expiration of the Initial Term, and provided further that there shall be no uncured default of any of the Subtenant's obligations or no Unlawful Detainer for Failure to Pay have been filed in the Initial Term of this Sublease at the time of Marina's Receipt.

6. RENT.

(a) Monthly Rent.

Subtenant shall pay to Marina, in advance, on the first (1st) day of each and every calendar month during the term of this Sublease, beginning on the first (1st) day of the first (1st) full calendar month of the Initial Term, the sum of \$12,000.00 per

month (the "Monthly Rent"). During the initial move in schedule, beginning October 1, 1990, Subtenant will be charged on an actual space used basis, after such move has been completed, Subtenant shall pay the full Monthly Rent to Marina without deduction, set off, prior notice, or demand. Additionally, Subtenant has requested certain tenant improvements. Those improvements will be paid for by Subtenant and will be made a part of this lease. See Addendum "A", attached, and made part hereof by reference. Monthly costs for these improvements are calculated in Addendum "A", and it is agreed between parties that these costs are in addition to base monthly rent and are due and payable at the same time as the base monthly rent.

(b) Percentage Rent - City

In addition to the Monthly Rent set forth in subparagraph (a) above, and subject to increases issued by the City in accordance with the Master Lease, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, a sum of money equal to:

(i) One half of one percent of gross revenue (as hereinafter defined) from Sale of New Boats or Used Boats in which Subtenant is owner.

(ii) Five percent of lessee's retained commissions from the sale of brokerage or consigned boats, and

(iii) Four percent of income from repair, painting

of boats, repair of motors, sale of boat and motor parts, accessories and marine hardware.

(iiii) See Master Lease from City of San Diego to determine other areas applicable to percentage rent payments.

Subtenant shall keep accurate and complete records in a manner and in a form satisfactory to Marina from which Marina can at all reasonable times determine the nature and amount of revenue subject to Percentage Rent. Subtenant's books and records shall show all transactions relative to the conduct of Subtenant's business, and such transactions shall be supported by documents of original entry, including, but not limited to, sales slips, cash register tapes, purchase invoices, and tickets issued, or other means satisfactory to Marina. Together with each payment of Percentage Rent, Subtenant shall deliver to Marina in a written statement as to the source of the receipts showing all gross revenue of the preceding calendar month together with the amount payable to Marina as set forth above. Each monthly written statement shall be signed and certified to be correct by Subtenant or its authorized representative, and if Subtenant is or becomes a corporation, the written monthly statements shall be signed and certified to be correct by an officer of Subtenant. Subtenant shall also furnish to Marina copies of Subtenant's quarterly California sales and use tax returns at the time each is filed with the State of California. After the end of each twelve (12) month period after the commencement date of the term of this Sublease, Subtenant shall cause an audit of the business conducted on the

Premises to be made by a certified public accountant. The audit shall be conducted at Subtenant's sole cost and expense. Within sixty (60) days after the end of each such year, Subtenant shall, at Subtenant's sole cost and expense, deliver to Marina a copy of the written audit. In the event that the audit discloses that the Percentage Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Percentage Rent, then Subtenant shall pay to Marina ten percent (10%) of the amount by which the Percentage Rent was underpaid in addition to the unpaid Percentage Rent so shown to be due to Marina as compensation to Marina for administrative costs, loss of interest, and other charges and damages.

(c) Delinquent Rent.

The monthly Rent is due and payable on the first (1st) day of each calendar month. The Percentage Rent is due and payable on the fifteenth (15th) day of each calendar month immediately after the calendar month in which the relevant revenue is received by Subtenant. In the event that Marina does not receive in its office the full payment of the Monthly Rent from Subtenant at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full payment of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Marina shall have the right to terminate this Sublease or otherwise exercise any of the rights of a landlord available to Marina at law or in equity. In the event that Marina does not receive in its office the full amount of the Monthly Rent at or

before 5:00 p.m. on the fourth (4th) day of any calendar month or the full amount of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Subtenant shall be able to cure its delinquency only upon the payment of the full amount of the delinquent Monthly Rent or Percentage Rent, as the case may be, plus a sum equal to ten percent (10%) of the Monthly Rent or Percentage Rent for each month that the Monthly Rent or Percentage Rent is delinquent commencing on the first (1st) month of delinquency. The parties acknowledge that the ten percent (10%) delinquency fee is based upon Marina's actual damages incurred in connection with its administration and collection of delinquent rent.

(d) Rent Escalations

On each anniversary date of this sublease, beginning with October 1, 1990, or on the anniversary of the commencement of the lease, the monthly rent payable under paragraph 6 of this sublease shall be adjusted at the commencement of the second year of the term and each year thereafter (the "Adjustment Date(s)") as follows: The rents will be increased to reflect current market rates or will be adjusted by a the Consumer Price Index increase, which ever is greater. If Consumer Price Index is used, the adjustment shall be calculated based upon the Consumer Price Index for all Urban Consumers for the index area which includes San Diego, California, all items, 1982-84-100, published by the U.S. Department of Labor Bureau of Labor Statistics (the "Index"). The Index published most immediately preceding the Commencement Date

shall be considered the "Base Index". The Index published most immediately preceding the Adjustment Date in question (the "Adjustment Index") shall be used in determining the amount of the adjustment. The Annual Rent for the following year (until the next Adjustment Date) shall be set by multiplying the Annual Rent by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Base Index. On adjustment of Annual Rent as provided herein, Marina shall give Subtenant written notice of the new Annual Rent and the manner in which it was computed. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

7. SECURITY & DAMAGE DEPOSIT.

Concurrently with the execution of this Sublease, Subtenant shall deposit with Marina in addition to the first full month's rent, the sum of Fifteen Thousand Dollars (\$15,000.00) as a security deposit for the performance by Subtenant of all of Subtenant's obligations under this Sublease. If Subtenant is in default of Subtenant's obligations, Marina shall have the right to use the security deposit, or any portion of the security deposit, to cure the default or to compensate Marina for any and all damage sustained resulting from Subtenant's default or use. Subtenant shall immediately upon demand pay to Marina a sum equal to the portion of the security deposit expended or applied by Marina as provided in this numbered paragraph so as to maintain the security

deposit in the sum initially deposited with Marina. If Subtenant is not in default of Subtenant's obligation at the expiration or earlier termination of this Sublease, Marina shall return the deposit to Subtenant. Marina's obligations with respect to the security deposit are those of a debtor and not a trustee. Marina may either maintain the security deposit with Marina's general or other funds in it's sole and absolute discretion. Marina shall not be required to pay Subtenant any interest on the security deposit.

8. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements or signage without the prior written consent of Marina and the City.

9. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises except for structural defects in the walls, floor, ceiling, electrical facilities, or plumbing facilities of the Premises, which defects were not caused by acts or omissions by Subtenant, Subtenant's agents, or Subtenant's customers, Subtenant shall cause such defect to be remedied or repaired at Subtenant's sole cost and expense. Marina shall maintain the exterior walls, windows, roof, stairways, and common areas of the Building at Marina's sole cost and expense. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of

this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws.

10. USE OF THE PREMISES.

Subtenant shall operate its new boat sales, brokerage boat sales and repair of Sundance Marine Inc. dealership boats business within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Knight & Carver Yachtcenter Inc. in the normal repair, maintenance, and commissioning of boats.

11. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges

for any utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire Building, including, but not limited to, water, gas and heat, Marina shall pay such utilities prior to delinquency.

12. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with Satisfactory evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina, or the portion of the taxes resulting from the increase in Marina's assessment. Marina shall have the right to pay such taxes regardless of the validity of the levy.

13. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless The City of San Diego, Rising Sun Marine Enterprises Inc., Knight & Carver Yachtcenter Inc. and their principles, from

this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws.

10. USE OF THE PREMISES.

Subtenant shall operate its new boat sales, brokerage boat sales and repair of Sundance Marine Inc. dealership boats business within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Knight & Carver Yachtcenter Inc. in the normal repair, maintenance, and commissioning of boats.

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13. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless The City of San Diego, Rising Sun Marine Enterprises Inc., Knight & Carver Yachtcenter Inc. and their principles, from

all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with City, Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc., and shall name City, Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc. as additional insureds. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to City, Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc. by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or

policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Such policy or policies shall be in an amount sufficient to cover one hundred percent (100%) of the replacement costs of the Premises and all improvements and contents in, on, or about the Premises.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged, and other insurance as required by law.

14. ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of City, Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter Inc. Such consent will not be unreasonably withheld. An assignment by operation of Law shall automatically terminate this Sublease.

15. ENVIRONMENTAL STANDARDS.

Subtenant shall be responsible for and comply with all environmental rules and regulations as set forth by local, State and national agencies and organizations. Subtenant shall indemnify Rising Sun Marine Enterprises Inc. and Knight & Carver Yachtcenter

Inc. against any violations in regards to same, or costs incurred by reason of violations due to Subtenants use, or as a result of, Subtenants use of property.

16. ACCESS TO RESTROOMS.

(a) Marina shall provide Subtenant and Subtenant's agents, employees, and customers with access to the restrooms located at the rear of the first (1st) floor of the Building during all reasonable hours during which Subtenant's business is in operation. Subtenant acknowledges that Subtenant shall share the restrooms with other Subtenants in the Building and their agents and customers, and with users of boat slips.

(b) Marina will collect a Fifty Dollar (\$50.00) refundable deposit for each key issued for Marina/restroom access.

17. USE OF MARINA EQUIPMENT.

Subtenant shall have the right to rent from Marina Marina's equipment at standard rates charged by Marina from time to time.

18. PARKING.

Subtenant and all of Subtenant's employees shall park on the street outside the Premises. Subtenant's customers shall park on a space available basis, in the Marina parking lot or on the street.

19. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE.

Except as the provisions of the Master Lease are varied by this Sublease, and except as the provisions of the Master Lease are irrelevant to Subtenant, all the provisions of the Master Lease

shall control as to Subtenant and shall remain in full force and effect for the entire term of this Sublease.

20. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

21. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina:

Knight & Carver Yachtcenter Inc.
Mr. John R. Knight
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises.

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit, by United States Certified Mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

22. ATTORNEY'S FEES.

Should it become necessary for City, Rising Sun Marine Enterprises Inc. or Knight & Carver Yachtcenter Inc. to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

23. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

24. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

Knight & Carver Yachtcenter Inc.

By:

Mr. John R. Knight, President
Knight & Carver Yachtcenter Inc.

SUBTENANT:

Sundance Marine Inc.

By:



Mr. Roy Gaertig
Sundance Marine Inc.

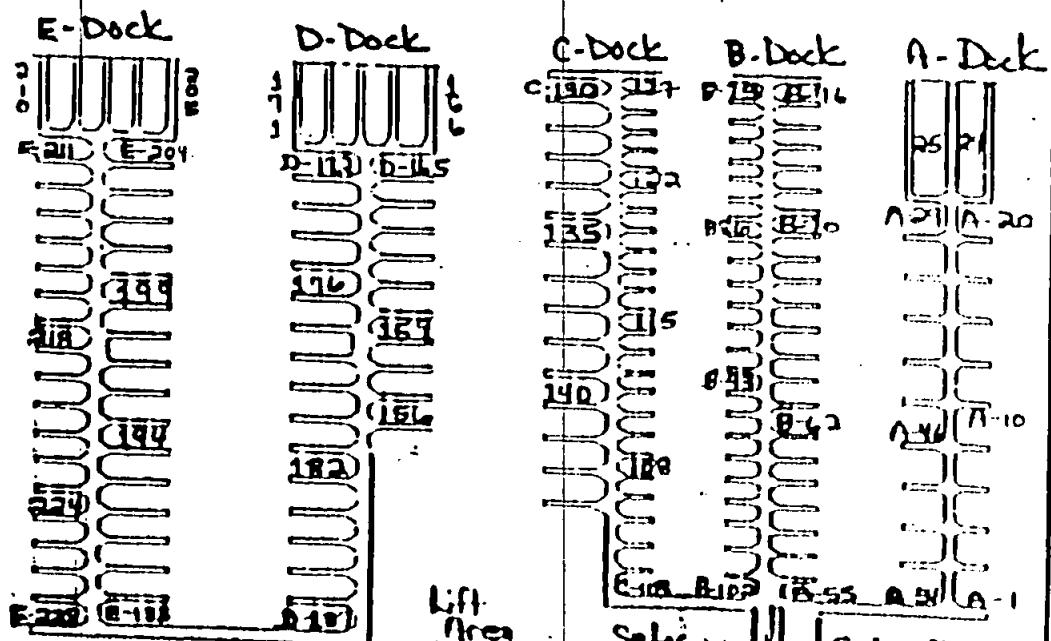
CECZEW →



Hospitality
Bar

HARBOR
PATROL

Police



Sales Area

Sales Area
Sales Area

Bar

Permit
Parking

SUNDANCE
MARINE INC.

1500 Quivira Way

**KNIGHT
CARVER**

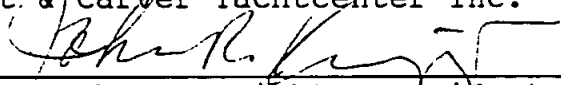
MEMORANDUM OF COMMENCEMENT DATE

This MEMORANDUM OF COMMENCEMENT DATE ("Memorandum") is made as of November 1, 1990, between Knight & Carver Yachtcenter Inc. as Sublandlord, and Sundance Marine Inc., as Subtenant.

The parties acknowledge that the term of that certain written Sublease made as of November 1, 1990 commenced on November 1, 1990. Pursuant to the provisions of the Sublease, the Initial Term of the Sublease shall expire at 11:59 p.m. on November 30, 1995.

SUBLANDLORD:

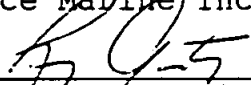
Knight & Carver Yachtcenter Inc.

By: 

Mr. John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Sundance Marine Inc.

By: 

Mr. Roy Gaertig
Sundance Marine Inc.

ADDENDUM "A"
TO SUBLEASE BETWEEN:

Sundance Marine Inc.
and
Knight & Carver Yachtcenter Inc.

Dated: November 1, 1990

Premises: 1500 Quivira Way, San Diego, California

This addendum is an amendment to sublease between above listed parties.

25. SUBTENANT IMPROVEMENTS.

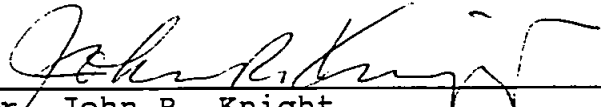
Subtenant shall require that Marina move existing tenants from certain areas of the facility. Subtenant agrees to pay for the cost of construction to provide new facilities for existing subtenants and the cost of moving those tenants. The amortized cost of this will be due and payable monthly from Subtenant, with their monthly Subtenant Rent payment.

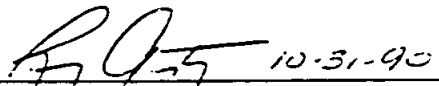
Based on current estimates as of November 1, 1990, such tenant improvements are calculated at the approximate cost of One Hundred, Seventy-Four Thousand Dollars (\$174,000), which calculates to an additional monthly cost of Two Thousand, Nine Hundred Dollars (\$2,900) over a 60 month period. Specific descriptions of those improvements and costs will be made available during the next 120 days. The estimated cost will be added monthly to the base rent, for the first 60 (Sixty) months of this lease. Actual construction will begin after execution of this lease. Repayment of Tenant Improvements begins with the execution of the above mentioned lease.

Tenant will have no right or claim of ownership to any improvements or fixtures which are part of these specific tenant improvements.

Total repayment for the costs of these improvements will be personally guaranteed by the principles of Sundance Marine Inc.; Mr. Roy Gaertig and Mr. Ray Esser, who are jointly and severally liable for the amount of the above listed improvement, plus interest charges, (interest charges are included in the \$174,000).

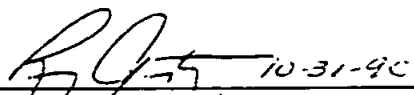
In the event that Knight & Carver Yachtcenter Inc. must hire counsel or incur legal expenses for the collections of any amounts due for these improvements or associated costs, Mr. Roy Gaertig and Mr. Ray Esser agree, by their signature below, that Knight & Carver Yachtcenter Inc. is entitled to collect reasonable attorney fees for collection of any amounts indicated above.

By: 
Mr. John R. Knight
Knight & Carver Yachtcenter Inc.

By:  10-31-90
Mr. Roy Gaertig
Sundance Marine, Inc.

By: _____
Mr. Ray Esser
Sundance Marine, Inc.

Guarantors:

By:  10-31-90
Mr. Roy Gaertig
An Individual.

By: _____
Mr. Ray Esser
An Individual.

ADDENDUM "B"
TO SUBLEASE BETWEEN

KNIGHT & CARVER YACHTCENTER INC.
AND
SUNDANCE MARINE INC.

DATED: November 1, 1990

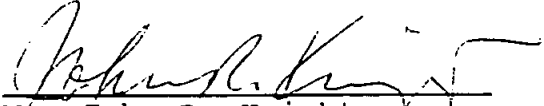
PREMISES: 1500 Quivira Way, San Diego, California

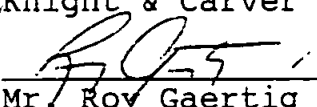
This addendum is an amendment to sublease between above listed parties.

26. CORPORATE RESOLUTION

Subtenant will submit a Corporate Resolution stating their Corporate approval/intent to enter into a lease agreement with Knight & Carver Yachtcenter Inc., within 30 days of the date of this lease. The resolution will also state who may sign legal documents in the name of Sundance Marine Inc., and if more than one signature will be required.

If the above is not furnished within the 30 day period of time, Knight & Carver Yachtcenter Inc. has the right to void/cancel lease agreement.

By:  Date: 10/31/90
Mr. John R. Knight
Knight & Carver Yachtcenter Inc.

By:  Date: 10-31-90
Mr. Roy Gaertig
Sundance Marine Inc.

By: _____ Date: _____
Mr. Ray Esser
Sundance Marine Inc.

FIRST AMENDMENT TO SUBLEASE

This First Amendment to Sublease is executed by and between the Knight & Carver Yachtcenter Inc. and Sundance Marine Inc.

- A. Heretofore, Knight & Carver Yachtcenter Inc, and Sundance Marine Inc, entered into that certain lease agreement dated November 1, 1990.
- B. The parties hereto desire to further amend said lease agreement the manner herein set forth.

NOW, THEREFORE, for good and valuable consideration, mutually exchanged between the parties, the parties hereby agree to the following changes:

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets form Marina that certain space which consists of land and water and comprises approximately Thirteen Thousand, Six Hundred and Seventy-Five (13,675) square feet of land space and 380 lineal feet of dock space, which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises". The Premises shall include, but not necessarily be limited to, the structural improvements constituting the space and any and all interior improvements within the space including carpeting, fixtures, wall coverings, and all other interior items delivered to Subtenant by Marina at the time of Subtenant's initial occupancy of the Premises.

It is understood that Premises shall be used for the sole purpose of new boat sales, brokerage boat sales, fabrication of canvas coverings and repair of Sundance Marine Inc. dealership boats and subtenant's operations will in no way conflict, interfere or compete with operations by Knight & Carver Yachtcenter Inc. or Rising Sun Marine Enterprises Inc.

10. USE OF THE PREMISES

Subtenant shall operate its new boat sales, brokerage boat sales, fabrication of canvas coverings and repair of Sundance Marine Inc. dealership boats business within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease.

Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks.

Subtenant shall not compete directly with Marina or Knight & Carver Yachtcenter in the normal repair, maintenance, and commissioning of boats.

Nothing herein is intended to change any other terms of conditions of the existing lease agreement.

Dated 1-7-, 1991

Knight & Carver Yachtcenter, Inc.

By

John R. Knight
John R. Knight, President

Dated 1-15, 1991

Sundance Marine Inc.

By

79-5

CONSENT TO SUBLEASE AGREEMENT

File;
- Rising Sun Marine
(Legal)
Side

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

RISING SUN MARINE ENTERPRISES

(LESSEE) and filed in the Office of the City Clerk as Document 76604, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

KNIGHT & CARVER YACHTCENTER

(SUBLESSEE) dated August 21, 1990. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

Both Rising Sun Marine Enterprises and Knight & Carver Yachtcenter acknowledge that the premises is part of a dedicated park and that the property can only be used for park purposes; that the property can only be used in accordance with the approved Development Plan; and that it is agreed that all insurance policies shall name the City as additionally insured.

Dated 9-27-90

By [Signature]
Supervising Property Agent for the
City Manager

APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 10/3/90

By [Signature]
Deputy

RISING SUN MARINE ENTERPRISES

Dated 10/29/90

By [Signature]

KNIGHT & CARVER YACHTCENTER

Dated 10/16/90

By [Signature]

CITY OF SAN DIEGOCONSENT TO ASSIGNMENT OF LEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement entered into with

Mission Bay Marina

(LESSEE), dated March 5, 1979, and filed in the Office of the City Clerk as Document 766042, hereby consents to the Assignment of that Lease Agreement to

Rising Sun Marine Enterprises (California), Inc.

(ASSIGNEE), in accordance with the terms and conditions set out in the attached Assignment of Lease Agreement entered into by LESSEE and said ASSIGNEE, dated August 10, 1990 and in accordance with additional conditions as follows: (If none, type None.)

- ✓ 1. Assignee shall within 30 days submit for City approval all if any sublease agreements with Knight & Carver Yachtcenter, Inc.
- ✓ 2. Assignee shall within 30 days submit to the City a Certificate of Insurance certifying Rising Sun Marine Enterprises has secured the necessary insurance policies in accordance with the Master Lease.
- Not Done 3. Assignee shall within 180 days complete the pedestrian/bike trail as provided for in the 1987 Revised Mission Bay Marina Master Plan and in accordance with the Negative Declaration EQD No. 89-0449, issued by the City Planning Department.
- ? 4. Assignee shall within 180 days provide for a minimum of 113 parking spaces on the leasehold as required in the Negative Declaration, EQD No. 87-0449, issued by the City Planning Department.
5. Assignee shall within 180 days complete all other improvements proposed in the approved 1987 Revised Mission Bay Marina Master Plan or submit to the City a revised development plan.

In the event the leasehold contracts with a sailing syndicate as part of the America's Cup competition, the City Manager or his representative shall have the authority to adjust the required completion dates for the above-stated conditions.

SENT BY:

3-15-90 ; 5:07PM ;

593-

61022280141# 2

THE CITY OF SAN DIEGO

Dated 08-15-90

By

J. L. Sports
James L. Sports, Property
Director for the City Manager

APPROVED AS TO FORM AND LEGALITY THIS
1990.

14th DAY OF August

JOHN W. WITT, City Attorney

By

Frederick Conrad
Deputy

APPROVED AND AGREED:

ASSIGNEE:

RIISING SUN MARINE ENTERPRISES (CALIFORNIA) INC,

Date:

AUG. 15TH. 1990

By:

[Signature]

CEBK:st(108-4)
8-14-90

TENANT ESTOPPEL CERTIFICATE

Rising Sun Marine Enterprises (California), Inc.
c/o Williams Woolley Cogswell Nakazawa & Russell
200 Oceangate, Suite 700
Long Beach, California 90802-4333

Ladies and Gentlemen:

The undersigned, City of San Diego
("Tenant"), as tenant under a lease (the "Sublease") of certain premises dated October 1, 1988, executed by Tenant and Knight & Carver Yachtcenter, Inc., a California corporation ("Landlord"), hereby state, declare, represent and warrant as follows:

(a) The copy of the Sublease attached hereto as Exhibit A is a true and correct copy of the Sublease, constitutes the only agreement between Landlord and Tenant with respect to the leased premises, and the Sublease is in full force and effect and has not been amended, supplemented or changed, except as follows: [if none, so state]:

(b) Tenant has accepted possession of the premises demised under the Sublease, and all items of an executory nature have been completed under the terms of the Sublease, including, but not limited to, completion of construction of the demised premises (and all other improvements required under the Sublease) in accordance with applicable plans and specifications and within the time periods set forth in the Sublease. Tenant further acknowledges that the term shall expire on September 30, 1991, unless sooner terminated or extended in accordance with the terms of the Sublease.

(c) The premises demised under the Sublease are in good condition and repair and there are no outstanding items of deferred maintenance.

(d) No default or event that with the passing of time or the giving of notice, or both, would constitute a default on the part of the undersigned Tenant exists under the Sublease in the performance of the terms, covenants and/or conditions of the Sublease required to be performed on the part of the undersigned Tenant.

(e) No default or event that with the passing of time or the giving of notice, or both, would constitute a default on the part of Landlord exists under the Sublease in the performance of the terms, covenants and/or conditions of the Sublease required to be performed on the part of Landlord.

(f) No rentals are accrued and unpaid under the Sublease.

(g) No prepayments of rentals due under the Sublease have been made and no security or deposits as security have been made thereunder, except as set forth in the Sublease.

(h) The undersigned Tenant has no defense as to its obligations under the Sublease and claims no setoff or counterclaim against Landlord; the undersigned Tenant is not a party to and does not contemplate any litigation or other action against Landlord, and Landlord is not a party to and does not contemplate any litigation or other action against Tenant.

(i) The undersigned Tenant has not received notice of any assignment, hypothecation, mortgage, or pledge of Landlord's interest in the Sublease or the rents or other amounts payable thereunder. Tenant has not assigned the Sublease nor sublet any portion of its premises to any party.

(j) The undersigned Tenant acknowledges that this estoppel certificate is sought, and will be relied on, in connection with a transaction between Landlord and Rising Sun Marine Enterprises (California), Inc., a California corporation ("Rising Sun") whereby Rising Sun is acquiring an interest in the property of which Tenant's premises are a part. Until otherwise notified in writing by Rising Sun, Tenant shall continue to make rent and other payments to Landlord; provided, however, Tenant agrees that on notice from Rising Sun, Tenant will attorn to and recognize Rising Sun as its landlord and make all rent payments and other performances under the Sublease to Rising Sun. As used in this paragraph (j), the term "Rising Sun" will include Rising Sun Marine Enterprises (California), Inc., a California corporation ("Rising Sun") and/or any assignee of Rising Sun Marine Enterprises (California), Inc.'s interest in the property of which Tenant's premises are a part.

TENANT:

Approved as to form and legality

this 14th day of August, 19 90

JOHN W. WITT, City Attorney,

By Frederick Conrad

Deputy City Attorney

THE CITY OF SAN DIEGO

By:

J. L. Spotts

James L. Spotts, Property
Director for the City Manager
(Type or Print Name)

Its

(Type or Print Title)

By:

(Type or Print Name)

Its

(Type or Print Title)

LANDLORD:

KNIGHT & CARVER YACHTCENTER,
INC.,
a California corporation

By:

Hugo W. Carver II
John R. Knight,
President

HUGO W. CARVER II
SECRETARY

STANDARD INDUSTRIAL LEASE — NET

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION



1. Parties. This Lease, dated, for reference purposes only, July 21, 19 90, is made by and between RISE SUN MARINE ENTERPRISES (CALIFORNIA), INC., a California corporation (herein called "Lessor") and KNIGHT & CARVER YACHTCENTER, INC., a California corporation (herein called "Lessee").

2. Premises. Lessor hereby leases to Lessee and Lessee leases from Lessor for the term, at the rental, and upon all of the conditions set forth herein, that certain real property situated in the County of San Diego State of California commonly known as a portion of 1500 Quivira Way, Mission Bay Park and described as on Exhibit A, attached hereto and incorporated herein (the "Premises").
See Addendum Section 2

Said real property including the land and all improvements therein, is herein called "the Premises".

3. Term.

3.1 Term. The term of this Lease shall be for ten (10) years commencing on the Close of Escrow as defined in Addendum and ending on the date ten (10) years thereafter** (the "Commencement Date") (the "Expiration Date")

3.2 Delay in Possession. Notwithstanding said commencement date, if for any reason Lessor cannot deliver possession of the Premises to Lessee on said date, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease or the obligations of Lessee hereunder or extend the term hereof, but in such case, Lessee shall not be obligated to pay rent until possession of the Premises is tendered to Lessee; provided however, that if Lessor shall not have delivered possession of the Premises within sixty (60) days from and commencing on said commencement date, Lessee shall have the option to terminate this Lease with or without prejudice to the right to recover damages hereunder provided further, however, that if such written notice of termination of Lessee is not received by Lessor within said ten (10) day period, Lessee's right to cancel this Lease hereunder shall terminate and the Lease shall continue in full force and effect.

3.3 Early Possession. If Lessee occupies the Premises prior to said commencement date, such occupancy shall be subject to all provisions of this Lease and Lessee shall not advance the termination date, and Lessee shall pay rent for such period at the initial monthly rates set forth below.

4. Rent. Lessee shall pay to Lessor as rent for the Premises, monthly payments of \$ 75,000 in advance, on the first day of each month of the term hereof. Lessee shall pay Lessor upon the execution hereof \$ as rent for .
See Addendum Sections 4.1 and 4.2.

(including any increase or decrease thereof pursuant to Addendum Section 2)

Not for any period during the term hereof which is for less than one month shall be a pro rata portion of the monthly installment. Rent shall be payable in lawful money of the United States to Lessor at the address stated herein or to such other persons or at such other places as Lessor may designate in writing.

Annual Rent

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof \$ as security for Lessee's faithful performance of Lessee's obligations hereunder. If Lessee fails to pay rent or other charges due hereunder, or otherwise defaults with respect to any provision of this Lease, Lessor may use, apply or retain all or any portion of said deposit for the payment of any rent or other charge in default or for the payment of any other sum to which Lessor may become obligated by reason of Lessee's default, or to compensate Lessor for any loss or damage which Lessor may suffer thereby. If Lessor so uses or applies all or any portion of said deposit, Lessee shall within ten (10) days after written demand therefor deposit cash with Lessor in an amount sufficient to restore said deposit to the full amount hereinabove stated and Lessee's failure to do so shall be a material breach of this Lease. If the deposit shall, from time to time, increase during the term of this Lease, Lessee shall thereupon deposit with Lessor additional security deposit so that the amount of security deposit held by Lessor shall at all times bear the same proportion to current rent as the original security deposit bears to the original rent set forth in paragraph 4 hereof. Lessor shall not be required to keep said deposit separate from its general accounts. If Lessee performs all of Lessor's obligations hereunder, said deposit, or so much thereof as has not theretofore been applied by Lessor, shall be returned, without payment of interest or other increment for its use, to Lessee (or, at Lessor's option, to the last assignee, if any, of Lessor's interest hereunder) at the expiration of the term hereof, and after Lessee has vacated the Premises. No trust relationship is created herein between Lessor and Lessee with respect to said Security Deposit. Annual Rent

See addendum Section 5.

6. Use.

6.1 Use. The Premises shall be used and occupied only for those uses existing as of the Commencement Date

or any other use which is reasonably comparable and for no other purpose. See Addendum Section 6.1.

6.2 Compliance with Law.

Lessee shall be responsible to Lessor that the Premises, including all existing and future improvements thereon, shall be used and occupied in accordance with the use for which Lessee will use the Premises, does not violate any covenants or restrictions of record, or any applicable building code, ordinance or ordinance in effect on such Lease term commencement date. In the event it is determined that this warranty has been violated, then it shall be the obligation of the Lessor, after written notice from Lessee, to promptly, at Lessor's sole cost and expense, rectify any such violation. In the event Lessee does not give to Lessor written notice of the violation of this warranty within six months from the date that the Lease term commences, the correction of same shall be the obligation of the Lessor at Lessee's sole cost. The warranty contained in this paragraph 6.2 (a) shall be of no force or effect if, prior to the date of this Lease, Lessee was the owner or occupant of the Premises, and, in such event, Lessee shall correct any such violation.

or the condition of the Premises.

(b) Lessee shall, at Lessee's expense, comply promptly with all applicable statutes, ordinances, rules, regulations, orders, covenants and restrictions of record, and requirements in effect during the term or any part of the term hereof, regulating the use by Lessee of the Premises. Lessee shall not use nor permit the use of the Premises in any manner that will tend to create waste or a nuisance or, if there shall be more than one tenant in the building containing the Premises, shall tend to disturb such other tenants.

6.3 Condition of Premises.

See Addendum Section 6.2.

Lessee shall deliver the Premises to Lessor clean and free of debris on Lease commencement date. Lessee shall maintain the Premises in good operating condition on the Lease commencement date. In the event that it is determined that this warranty has been violated, then it shall be the obligation of Lessor, after receipt of written notice from Lessee setting forth with specificity the nature of the violation, to promptly, at Lessor's sole cost, rectify such violation. Lessee's failure to give such written notice to Lessor within thirty (30) days after the Lease commencement date shall cause the conclusive presumption that Lessor has complied with all of Lessor's obligations hereunder. The warranty contained in this paragraph 6.3 (a) shall be of no force or effect if prior to the date of this Lease, Lessee was the owner or occupant of the Premises.

Lessee hereby accepts the Premises in their condition existing as of the Lease commencement date or the date that Lessee takes possession of the Premises, whichever is earlier, subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and any covenants or restrictions of record, and accepts this Lease subject thereto and to all matters disclosed thereby and by any exhibits attached hereto. Lessee acknowledges that neither Lessor nor Lessor's agent has made any representation or warranty as to the present or future suitability of the Premises for the conduct of Lessee's business.

and make replacements as necessary to

that it is currently in possession of the Premises and

7. Maintenance, Repairs and Alterations.

7.1 Lessee's Obligations. Lessee shall keep in good order, condition and repair the Premises and every part thereof, structural and non structural, (whether or not such portion of the Premises requiring repair, or the means of repairing the same are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises) including, without limiting the generality of the foregoing, all plumbing, heating, air conditioning, (Lessee shall procure and maintain, at Lessee's expense, an air conditioning system maintenance contract), ventilating, electrical, lighting facilities and equipment within the Premises, fixtures, walls (interior and exterior), foundations, ceilings, roofs (interior and exterior), floors, windows, doors, plate glass and skylights located within the Premises, and all landscaping, driveways, parking lots, fences and signs located on the Premises and sidewalks and parkways adjacent to the Premises. See Addendum Section 7.1

7.2 Surrender. On the last day of the term hereof, or on any sooner termination, Lessee shall surrender the Premises to Lessor in the same condition as when received, ordinary wear and tear excepted, clean and free of debris. Lessee shall repair any damage to the Premises occasioned

by the installation or removal of Lessee's trade fixtures, furnishings and equipment. Notwithstanding anything to the contrary otherwise stated in this Lease, Lessee shall leave the air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing on the premises in good operating condition.

7.3 Lessor's Rights. If Lessee fails to perform Lessor's obligations under this Paragraph 7, or under any other paragraph of this Lease, Lessee may at its option (but shall not be required to) enter upon the Premises after ten (10) days' prior written notice, to Lessee (except in the case of an emergency, in which case no notice shall be required), perform such obligations on Lessee's behalf and put the same in good order, condition and repair, and the cost thereof together with interest thereon at the maximum rate then allowable by law shall become due and payable as additional rental to Lessor together with Lessee's next rental installment.

7.4 Lessor's Obligations. Except for the obligations of Lessor under Paragraph 6.3(a) and 6.3(b) (relating to condemnation of the Premises), it is intended by the parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises nor the building located thereon nor the equipment therein, whether structural or non structural, all of which obligations are intended to be that of the Lessee under Paragraph 7.1 hereof. Lessee expressly waives the benefit of any statute now or hereinafter in effect which would otherwise afford Lessee the right to make repairs at Lessor's expense or to terminate this Lease because of Lessor's failure to keep the premises in good order, condition and repair.

7.5 Alterations and Additions.

(a) Lessee shall not, without Lessor's prior written consent make any alterations, improvements, additions, or Utility Installations in, on or about the Premises, except for nonstructural alterations not exceeding \$10,000 in cumulative costs during the term of this Lease. In any event, whether or not in excess of \$10,000 in cumulative cost, Lessee shall make no change or alteration to the exterior of the Premises nor the exterior of the building(s) on the Premises, without Lessor's prior written consent. As used in this Paragraph 7.5 the term "Utility Installation" shall mean carpeting, window coverings, air lines, power panels, electrical distribution systems, lighting fixtures, space heaters, air conditioning, plumbing and fencing. Lessor may require that Lessee remove any or all of said alterations, improvements, additions or Utility Installations at the expiration of the term, and restore the Premises to their prior condition. Lessor may require Lessee to provide Lessor, at Lessee's sole cost and expense, a lien and completion bond in an amount equal to one and one-half times the estimated cost of such improvements, to insure Lessor against any liability for mechanic's and materialmen's liens and to insure completion of the work. Should Lessee make any alterations, improvements, additions or Utility Installations without the prior approval of Lessor, Lessor may require that Lessee remove any or all of the same.

(b) Any alterations, improvements, additions or Utility Installations in, or about the Premises that Lessee shall desire to make and which requires the consent of the Lessor shall be presented to Lessor in written form, with proposed detailed plans. If Lessor shall give its consent, the consent shall be deemed conditioned upon Lessee acquiring a permit to do so from appropriate governmental agencies, the furnishing of a copy thereof to Lessor prior to the commencement of the work and the compliance by Lessee of all conditions of said permit in a prompt and expeditious manner.

(c) Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use in the Premises, which claims are or may be secured by any mechanics' or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in the Premises, and Lessor shall have the right to post notices of non-responsibility in or on the Premises as provided by law. If Lessee shall, in good faith, contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend itself and Lessor against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof against the Lessor or the Premises, upon the condition that if Lessor shall require, Lessee shall furnish to Lessor a surety bond satisfactory to Lessor in an amount equal to such contested lien claim or demand indemnifying Lessor against liability for the same and holding the Premises free from the effect of such lien or claim. In addition, Lessor may require Lessee to pay Lessor's attorneys fees and costs in participating in such action if Lessor shall decide it is to its best interest to do so.

(d) Unless Lessor requires their removal, as set forth in Paragraph 7.5(a), all alterations, improvements, additions and Utility Installations (whether or not such Utility Installations constitute trade fixtures of Lessee), which may be made on the Premises, shall become the property of Lessor and remain upon and be surrendered with the Premises at the expiration of the term. Notwithstanding the provisions of this Paragraph 7.5(d), Lessee's machinery and equipment, other than that which is affixed to the Premises so that it cannot be removed without material damage to the Premises, shall remain the property of Lessee and may be removed by Lessee subject to the provisions of Paragraph 7.2.

8. Insurance Indemnity.

8.1 Insuring Party. As used in this Paragraph 8, the term "insuring party" shall mean the party who has the obligation to obtain the Property Insurance required hereunder. The insuring party shall be designated in Paragraph 46 hereof. ~~Lessee shall obtain the Property Insurance required hereunder, and Lessee shall maintain the same throughout the term of this Lease. In addition, Lessee shall, at its expense, obtain and maintain the same throughout the term of this Lease. Lessee shall, as additional rent for the Premises, pay the cost of all insurance required hereunder, and Lessee shall, within ten (10) days following demand by Lessor, reimburse Lessor for the cost of the insurance so obtained.~~

8.2 Liability Insurance. Lessee shall, at Lessee's expense obtain and keep in force during the term of this Lease a policy of Combined Single Limit, Bodily Injury and Property Damage Insurance insuring Lessor and Lessee against any liability arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be a combined single limit policy in an amount not less than \$1,000,000 per occurrence. The policy shall insure performance by Lessee of the indemnity provisions of this Paragraph 8. The limits of said insurance shall not, however, limit the liability of Lessee hereunder. See Addendum Section 8.2.

8.3 Property Insurance.

(a) The insuring party shall obtain and keep in force during the term of this Lease a policy or policies of insurance covering loss or damage to the Premises, in the amount of the full replacement value thereof, as the same may exist from time to time, ~~which replacement value shall not be less than the full replacement value thereof, but in no event less than the total amount required by lenders having liens on the Premises, against all perils included within the classification of fire, extended coverage, vandalism, malicious mischief, flood (in the event same is required by a lender having a lien on the Premises), and special extended perils ("all risk" as such term is used in the insurance industry). Said insurance shall provide for payment of loss thereunder to Lessor or to the holders of mortgages or deeds of trust on the Premises. The insuring party shall, in addition, obtain and keep in force during the term of this Lease a policy of rental value insurance covering a period of one year, with loss payable to Lessor, which insurance shall also cover all real estate taxes and insurance costs for said period. A stipulated value or agreed amount endorsement delimiting the coinsurance provision of the policy shall be procured with said insurance as well as an automatic increase in insurance endorsement causing the increase in annual property insurance coverage by 2% per quarter. If the insuring party shall fail to procure and maintain said insurance the other party may, but shall not be required to, procure and maintain the same, but at the expense of Lessee. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount.~~

(b) If the Premises are part of a larger building, or if the Premises are part of a group of buildings owned by Lessor which are adjacent to the Premises, then Lessee shall pay for any increase in the property insurance of such other building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

(c) If the Lessor is the insuring party the Lessor will not insure Lessee's fixtures, equipment or tenant improvements unless the tenant improvements have become a part of the Premises under paragraph 7, hereof. ~~Lessee shall insure its fixtures, equipment and tenant improvements under policies meeting the requirements of Paragraph 8.3(a).~~

8.4 Insurance Policies. Insurance required hereunder shall be in companies holding a "General Policyholders Rating" of at least B plus, or such other rating as may be required by a lender having a lien on the Premises, as set forth in the most current issue of "Best's Insurance Guide". The insuring party shall deliver to the other party copies of policies of such insurance or certificates evidencing the existence and amounts of such insurance with loss payable clauses as required by this paragraph 8. No such policy shall be cancellable or subject to reduction of coverage or other modification except after thirty (30) days' prior written notice to Lessor. If Lessee is the insuring party Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with renewals or "binders" thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee upon demand. Lessee shall not do or permit to be done anything which shall invalidate the insurance policies referred to in Paragraph 8.3. If Lessee does or permits to be done anything which shall increase the cost of the insurance policies referred to in Paragraph 8.3, then Lessee shall forthwith upon Lessor's demand reimburse Lessor for any additional premiums attributable to any act or omission or operation of Lessee causing such increase in the cost of insurance. If Lessor is the insuring party, and if the insurance policies maintained hereunder cover other improvements in addition to the Premises, Lessor shall deliver to Lessee a written statement setting forth the amount of any such insurance cost increase and showing in reasonable detail the manner in which it has been computed.

8.5 Waiver of Subrogation. Lessee and Lessor each hereby release and relieve the other, and waive their entire right of recovery against the other for loss or damage arising out of or incident to the perils insured against under paragraph 8.3, which perils occur in, on or about the Premises, whether due to the negligence of Lessor or Lessee or their agents, employees, contractors and/or invitees. Lessee and Lessor shall, upon obtaining the policies of insurance required hereunder, give notice to the insurance carrier or carriers that the foregoing mutual waiver of subrogation is contained in this Lease.

8.6 Indemnity. Lessee shall indemnify and hold harmless Lessor from and against any and all claims arising from Lessee's use of the Premises, or from the conduct of Lessee's business or from any activity, work or things done, permitted or suffered by Lessee in or about the Premises or elsewhere and shall further indemnify and hold harmless Lessor from and against any and all claims arising from any breach or default in the performance of any obligation on Lessee's part to be performed under the terms of this Lease, or arising from any negligence of the Lessee, or any of Lessee's agents, contractors, or employees, and from and against all costs, attorney's fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon; and in case any action or proceeding be brought against Lessor by reason of any such claim, Lessee upon notice from Lessor shall defend the same at Lessee's expense by counsel satisfactory to Lessor. Lessee, as a material part of the consideration to Lessor, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises arising from any cause and Lessee hereby waives all claims in respect thereof against Lessor. See Addendum Section 8.6.

8.7 Exemption of Lessor from Liability. Lessee hereby agrees that Lessor shall not be liable for injury to Lessee's business or any loss of income therefrom or for damage to the goods, wares, merchandise or other property of Lessee, Lessee's employees, invitees, customers, or any other person in or about the Premises, nor shall Lessor be liable for injury to the person of Lessee, Lessee's employees, agents or contractors, whether such damage or injury is caused by or results from the steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, sprinklers, wires, appliances, plumbing, air conditioning or lighting fixtures, or from any other cause, whether the said damage or injury results from conditions arising upon the Premises or upon other portions of the building of which the Premises are a part, or from other sources or places and regardless of whether the cause of such damage or injury or the means of repairing the same is inaccessible to Lessee. Lessee shall not be liable for any damages arising from any act or neglect of any other tenant, if any, of the building in which the Premises are located. The foregoing waivers of subrogation shall be effective only to the extent permitted by Lessor's and Lessee's respective insurers and provided that no policy of insurance is invalidated as a result of such waivers.

9. Damage or Destruction. See Addendum Section 9.

(a) "Premises Partial Damage" shall herein mean damage or destruction to the Premises to the extent that the cost of repair is less than 50% of the then replacement cost of the Premises. "Premises Building Partial Damage" shall herein mean damage or destruction to the building of which the Premises are a part to the extent that the cost of repair is less than 50% of the then replacement cost of such building as a whole.

(b) "Premises Total Destruction" shall herein mean damage or destruction to the Premises to the extent that the cost of repair is 50% or more of the then replacement cost of the Premises. "Premises Building Total Destruction" shall herein mean damage or destruction to the building of which the Premises are a part to the extent that the cost of repair is 50% or more of the then replacement cost of such building as a whole.

(c) "Insured Loss" shall herein mean damage or destruction which was caused by an event required to be covered by the insurance described in paragraph 9.

9.2 Partial Damage - Insured Loss. Subject to the provisions of paragraphs 9.4, 9.5 and 9.6, if at any time during the term of this Lease there is damage which is an Insured Loss and which falls into the classification of Premises Partial Damage or Premises Building Partial Damage, Lessor shall, at Lessor's expense, repair such damage, but not Lessor's fixtures, equipment or tenant improvements, unless the same have become a part of the Premises pursuant to Paragraph 7.5 hereof as soon as reasonably possible and this Lease shall continue in full force and effect. Notwithstanding the above, if the Lessee is the insuring party, and if the insurance proceeds received by Lessor are not sufficient to effect such repairs, Lessor shall give notice to Lessee of the amount required in addition to the insurance proceeds to effect such repair. Lessee shall contribute the required amount to Lessor within ten days after Lessee has received notice from Lessor of the shortfall in the insurance. When Lessee shall contribute such amount to Lessor, Lessor shall make such repairs as soon as reasonably possible and this Lease shall continue in full force and effect. Lessee shall in no event have any right to reimbursement for any such amounts so contributed.

9.3 Partial Damage - Uninsured Loss. Subject to the provisions of Paragraphs 9.4, 9.5 and 9.6, if at any time during the term of this Lease there is damage which is not an Insured Loss and which falls within the classification of Premises Partial Damage or Premises Building Partial Damage, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may at Lessor's option either (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) give written notice to Lessee within thirty (30) days after the date of the occurrence of such damage of Lessor's intention to cancel and terminate this Lease, as of the date of the occurrence of such damage. In the event Lessee elects to give such notice of Lessor's intention to cancel and terminate this Lease, Lessee shall have the right within ten (10) days after the receipt of such notice to give written notice to Lessor of Lessee's intention to repair such damage at Lessee's expense, without reimbursement from Lessor, in which event this Lease shall continue in full force and effect, and Lessee shall proceed to make such repairs as soon as reasonably possible. If Lessee does not give such notice within such 10-day period this Lease shall be cancelled and terminated as of the date of the occurrence of such damage.

9.4 Total Destruction. If at any time during the term of this Lease there is damage, whether or not an Insured Loss, (including destruction) required by any authorized public authority, which falls into the classification of Premises Total Destruction or Premises Building Total Destruction, this Lease shall automatically terminate as of the date of such total destruction.

9.5 Damage Near End of Term.

(a) If at any time during the last six months of the term of this Lease there is damage, whether or not an Insured Loss, which falls within the classification of Premises Partial Damage, Lessor may at Lessor's option cancel and terminate this Lease as of the date of occurrence of such damage by giving written notice to Lessee of Lessor's election to do so within 30 days after the date of occurrence of such damage.

(b) Notwithstanding paragraph 9.5(a), in the event that Lessee has an option to extend or renew this Lease, and the time within which said option may be exercised has not yet expired, Lessee shall exercise such option, if it is to be exercised at all, no later than 20 days after the occurrence of an Insured Loss falling within the classification of Premises Partial Damage during the last six months of the term of this Lease. If Lessee duly exercises such option during said 20 day period, Lessor shall, at Lessor's expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option during said 20 day period, then Lessor may at Lessor's option terminate and cancel this Lease as of the expiration of said 20 day period by giving written notice to Lessee of Lessor's election to do so within 10 days after the expiration of said 20 day period, notwithstanding any term or provision in the grant of option to the contrary.

9.6 Abatement of Rent; Lessor's Remedies.

(a) In the event of damage described in paragraphs 9.2 or 9.3, and Lessor or Lessee repairs or restores the Premises pursuant to the provisions of this Paragraph, the rent payable hereunder for the period during which such damage, repair or restoration continues shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired. Except for abatement of rent, if any, Lessee shall have no claim against Lessor for any damage suffered by reason of any such damage, destruction, repair or restoration.

(b) If Lessor shall be obligated to repair or restore the Premises under the provisions of this Paragraph 9 and shall not commence such repair or restoration within 30 days after such obligations shall accrue, Lessee may at Lessee's option cancel and terminate this Lease by giving Lessor written notice of Lessee's election to do so at any time prior to the commencement of such repair or restoration. In such event this Lease shall terminate as of the date of such notice.

9.7 Termination - Advance Payments. Upon termination of this Lease pursuant to this Paragraph 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.8 Waiver. Lessor and Lessee waive the provisions of any statutes which relate to termination of leases when leased property is destroyed and agree that such event shall be governed by the terms of this Lease.

10 Real Property Taxes.

10.1 Payment of Taxes. Lessee shall pay the real property tax, as defined in paragraph 10.2, applicable to the Premises during the term of this Lease. All such payments shall be made at least ten (10) days prior to the delinquency date of such payment. Lessee shall promptly furnish Lessor with satisfactory evidence that such taxes have been paid. If any such taxes paid by Lessee shall cover any period of time ~~period~~ after the expiration of the term hereof, Lessor's share of such taxes shall be equitably prorated to cover only the period of time within the tax fiscal year during which this Lease shall be in effect, and Lessor shall reimburse Lessee to the extent required. If Lessee shall fail to pay any such taxes, Lessor shall have the right to pay the same, in which case Lessee shall repay such amount to Lessor with Lessor's next rent installment together with interest at the maximum rate then allowable by law.

See Addendum Section 10.1

10.2 Definition of "Real Property Tax". As used herein, the term "real property tax" shall include any form of real estate tax or assessment, general, special, ordinary or extraordinary, and any license fee, commercial rental tax, improvement bond or bonds, levy or tax (other than inheritance, personal income or estate taxes) imposed on the Premises by any authority having the direct or indirect power to tax, including any city, state or federal government, or any school, agricultural, sanitary, fire, street, drainage or other improvement district thereof, as against any legal or equitable interest of Lessor in the Premises or in the real property of which the Premises are a part, ~~as against Lessor's right to rent or other income therefrom, and as against Lessor's business of leasing the Premises.~~ The term "real property tax" shall also include any tax, fee, levy, assessment or charge (i) in substitution of, partially or totally, any tax, fee, levy, assessment or charge heretofore included within the definition of "real property tax," or (ii) which is imposed for a service or right not charged prior to June 1, 1978, or, if previously charged, has been increased since June 1, 1978, or (iii) which is imposed as a result of a transfer, either partial or total, of Lessor's interest in the Premises or which is added to a tax or charge heretofore included within the definition of real property tax by reason of such transfer, or (iv) which is imposed by reason of this transaction, any modifications or changes hereto, or any transfers hereto or by reason of an assignment referred to in Addendum Section 2 and/or the transaction of which

10.3 Joint Assessment. If the Premises are not separately assessed, Lessor's liability shall be an equitable proportion of the real property taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be determined by Lessor from the respective valuations assigned in the Assessor's work sheets or such other information as may be reasonably available. Lessor's reasonable determination thereof, in good faith, shall be conclusive.

10.4 Personal Property Taxes.

(a) Lessee shall pay prior to delinquency all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all other personal property of Lessee contained in the Premises or elsewhere. When possible, Lessee shall cause said trade fixtures, furnishings, equipment and all other personal property to be assessed and billed separately from the real property of Lessor.

(b) If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee within 10 days after receipt of a written statement setting forth the taxes applicable to Lessee's property.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone and other utilities and services supplied to the Premises, together with any taxes thereon. ~~Lessee shall cause such utilities and services to be separately metered and billed to Lessee. Lessee shall pay Lessor the proportionate share of all charges jointly incurred with other tenants.~~

12. Assignment and Subletting.

12.1 Lessor's Consent Required. Lessee shall not voluntarily or by operation of law assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold. ~~Lessee shall not assign, transfer, mortgage, sublet, or otherwise transfer or encumber all or any part of Lessee's interest in this Lease or in the Premises, without Lessor's prior written consent, which Lessor shall not unreasonably withhold.~~ Any attempted assignment, transfer, mortgage, encumbrance or subletting without such consent shall be void, and shall constitute a breach of this Lease.

~~12.2 Lessor's Consent. Notwithstanding the provisions of paragraph 12.1 hereof, Lessee may assign or sublet the Lease or any part thereof, without Lessor's consent, to any corporation which controls, is controlled by or is under common control with Lessee, or to any corporation resulting from the merger or consolidation with Lessee, or to any person or entity which acquires all the assets of Lessee as a going concern in the business that is being conducted by Lessee, provided that said assignee assumes, in full, the obligations of Lessee under this Lease. Any such assignment or subletting in any way, affect or limit the liability of Lessee under the terms of this Lease even if after such assignment or subletting Lessee remains a party to the Lease.~~

12.3 No Release of Lessee. Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee of Lessee or any successor of Lessee, in the performance of any of the terms hereof, Lessor may proceed directly against Lessee without the necessity of exhausting remedies against said assignee. Lessor may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees

*including, without limitation, any tax on Lessor's possessory interest in the Premises.

of Lessee, without notifying Lessee, or any successor of Lessee, and without obtaining his or their consent, they did and such action shall constitute a breach of the Lease and shall constitute a breach of the Lease.

12.4 **Attorney's Fees.** In the event Lessor shall assign or sublet the Premises or request the consent of Lessor to any assignment or subletting of the Premises, Lessor shall pay Lessor's reasonable attorneys' fees, not exceeding \$1,000 in connection therewith.

13. ~~See Addendum Sections 12.5, 12.6~~
~~See Addendum Section 13~~

(b) The vacating or abandonment of the Premises by Lessee.

where such failure shall continue for a period of three days after written notice thereof from Lessor to Lessee. In the event that Lessor serves Lessee with a Notice to Pay Rent or Quit pursuant to applicable Unlawful Detainer statutes such Notice shall constitute a Notice to Pay Rent or Quit as required by this subparagraph.

(c) The failure by Lessee to observe or perform any of the covenants, conditions or provisions of this Lease to be observed or performed by Lessee, other than described in paragraph (b) above, where such failure shall continue for a period of 30 days after written notice thereof is given by Lessor to Lessee; provided, however, that if the nature of Lessee's default is such that more than 30 days are reasonably required for its cure, Lessee shall not be deemed to be in default if Lessee commenced such cure within said 30-day period.

(d) (i) The making by Lessee of any general arrangement or assignment for the benefit of creditors; (ii) Lessee becomes a "debtor" defined in 11 U.S.C. §101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed without prejudice); (iii) the appointment of a trustee or receiver for or to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within 30 days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within 30 days; provided, however, in the event that any provision of this paragraph 13.10 is contrary to applicable law, such provision shall be null and void.

13.2 Remedies. In the event of any such material default or breach by Lessee, any assignee of Lessee, any subcontractor of Lessee, or any guarantor of Lessee's obligations hereunder, and any of them, was materially false and/or untrue, then Lessor shall have the right to:

(a) Terminate Lessor's right to possession of the Premises by notice to Lessee.

(b) Malabari Lesano's right to possession is subject to the following conditions:

it becomes due hereunder,

2nd. Unpaid installments of rent and other unpaid monetary obligations of Lessee under the terms of this Lease shall bear interest from the date of delinquency at the rate then allowable by law.

4.06 Default by Lessor. Lessor shall not be in default unless Lessor fails to perform obligations required of Lessor within a reasonable time, in no event later than thirty (30) days after written notice by Lessee to Lessor and to the holder of any first mortgage or deed of trust covering the premises whose name and address shall have theretofore been furnished to Lessee in writing, specifying wherein Lessor has failed to perform such obligation, provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are required for performance such Lessor shall not be in default if Lessor commences performance within such 30-day period and thereafter complies with the terms of the obligation.

4.04 Late Charges. Lessee hereby acknowledges that late payment by Lessee to Lessor of rent and other sums due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed on Lessor by the terms of any mortgage or trust document governing the Premises. Accordingly, if any installment of rent or any other sum due from Lessee shall not be received by Lessor or Lessor's designee within (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a late charge equal to 1% of such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor incurs by reason of late payment by Lessee. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessor's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that such late charge is payable hereunder, whether or not collected, for three (3) consecutive installments, Lessor shall have the right to demand payment of such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder. In the event that

14. Impounds. In the event that a late charge is payable hereunder, whether or not collected, for three (3) installments of rent or any other monetary obligation of Lessee under the terms of this Lease, Lessee shall pay to Lessor, if Lessor shall so request, in addition to any other payments required under this Lease, a monthly advance installment, payable at the same time as the monthly rent, as estimated by Lessor, for real property taxes and insurance expenses on the Premises which are payable by Lessee under the terms of this Lease. Such fund shall be established to insure payment when due, before delinquency, of any or all such real property taxes and insurance premiums. If the amounts paid to Lessor by Lessee pursuant to the provisions of this paragraph are insufficient to discharge the obligations of Lessee to pay such real property taxes and insurance premiums as the same become due, Lessee shall pay to Lessor, upon Lessor's demand, such additional sums necessary to pay such obligations. All payments made by Lessee to Lessor under this paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a default in performance by Lessee of its obligations of Lessee to perform under this Lease, then any balance remaining from funds paid to Lessor under the provisions of this paragraph shall, at the option of Lessor, be applied to the payment of any monetary default of Lessee in lieu of being applied to the payment of any other obligations of Lessee under this Lease.

Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain, or sold under the threat of the exercise of such power (all of which are herein called "condemnation"), this Lease shall terminate as to the part so taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than one of the floor areas of the building on the date the condemning authority takes title or possession, which is not occupied by any building, is taken by condemnation, the Premises, or more than one of the floor areas of the building, shall have given Lessee written notice of such taking (or in the absence of such notice, within ten (10) days after Lessor shall have taken possession) terminate this Lease as of the date the condemning authority takes such building remaining, except that the rent shall be reduced in the proportion that the floor area of the building taken bears to the total floor area of the building. Any award for the taking of all or any part of the Premises under the power of eminent domain or any payment made under threat of the exercise of such power shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the household fixtures and removable personal property. In the event that this Lease is not terminated by reason of such condemnation, Lessor shall to Lessee's benefit receive all severance damages received by Lessor in connection with such condemnation, repair any damage to the Premises caused by such condemnation except to the extent that Lessee has been reimbursed therefor by the condemning authority. Lessor shall pay any amount in excess of such severance damages required to complete such repair.

Recher's Fee. See Addendum Section 15.

(4), a fee as set forth in a separate agreement between Lessor and sold broker(s), or in the event there is no separate agreement between Lessor and sold broker(s), the sum of \$ _____.

(b) Lessor further agrees that if Lessee exercises any Option as defined in paragraph 2.2 of this Lease, or if Lessee exercises any subsequently granted option which is substantially similar to an Option granted to Lessee under this Lease, or if Lessee acquires the Premises or other premises described in this Lease which are substantially similar to what Lessee would have acquired had Lessee exercised an Option, or if Lessee remains in possession of the Premises after the expiration of the term of this Lease and/or any adjacent property in which Lessor has an interest, then as to any of said transactions, Lessor shall pay said fee in accordance with the schedule of said broker(s) in effect at the time of execution of this Lease.

~~any person, corporation, association, or other entity, whether such transfer is by agreement or by operation of law, shall be deemed to have assumed Lessor's obligations under this Paragraph 15.~~

(a) Lessor shall at any time upon not less than ten (10) days' prior written notice from Lessor execute, acknowledge and deliver to Lessee a written instrument certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and that this Lease, as so modified, is in full force and effect) and the date to which the rent and other charges are paid in advance. If any modification of this Lease is made, Lessor shall deliver to Lessee a written instrument certifying that there are not, to Lessee's knowledge, any unexecuted or unacknowledged modifications of this Lease.

(b) At Lessor's option, Lessee's failure to deliver such statement within such time shall be a material breach of this lease.

**See Addendum Section 13.9.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

conclusive upon Lessee (i) that this Lease is in full force and effect, without modification except as may be represented by Lessor, (ii) that there are no uncured defaults in Lessor's performance, and (iii) that not more than one month's rent has been paid in advance or such failure may be considered by Lessor as a default by Lessee under this Lease.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee hereby agrees to deliver to any lender or purchaser designated by Lessor such financial statements of Lessee as may be reasonably required by such lender or purchaser. ~~Such statements shall include the past three years' financial statements of Lessee. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.~~

17. **Lessor's Liability.** The term "Lessor" as used herein shall mean only the owner or owners at the time in question of the fee title or a leasehold interest in a ground lease of the Premises, and except as expressly provided in Paragraph 15, in the event of any transfer of such title or interest, Lessor herein named (and in case of any subsequent transfers then the grantor) shall be relieved from and after the date of such transfer of liability as respects Lessor's obligations thereafter to be performed, provided that any funds in the hands of Lessor or the then grantor at the time of such transfer, in which Lessee has an interest, shall be delivered to the grantee. The obligations contained in this Lease to be performed by Lessee shall, subject as aforesaid, be binding on Lessor's successors and assigns, only during their respective periods of ownership.

18. **Severability.** The invalidity of any provision of this Lease as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. **Interest on Past-due Obligations.** Except as expressly herein provided, any amount due to Lessor not paid when due shall bear interest at the maximum rate then allowable by law from the date due. Payment of such interest shall not excuse or cure any default by Lessee under this Lease. Provided, however, that interest shall not be payable on late charges incurred by Lessee nor on any amounts upon which late charges are paid.

20. **Time of Essence.** Time is of the essence.

21. **Additional Rent.** Any monetary obligations of Lessee to Lessor under the terms of this Lease shall be deemed to be rent.

22. **Incorporation of Prior Agreements; Amendments.** This Lease contains all agreements of the parties with respect to any matter mentioned herein. No prior agreement or understanding pertaining to any such matter shall be effective. This Lease may be modified in writing only, signed by the parties in interest at the time of the modification. Except as otherwise stated in this Lease, Lessee hereby acknowledges that neither the real estate broker listed in Paragraph 15 hereof nor any cooperating broker on this transaction nor the Lessor or any employees or agents of any of said persons has made any oral or written warranties or representations to Lessee relative to the condition or use of said Premises and Lessee acknowledges that Lessee assumes all responsibility regarding the Occupational Safety Health Act, the legal use and adaptability of the Premises and the compliance thereof with all applicable laws and regulations in effect during the term of this Lease except as otherwise specifically stated in this Lease.

23. **Notices.** Any notice required or permitted to be given hereunder shall be in writing and may be given by personal delivery or by certified mail and if given personally or by mail, shall be deemed sufficiently given if addressed to Lessee or to Lessor at the address noted below the signature of the respective parties, as the case may be. Either party may by notice to the other specify a different address for notice purposes except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice purposes. A copy of all notices required or permitted to be given to Lessor hereunder shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate by notice to Lessee. Any notice given by certified mail shall be deemed delivered forty-eight hours after it is deposited in the mail, postage prepaid.

24. **Waivers.** No waiver by Lessor or any provision hereof shall be deemed a waiver of any other provision hereof or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act by Lessee. The acceptance of rent hereunder by Lessor shall not be a waiver of any preceding breach by Lessee of any provision hereof, other than the failure of Lessee to pay the particular rent so accepted, regardless of Lessor's knowledge of such preceding breach at the time of acceptance of such rent.

25. **Recording.** Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a "short form" memorandum of this Lease for recording purposes.

26. **Holding Over.** If Lessee, with Lessor's consent, remains in possession of the Premises or any part thereof after the expiration of the term hereof, such occupancy shall be a tenancy from month to month upon all the provisions of this Lease pertaining to the obligations of Lessee, but all options and rights of first refusal, if any, granted under the terms of this Lease shall be deemed terminated and be of no further effect during said month to month tenancy.

27. **Cumulative Remedies.** No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. **Covenants and Conditions.** Each provision of this Lease performable by Lessee shall be deemed both a covenant and a condition.

29. **Binding Effect; Choice of Law.** Subject to any provisions hereof restricting assignment or subletting by Lessee and subject to the provisions of Paragraph 17, this Lease shall bind the parties, their personal representatives, successors and assigns. This Lease shall be governed by the laws of the State wherein the Premises are located.

30. **Subordination.**

(a) This Lease, at Lessor's option, shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation or security now or hereafter placed upon the real property of which the Premises are a part and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof. Notwithstanding such subordination, Lessee's right to quiet possession of the Premises shall not be disturbed if Lessee is not in default and so long as Lessee shall pay the rent and observe and perform all of the provisions of this Lease, unless this Lease is otherwise terminated pursuant to its terms. If any mortgagee, trustee or ground lessor shall object to have this Lease prior to the filing of its mortgage, deed of trust or ground lease, and shall give written notice thereof to Lessee, this Lease shall be deemed prior to such mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of said mortgage, deed of trust or ground lease or the date of recording thereof.

(b) Lessee agrees to execute any documents required to effectuate an allotment, a subordination or to make this Lease prior to the filing of any mortgage, deed of trust or ground lease, as the case may be. Lessee's failure to execute such documents within 10 days after written demand shall constitute a material default by Lessee hereunder, or, at Lessor's option, Lessor shall execute such documents on behalf of Lessee as Lessee's attorney-in-fact. Lessee does hereby make, constitute and irrevocably appoint Lessor as Lessee's attorney-in-fact and in Lessee's name, place and stead, to execute such documents in accordance with this paragraph 30(b).

31. **Attorney's Fees.** If either party ~~or the broker named herein~~ brings an action to enforce the terms hereof or declare rights hereunder, the prevailing party in any such action, on trial or appeal, shall be entitled to his reasonable attorney's fees to be paid by the losing party as fixed by the court. ~~The provisions of this paragraph shall inure to the benefit of the broker named herein who seeks to enforce a right hereunder.~~ See Add Section

32. **Lessor's Access.** Lessor and Lessor's agents shall have the right to enter the Premises at reasonable times for the purpose of inspecting the same, showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises or to the building of which they are a part as Lessor may deem necessary or desirable. Lessor may at any time place on or about the Premises any ordinary "For Sale" signs and Lessor may at any time during the last ~~two~~ days of the term hereof place on or about the Premises any ordinary "For Lease" signs, all without rebate of rent or liability to Lessee. See Addendum Section 32.

33. **Auctions.** Lessee shall not conduct, nor permit to be conducted, either voluntarily or involuntarily, any auction upon the Premises without first having obtained Lessor's prior written consent. Notwithstanding anything to the contrary in this Lease, Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to grant such consent.

34. **Signs.** Lessee shall not place any sign upon the Premises without Lessor's prior written consent, except that Lessee shall have the right, without the prior permission of Lessor, to place ordinary and usual for rent or sublet signs. ~~without the prior permission of Lessor to place ordinary and usual for rent or sublet signs.~~

35. **Merger.** The voluntary or other surrender of this Lease by Lessee, or a mutual cancellation thereof, or a termination by Lessor, shall not work a merger, and shall, at the option of Lessor, terminate all or any existing subtenancies or may, at the option of Lessor, operate as an assignment to Lessor of any or all of such subtenancies.

36. **Consents.** Except for paragraph 33 hereof, ~~and paragraph 12 of Addendum~~ wherever in this Lease the consent of one party is required to an act of the other party such consent shall not be unreasonably withheld.

37. **Guarantor.** In the event that there is a guarantor of this Lease, said guarantor shall have the same obligations as Lessee under this Lease.

38. **Quiet Possession.** Upon Lessee paying the rent for the Premises and observing and performing all of the covenants, conditions and provisions on Lessee's part to be observed and performed hereunder, Lessee shall have quiet possession of the Premises for the entire term hereof subject to all of the provisions of this Lease. The individuals executing this Lease on behalf of Lessor represent and warrant to Lessee that they are fully authorized and legally capable of executing this Lease on behalf of Lessor and that such execution is binding upon all parties holding an ownership interest in the Premises.

39. **Options.** In accordance with the terms of this Paragraph 39.

39.1 **Definition.** As used in this paragraph the word "Options" has the following meaning: (a) the right or option to extend the term of this Lease or to renew this Lease; (b) the right or option to purchase any other property of Lessor; (c) the right or option to purchase any other property of Lessee; (d) the right or option to purchase any other property of Lessor or of Lessee; (e) the right or option to purchase any other property of Lessor or of Lessee; (f) the right or option to purchase any other property of Lessor or of Lessee; (g) the right or option to purchase any other property of Lessor or of Lessee; (h) the right or option to purchase any other property of Lessor or of Lessee; (i) the right or option to purchase any other property of Lessor or of Lessee; (j) the right or option to purchase any other property of Lessor or of Lessee; (k) the right or option to purchase any other property of Lessor or of Lessee; (l) the right or option to purchase any other property of Lessor or of Lessee; (m) the right or option to purchase any other property of Lessor or of Lessee; (n) the right or option to purchase any other property of Lessor or of Lessee; (o) the right or option to purchase any other property of Lessor or of Lessee; (p) the right or option to purchase any other property of Lessor or of Lessee; (q) the right or option to purchase any other property of Lessor or of Lessee; (r) the right or option to purchase any other property of Lessor or of Lessee; (s) the right or option to purchase any other property of Lessor or of Lessee; (t) the right or option to purchase any other property of Lessor or of Lessee; (u) the right or option to purchase any other property of Lessor or of Lessee; (v) the right or option to purchase any other property of Lessor or of Lessee; (w) the right or option to purchase any other property of Lessor or of Lessee; (x) the right or option to purchase any other property of Lessor or of Lessee; (y) the right or option to purchase any other property of Lessor or of Lessee; (z) the right or option to purchase any other property of Lessor or of Lessee.

may be given or withheld in Lessor's reasonable discretion.

39.2 ~~Options Personal.~~ The Option granted to Lessee in this Lease is personal to Lessee and may not be exercised or be assigned, voluntarily or involuntarily, by or to any person or entity other than Lessee. ~~The Option may be exercised by or assigned to any Lessee Affiliate as defined in paragraph 13.1(d) of this Lease.~~ The Option herein granted to Lessee is not assignable separate and apart from this Lease.

39.3 ~~Multiple Options.~~ In the event that Lessee has any multiple options to a later term, this Lease and the Option shall be exercised in accordance with the provisions of paragraph 13.1(d) or (e).

39.4 ~~Effect of Default on Options.~~ the Addendum Section 13.1(a), (b), (c) or (f) (a) Lessee shall have no right to exercise the Option, notwithstanding any provision in the grant of Option to the contrary, (i) during the time commencing from the date Lessor gives to Lessee a notice of default pursuant to paragraph 13.1(a) or (b) and continuing until the default alleged in said notice of default is cured, or (ii) during the period of time commencing on the day after a monetary obligation to Lessor is due from Lessee and unpaid (without any necessity for notice thereof to Lessee) continuing until the obligation is paid, or (iii) at any time after an event of default described in paragraph 13.1(a), (b), (c), (d), or (e) (without any necessity of Lessor to give notice of such default to Lessee), or (iv) in the event that Lessor has given to Lessee three or more notices of default under paragraph 13.1(a), where a late charge has become payable under paragraph 13.1(a) for each of such defaults, or paragraph 13.1(c), whether or not the defaults are cured, during the 12 month period prior to the time that Lessee intends to exercise the subject Option. Addendum Section 13.1(b) Addendum Section 13.1(a)

13.8 the (b) The period of time within which the Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise the Option because of the provisions of paragraph 39.4(a). Addendum Section 13.1(b) and timely exercise of the Option, if, after such exercise and during the term of this Lease, (i) Lessee fails to pay to Lessor a monetary obligation of Lessee for a period of 30 days after such obligation becomes due (without any necessity of Lessor to give notice thereof to Lessee), or (ii) Lessee fails to commence to cure a default specified in paragraph 13.1(a) within 30 days after the date that Lessor gives notice to Lessee of such default, and/or Lessee fails thereafter to diligently prosecute said cure to completion, or (iii) Lessee commits a default described in paragraph 13.1(a), 13.1(d) or 13.1(e) (without any necessity of Lessor to give notice of such default to Lessee), or (iv) Lessor gives to Lessee three or more notices of default under paragraph 13.1(a) where a late charge becomes payable under paragraph 13.1(a) for each of such defaults, or paragraph 13.1(c), whether or not the defaults are cured. Addendum Section 13.1(a) 13.8 Addendum Section 13.1(c)

40. Multiple Tenant Building. In the event that the Premises are part of a larger building or group of buildings then Lessee agrees that it will abide by, keep and observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, care, and cleanliness of the building and grounds, the parking of vehicles and the preservation of good order therein as well as for the convenience of other occupants and tenants of the building. The violations of any such rules and regulations shall be deemed a material breach of this Lease by Lessee.

41. Security Measures. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of Lessee, its agents and invitees from acts of third parties.

42. Easements. Lessor reserves to itself the right, from time to time, to grant such easements, rights and dedications that Lessor deems necessary or desirable, and to cause the recording of Parcel Maps and restrictions, so long as such easements, rights, dedications, Maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee shall sign any of the aforementioned documents upon request of Lessor and failure to do so shall constitute a material breach of this Lease.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one party to the other under the provisions hereof, the party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment, and there shall survive the right on the part of said party to institute suit for recovery of such sum. If it shall be adjudged that there was no legal obligation on the part of said party to pay such sum or any part thereof, said party shall be entitled to recover such sum or so much thereof as it was not legally compelled to pay under the provisions of this Lease.

44. Authority. If Lessee is a corporation, trust, or general or limited partnership, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on behalf of said entity. If Lessee is a corporation, trust or partnership, Lessee shall, within thirty (30) days after execution of this Lease, deliver to Lessor evidence of such authority satisfactory to Lessor.

45. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Insuring Party. The insuring party under this lease shall be the Lessor, or at Lessor's sole option, Lessee, Lessor**

47. Addendum. Attached hereto is an addendum or addenda containing paragraph through which constitutes a part of this Lease.

*See Addendum Sections 39.5 and 39.6, and 48 through 54, inclusive.

**shall provide written notice to Lessee should Lessor elect to designate Lessee as insuring party at any time or from time to time during the term of this Lease.
not less than thirty (30) days

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN AND, BY EXECUTION OF THIS LEASE, SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

IF THIS LEASE HAS BEEN FILLED IN IT HAS BEEN PREPARED FOR SUBMISSION TO YOUR ATTORNEY FOR HIS APPROVAL. NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY THE REAL ESTATE BROKER OR ITS AGENTS OR EMPLOYEES AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION RELATING THERETO. THE PARTIES SHALL RELY SOLELY UPON THE ADVICE OF THEIR OWN LEGAL COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.

The parties hereto have executed this Lease at the place on the dates specified immediately adjacent to their respective signatures.

Executed at _____ RISING SUN MARINE ENTERPRISES (CALIFORNIA), INC.,
a California corporation

on _____ By _____

Address _____ Its: _____

_____ By _____

_____ Its: _____

Executed at _____ KNIGHT & CARVER YACHTCENTER, INC., a California corporation

on _____ By _____

Address _____ Its: _____

_____ By _____

_____ Its: _____

For these forms write or call the American Industrial Real Estate Association, 345 South Figueroa St., M-1, Los Angeles, CA 90071 (213) 607-0777

ADDENDUM TO STANDARD INDUSTRIAL LEASE - NET

LESSOR: Rising Sun Marine Enterprises (California), Inc.,
a California corporation

LESSEE: Knight & Carver Yachtcenter, Inc., a California
corporation

DATE: July 21, 1990

PREMISES: A portion of 1500 Quivira Way, Mission Bay Park,
San Diego, California

THIS ADDENDUM is an addition to and an amendment of that certain Standard Industrial Lease - Net of even date herewith (the "Lease") between the above named parties, covering certain premises in San Diego, California, more particularly described in the Lease. Defined terms in the Lease shall have the same meaning in this Addendum. In the event of a conflict between the provisions of the Lease and this Addendum, this Addendum shall prevail.

2. Premises. (Continued) Lessee is informed and acknowledges that the improvements which are a part of the Premises are located on land which is leased to Lessor by means of an assignment from Lessee of the Lessee's interest under that certain Percentage Lease dated March 5, 1979, originally between the City of San Diego acting by and through its City Manager (the "City") as lessor and Mission Bay Marina, a limited partnership as lessee. Such Percentage Lease shall be referred to herein as the "Master Lease."

This Lease is subject and subordinate to all the provisions of the Master Lease, and Lessee shall not do or permit any act or omission to act that will violate any term of the Master Lease. In addition to Lessee's other obligation under this Lease and without any credit or offset against Annual Rent, Lessee shall comply with all the obligations (including, without limitation, the obligation to pay percentage rent) of the lessee under the Master Lease as such obligations relate to the Premises hereunder. At Lessor's request, Lessee shall pay directly to the City all charges and rents, including without limitation percentage rent, payable by the lessee under the Master Lease. The effectiveness of this Lease and the effectiveness of any increase or decrease in the Premises as discussed below, is conditioned upon the City's consent hereto and execution of that Consent and Acknowledgement following this Addendum.

4/RJS958/nirlian

If the Master Lease terminates, this Lease shall terminate and the parties shall be relieved of all liabilities and obligations arising after such termination; provided, however, if this Lease terminates as a result of a default by Lessee under this Lease or a failure of Lessee to perform the lessee's obligations under the Master Lease, or both, Lessee shall be liable to Lessor for all damages suffered by Lessor as a result of the termination; provided, however, if this Lease terminates as a result of a default by Lessor under this Lease or a failure of Lessor to perform the lessee's obligations under the Master Lease (either of which are not also a default by Lessee), or both, Lessor shall be liable to Lessee for all damages suffered by Lessee as a result of the termination.

Lessor may, at any time and from time to time, at its sole option, and with notice to Lessee as provided below, ^{with whom?} agree to (i) increase the Premises covered by this Lease to include the marina, dock, and adjacent water areas as described in Exhibit B, attached hereto and incorporated herein, and other related improvements (collectively, the "Marina Area"), in which event the Premises described herein will thereafter include the entirety of the "Demised Premises" as set forth in Section I of the Master Lease and any improvements thereon; and/or, if Lessor has elected to so increase the Premises, (ii) reduce the Premises by withdrawing the Marina Area therefrom.

In the event Lessor chooses to so increase the Premises, the Annual Rent payable by Lessee shall be increased as set forth below as of the effective date of such increase of the Premises and Lessee shall thereafter be responsible for the performance of all of the lessee's obligations under the Master Lease, including, without limitation, the payment of percentage rent for the entire "Demised Premises" covered by the Master Lease. The Annual Rent in effect after such increase shall be an amount equal to the then otherwise applicable Annual Rent multiplied by a fraction, the numerator of which is 145 and the denominator of which is 90. The resulting total Annual Rent shall thereafter be payable and adjusted in accordance with Addendum Section 4. If such increase in the Premises is to be effective at any time other than an anniversary date of the Commencement Date, the increased Annual Rent for the remaining partial lease year after the effective date of such increase until the next anniversary of the Commencement Date shall be prorated on the basis of a three hundred sixty-five (365)-day year.

In the event Lessor elects to reduce the Premises by withdrawing the Marina Area, after Lessor had earlier elected to add the Marina Area to the Premises, the Annual Rent shall be decreased as set forth below as of the effective date of such reduction of the Premises. The Annual Rent in effect after such reduction shall be an amount equal to the then otherwise applicable Annual Rent multiplied by a fraction, the numerator of which is 90 and the denominator of which is 145. The resulting

total Annual Rent shall thereafter be payable and adjusted in accordance with Addendum Section 4. If such reduction of the Premises is to be effective at any time other than an anniversary date of the Commencement Date, the decreased Annual rent for the remaining lease year after the effective date of such reduction until the next anniversary of the Commencement Date shall be prorated on the basis of a three hundred sixty-five (365)-day year.

As of the effective date of any increase/reduction of the Premises as provided above, Lessee's obligation to pay for utilities, real property taxes, rents and other charges due under the Master Lease and other charges under this Lease as well as Lessee's other obligations under the Lease shall apply to the increased/reduced Premises and the parties shall make any necessary equitable adjustment.

Lessee and Lessor shall diligently and in good faith cooperate with each other in taking such steps as are necessary or desirable to ensure the efficient transition in management and operation of the Marina Area in connection with any increase/reduction of the Premises as provided above. In connection with such cooperation, both parties shall execute such assignments of subleases, rental agreements, service and maintenance contracts, and other documents as may be reasonably necessary or desirable and shall deliver to each other such documents and records as may be reasonably requested.

Notwithstanding the foregoing, it is agreed that (a) if Lessor desires to so increase the Premises effective as of the Close of Escrow, the minimum term shall be for two (2) years, and ~~written notice of such increase shall be given to Lessee no later than July 27, 1990;~~ (b) if Lessor does not so increase the Premises as provided in the preceding (a), but thereafter increases the Premises, the effective date of such increase shall be preceded by not less than six (6) months' written notice to Lessee and, unless otherwise agreed, the minimum term shall be two (2) years; and (c) if any such increase in the Premises is preceded by a period of more than one (1) year during which Lessee shall not have leased or managed the Marina Area, the Annual Rent as provided herein shall be reduced (if at the time of the increase in the Premises the "net revenue" from the Marina Area is less than the then current Annual Rent for the Marina Area) by the difference between the net revenue for the Marina Area and the Annual Rent for the Marina Area until the net revenue from the Marina Area (i) equals or exceeds the Annual Rent for the Marina Area or (ii) could reasonably have been made to equal or exceed the Annual Rent for the Marina Area; provided, however, this reduction shall not continue for a period in excess of six (6) months. As used in this paragraph, the term "net revenue" shall mean the net revenue generated by the operation of the Marina Area for federal income tax purposes, before deduction of income taxes.

In addition, if Lessor determines to sublet all or part of the Marina Area to any other person, entity or association, other than a subsidiary or affiliate of Lessor, Lessor shall notify Lessee of the terms on which Lessor is willing to so sublet. If Lessee, within thirty (30) days after receipt of Lessor's notice, indicates in writing its agreement to sublet such premises on the terms stated in Lessor's notice, Lessor shall thereupon sublet such premises on the terms stated in the notice. If Lessee does not indicate its agreement within such thirty (30) day period, Lessor thereafter shall have the right to sublet such premises to a third party on the same terms stated in the notice. If Lessor does not sublet (or enter into an agreement for the subletting of) such premises within one hundred fifty (150) days after the expiration of the first thirty (30) day period, or if such sublet is to be on terms not as favorable to Lessor as the original offer provided to Lessee, then in either of which case, such transaction shall be deemed a new determination by Lessor to sublet such premises and the provisions of this paragraph giving Lessee an opportunity to so sublet shall once again be applicable.

3.1 Term. (Continued) The effectiveness of this Lease and the parties' obligations hereunder are conditioned on the close of escrow and Lessor's acquisition of the Premises from Lessee through Commerce Escrow Company's Escrow No. 90-12256. The date on which such escrow closes shall be referred to as the "Close of Escrow."

4. Rent. (Continued)

4.1 Annual Rent; Periodic Adjustment. (New) Lessee shall pay annual rent (the "Annual Rent") of Nine Hundred Thousand Dollars (\$900,000), in advance, in equal monthly installments on the first day of each month during the term of this Lease without set off, prior notice or demand. The Annual Rent shall be adjusted in accordance with the following paragraphs:

The amount of Annual rent payable during the term shall be adjusted at the commencement of the second year of the term and of each year thereafter (the "Adjustment Date(s)") as follows: The adjustment shall be calculated based upon the Consumer Price Index for all Urban Consumers for the index area which includes San Diego, California, all items, 1982-84-100, published by the United States Department of Labor, Bureau of Labor Statistics (the "Index"). The Index published most immediately preceding the Commencement Date shall be considered the "Base Index". The Index published most immediately preceding Adjustment Date in question (the "Adjustment Index") shall be used in determining the amount of the adjustment. The Annual Rent for the following year (until the next Adjustment Date) shall be set by multiplying the Annual Rent by a fraction, the

numerator of which is the Adjustment Index and the denominator of which is the Base Index. Provided, however, that in no event shall the increase in Annual Rent in any year be less than three percent (3%) nor greater than eight percent (8%) of the Annual Rent in effect immediately before the Adjustment Date in question. On adjustment of Annual Rent as provided herein, Lessor shall give Lessee written notice of the new Annual Rent and the manner in which it was computed.

Notwithstanding the preceding paragraph to the contrary, if Lessee is able to demonstrate that the adjustments made or to be made in accordance with the preceding paragraph will make the rent for the premises that the Lessee or its affiliates are occupying above fair market rental considering Lessee's and its affiliates use thereof, the rent shall be adjusted down to such fair market rental; provided, however, in all events, the minimum 3% annual increase discussed in the preceding paragraph shall always apply.

If the Index is changed so that the base year differs from that in effect when the term commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation with which it is replaced shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised.

4.2 Special Net Lease. (New) This Lease is what is commonly called a "Net, Net, Net Lease", it being understood that the Lessor shall receive the Annual Rent set forth in Addendum Section 4.1 free and clear of any and all other impositions, taxes, liens, charges or expenses of any nature whatsoever in connection with the ownership and operation of the Premises. In addition to the Annual Rent reserved by Addendum Section 4.1, Lessee shall pay to the parties respectively entitled thereto all impositions, insurance premiums, operating charges, maintenance charges, construction costs, and any other charges, costs and expenses which arise or may be contemplated under any provisions of this Lease during the term hereof. All of such charges, costs and expenses shall constitute additional rent, and upon the failure of Lessee to pay any such costs, charges or expenses, Lessor shall have the same rights and remedies as otherwise provided in this Lease for the failure of Lessee to pay rent. Except as otherwise specifically provided in this Lease, it is the intention of the parties hereto that (a) this Lease shall not be terminable for any reason by the Lessee, and (b) Lessee shall in no event be entitled to any abatement of or reduction in rent payable under this Lease.

5. Security Deposit. (Continued) To satisfy the security deposit obligations referenced in Paragraph 5 of the Lease, Lessee hereby grants to Lessor a security interest in Lessee's equipment as described on Exhibit "C", attached hereto

and incorporated herein by reference, and Lessee represents that the net fair market value of such equipment is not less than \$200,000.00. Lessor and Lessee shall, on or before the close of escrow, execute a security agreement in the form attached hereto as Exhibit "D". On the Close of Escrow, Lessee shall cause to be signed and filed with the California Secretary of State a financing statement (form UCC-1) evidencing the security interest granted herein. In the event Lessee desires to free the equipment from the security interest granted herein, Lessee may do so by providing Lessor with acceptable "liquid" security reasonably acceptable to Lessor in the amount of Two Hundred Thousand Dollars (\$200,000) (e.g., certificate of deposit, letter of credit or the like). Notwithstanding the foregoing to the contrary, in the event Lessor believes the value of the equipment acting as security has a net fair market value of less than Two Hundred Thousand Dollars (\$200,000), then, upon Lessor's written notice to Lessee, which written notice shall include a written appraisal of the equipment certifying that the equipment acting as security has a net fair market value of less than Two Hundred Thousand Dollars (\$200,000), Lessee shall provide Lessor with additional security to bring the net fair market value of such security up to Two Hundred Thousand Dollars (\$200,000), which additional security shall be either additional equipment and/or "liquid" security reasonably acceptable to Lessor. As used herein, the term "net fair market value" shall be the fair market value of the equipment, less the amount of any liens or encumbrances thereon, and less a reasonable estimate of Lessor's costs and expenses, including attorneys' fees, that would be incurred by Lessor in foreclosing on the security and causing the same to be sold in accordance with the California Commercial Code.

5.1 Right of First Refusal. (New) If Lessee determines to sell all or part of the equipment acting as security as provided above to any person, entity or association, other than a subsidiary or affiliate of Lessee, Lessee shall notify Lessor of the terms on which Lessee is willing to sell. If Lessor, within thirty (30) days after receipt of Lessee's notice, indicates in writing its agreement to purchase such equipment on the terms stated in Lessee's notice, Lessee shall sell and convey such equipment to Lessor on the terms stated in the notice. If Lessor does not indicate its agreement within such thirty (30) day period, Lessee thereafter shall have the right to sell and convey such equipment to a third party on the terms stated in the notice. If Lessee does not sell and convey (or enter into a contract for the sale or conveyance of) such equipment within one hundred fifty (150) days after the expiration of the first thirty (30) day period or if such sale is to be on terms not as favorable to Lessee as the original offer provided to Lessor, then in either of which case, such a transactions shall be deemed a new determination by Lessee to sell and convey such equipment and the provisions of this paragraph giving Lessor an opportunity to purchase such

equipment shall once again be applicable.

6.1 Use. (Continued) In addition to those uses existing as of the Commencement Date, Lessee may use the Premise for any other purpose permitted under the Master Lease provided Lessee obtains Lessor's prior written consent. Lessee shall use and operate the Premises in conjunction and in cooperation with the use and operation of the entire property covered by the Master Lease (including the Marina Area).

6.2 Compliance With Law. (Continued)

(a) General. Except as it concerns business operations as currently being conducted on the Premises in compliance with all laws, (1) no goods, merchandise or material shall be kept, stored or sold in or on the Premises which are in any way explosive or hazardous; (2) no offensive or dangerous trade, business or occupation shall be carried on therein or thereon; and (3) no machinery or apparatus shall be used or operated on the Premises that will in any way injure the Premises or adjacent properties. In addition, nothing shall be done on the Premises other than as is provided for in Paragraph 6 of the Lease which will suspend the insurance upon the Premises.

(b) Lessee's Obligation; Definitions. It is the intent of both Lessor and Lessee, and Lessee hereby agrees, that Lessee, at its cost and expense, shall at all times be responsible and liable for, and shall be in complete compliance with, all governmental laws, ordinances, rules and regulations (collectively, "Laws") relating, directly or indirectly, to the use, occupancy, condition and/or operation of the Premises, including, without limitation, all Hazardous Materials Laws, as defined below. "Governmental" as used herein shall include, without limitation, federal, state, and local governments, and political subdivisions and agencies thereof. "Hazardous Materials Laws" as used herein shall mean all Laws regarding or regulating the generation, presence, use, storage, placement, handling, treatment, disposal, release, monitoring, removal or remediation of Hazardous Materials. "Hazardous Materials" as used herein shall mean any hazardous or toxic substance, material, chemical or waste which is now or subsequently may be defined as such by, or which is now or subsequently may be regulated by, any Laws, including, without limitation, all petroleum and/or hydrocarbon-related materials, products and substances.

(c) Underground Tanks. Lessee's obligations under Addendum Section 6.2(b) shall include, without limitation, the obligation to comply with any Laws regarding or relating to: (i) the use, removal, replacement, disposal, repair, maintenance, testing, inspection and/or monitoring of any underground storage tanks now or hereafter during the term located on or beneath the Premises; and (ii) the removal, clean-up, replacement, disposal,

testing, inspection and/or monitoring of the soil and/or groundwater on or beneath the Premises or on or beneath any property or waters adjacent to or in the vicinity of the Premises which may, as a result of the use of the Premises and/or the use, sale and/or storage on or from the Premises of any petroleum or hydrocarbon-related materials or other Hazardous Materials, be or become contaminated with petroleum or hydrocarbon-related materials or other Hazardous Materials.

(d) Environmental Audit. At least one hundred eighty (180) days before the expiration or termination of the term, Lessee shall, at its cost, have an environmental audit of the Premises conducted to determine the presence or absence of Hazardous Materials on, under or about the Premises. Such audit shall be performed by an independent, licensed, qualified environmental consultant reasonably approved by Lessor. The consultant shall prepare a written report regarding the audit and the results thereof, and a complete copy of the report shall be delivered to Lessor.

(e) Remediation. If the environmental audit reveals the existence of any Hazardous Materials on or under the Premises, or on or under any property or waters adjacent to the Premises which Hazardous Materials have emanated or migrated from the Premises, and the levels of such Hazardous Materials are in excess of established, permitted or recommended levels under Hazardous Materials Laws then in effect, Lessee shall, at its cost and before the end of the term, remove and/or remediate such Hazardous Materials in compliance with all Hazardous Materials Laws. Upon completion of such removal and/or remediation, Lessee's environmental consultant shall conduct supplemental testing and/or monitoring to determine the presence of any remaining Hazardous Materials on, under or adjacent to the Premises. The consultant shall prepare a written supplemental report regarding such supplemental testing and the results thereof, and a complete copy of the supplemental report shall be delivered to Lessor. If any further removal and/or remediation of Hazardous Materials is required, it shall be performed in accordance with the provisions of this paragraph.

(f) Delay in Completion. If, for any reason, Lessee fails to complete its obligations under this Addendum Section 6.2 or under the other provisions of this Lease and to surrender the Premises to Lessor by the expiration or earlier termination of the term, such failure shall in no way relieve Lessee of its obligations under Addendum Sections 6.2(d) and 6.2(e).

(g) Indemnity. Lessee shall indemnify, protect, defend and hold Lessor harmless from and against any and all claims, damages, losses, liabilities and expenses, including reasonable attorneys' fees, resulting from the presence, use, generation, storage, placement, handling, treatment, disposal,

release, monitoring, removal or remediation of Hazardous Materials on, under, about or from the Premises or from Lessee's compliance or noncompliance with the provisions of this Addendum Section 6 (hereinafter collectively referred to as "Claims"). Lessee's agreement to indemnify, protect, defend and hold Lessor harmless from a Claim shall apply, without limitation: (i) to any statutory lien imposed or Hazardous Material cleanup, remediation, removal or restoration work required hereunder or by any Laws or governmental authority; (ii) to any Claim for bodily injury, property damage (tangible or intangible), loss of use or economic loss; and (iii) whether any Hazardous Material is located in the soil, groundwater, other waters or atmosphere on or adjacent to the Premises. The indemnity set forth in this subparagraph (g) shall terminate upon the termination of this Lease and Lessee's compliance with subparagraphs (d), (e) and (f) above.

7.1 Lessee's Obligations. (Continued)

Notwithstanding the provisions of paragraph 7.1 of the Lease to the contrary, Lessee's obligations to make repairs (as opposed to maintenance) shall be limited to noncapital repairs. For purposes of this provision, "noncapital repairs" shall be defined as repairs the cost of which would generally be expensable by Lessee on its tax return as opposed to being depreciated over some period of time and includes, without limitations, plumbing, heating, air conditioning, ventilating, electrical, lighting facilities, fixtures, exterior walls, foundations and roofs. Provided, however, in all events, Lessee shall at all times take reasonable steps to cause all property located on the Premises to be maintained in a good, safe, clean and proper condition.

8.2 Liability Insurance. (Continued) From time to time, but no more frequently than every three (3) years, Lessor may increase the minimum coverage limits of the public liability insurance required under this Lease if Lessor determines such increase is necessary for its protection. Lessee's public liability insurance shall be satisfactory to Lessor and shall provide coverage for products liability and for broad form contractual liability insuring performance of Lessee's obligations under Paragraph 8.2 and Addendum Section 6.2. In addition, Lessee shall maintain worker's compensation insurance as required by law and Employer's Liability Insurance (coverage B) to the limit of \$2,000,000. Such insurance shall include Incidental USL&H coverage in connection with work performed on or adjacent to navigable waters.

8.6 Indemnity. (Continued) As used in Paragraph 8.6 of the Lease, the word "claim" shall include all Claims (as defined in Addendum Section 6.2(g)), including, without limitation, any that may arise under the Master Lease.

9. - Damage or Destruction. (Continued)

9.1 Insurance Obligation. (New) Lessee shall provide Lessor with copies of all insurance policies maintained in connection with the Premises, whether or not obtained by Lessee in conformity with Paragraph 8 of this Lease. To the extent Lessor believes that Lessee should obtain additional insurance coverage or insurance coverage with higher liability limits, Lessee shall obtain such insurance, upon written notice from Lessor, so long as such insurance is of a type that would normally or reasonably be obtained by a party in a business similar to Lessee's or, in all events, if such insurance is available at a reasonable price.

9.2 Obligation to Rebuild - Insured Loss. (New) In the event that some or all of the improvements constituting a part of the Premises or the Premises itself are damaged or destroyed, partially or totally from any cause whatsoever, and if such damage or destruction is of a nature required to be insured against under Paragraph 8.3 of the Lease or under Paragraph 9.1 of this Lease, then Lessee shall repair, restore and rebuild the Premises to its condition existing immediately prior to such damage or destruction and this Lease shall remain in full force and effect. Such repair, restoration and rebuilding (all of which are herein called "repair") shall be commenced without delay after such damage or destruction has occurred and shall be diligently pursued to completion in accordance with Addendum Section 9.4.

9.3 Obligation to Rebuild - Uninsured or Underinsured Loss. (New) In the event that the damage or destruction referred to in Paragraph 9.2 results from a cause which is uninsured (and not required to be insured against under Paragraph 8.3) or from which the insurance coverage is inadequate to cause such damage or destruction to be repaired in full, then Lessee shall not be obligated to effectuate such repairs, unless caused by Lessee's fault or neglect. In the event Lessee chooses to effectuate such repairs, Lessee shall inform Lessor thereof within thirty (30) days following such damage or destruction and shall thereupon effectuate such repairs in accordance with Addendum Section 9.4. If, on the other hand, Lessee chooses not to effectuate such repairs, Lessee shall inform Lessor of the same within thirty (30) days after such damage or destruction has occurred and, at the same time, provide Lessor with all insurance proceeds received by Lessee relating to any necessary repair of the damage or destruction. Within thirty (30) days following such delivery, Lessor shall inform Lessee, in writing, as to whether Lessor chooses to effectuate the repairs. If Lessor chooses to effectuate such repairs, this Lease shall remain unchanged and in full force and effect. If neither Lessee nor Lessor effectuate repairs, the rent shall be adjusted to reflect the unrepaired damage or destruction. If the damage or destruction is such that the Premises are not habitable and

neither Lessee nor Lessor effectuate repair, then this Lease shall thereupon terminate.

9.4 Tenant's Restoration of the Premises. (New)

(a) If, during the term, the Premises are destroyed from a risk covered by the insurance described in Paragraph 8.3, and the total amount of loss does not exceed Five Thousand Dollars (\$5,000), Lessee shall make the loss adjustment with the insurance company insuring the loss. The proceeds shall be paid directly to Lessee for the sole purpose of making the restoration of the Premises in accordance with this Addendum Section 9.

(b) If, during the term, the Premises are destroyed from a risk covered by the insurance described in Paragraph 8.3, and the total amount of loss exceeds Five Thousand Dollars (\$5,000), Lessee shall make the loss adjustment with the insurance company insuring the loss and on receipt of the proceeds shall immediately pay them to a third party trustee designated by Lessor ("Insurance Trustee"). If such insurance proceeds are not sufficient to pay the estimated cost of repair, and if Lessee has chosen to effectuate such repairs in accordance with Addendum Section 9.3, Lessee shall deposit with the Insurance Trustee the amount of the deficiency.

If the Premises are destroyed from a risk not covered by the insurance described in Paragraph 8.3, and if Lessee has chosen to effectuate such repairs in accordance with Addendum Section 9.3, Lessee shall deposit with the Insurance Trustee the estimated cost of repair. All sums deposited with the Insurance Trustee shall be held for the following purposes and the Insurance Trustee shall have the following powers and duties:

The sums shall be paid in installments by the Insurance Trustee to the contractor retained by Lessee as construction progresses, for payment of the cost of repair. A ten percent (10%) retention fund shall be established that will be paid to the contractor on completion of restoration, payment of all costs, expiration of all applicable lien periods, and proof that the Premises are free of all mechanics' lien and lienable claims.

Payments shall be made on presentation of certificates or vouchers from the architect or engineer retained by Lessee showing the amount due. If the Insurance Trustee, in its reasonable discretion, determines that the certificates or vouchers are being improperly approved by the architect or engineer retained by Lessee, the Insurance Trustee shall have the right to appoint an architect or an engineer to supervise construction and to make payments on certificates or vouchers approved by the architect or engineer retained by the Insurance

Trustee. The reasonable expenses and charges of the architect or engineer retained by the Insurance Trustee shall be paid by the Insurance Trustee out of the trust fund.

If the sums held by the Insurance Trustee are not sufficient to pay the actual cost of repair, and if Lessee has chosen to effectuate such repairs in accordance with Addendum Section 9.3, Lessee shall deposit the amount of deficiency with the Insurance Trustee within a reasonable period of time after request by the Insurance Trustee indicating the amount of deficiency.

Any sums not disbursed by the Insurance Trustee after repair has been completed and final payment has been made to Lessee's contractor shall be paid to Lessee.

All costs and charges of the Insurance Trustee shall be paid by Lessee.

If the Insurance Trustee resigns or for any reason is unwilling to act or continue to act, Lessor shall substitute a new trustee in the place of the designated Insurance Trustee.

Both parties shall promptly execute all documents and perform all acts reasonably required by the Insurance Trustee to perform its obligations under this paragraph.

(c) Within thirty (30) days after the date that Lessee is obligated to repair the Premises, or elects to effectuate such repairs where not so obligated, Lessee at its cost shall cause to be prepared by a licensed architect final plans and specifications and working drawings complying with applicable laws that will be necessary for repair of the Premises. The plans and specifications and working drawing must be approved by Lessor before Lessee commences any work. Landlord shall have thirty (30) days after receipt of the plans and specifications and working drawings to either approve or disapprove the plans and specifications and working drawings and return them to Lessee. If Lessor disapproves the plans and specifications and working drawings, Lessor shall notify Lessee of its objections and Lessor's proposed solution to each objection. Lessee acknowledges that the plans and specifications and working drawings shall be subject to approval of the appropriate government bodies and that they will be prepared in such a manner as to obtain that approval.

The repair shall be accomplished as follows:

(1) Lessee shall complete the repair as soon as reasonably possible and within one hundred eighty (180) days after final plans and specifications and working drawing have been approved by the appropriate government bodies and all required permits have been obtained (subject to a reasonable

extension for delays resulting from causes beyond Lessee's reasonable control).

(2) Lessee shall retain a licensed contractor that is bondable. During the period of construction, the contractor shall be required to carry public liability and property damage insurance, standard fire and extended coverage insurance, with vandalism and malicious mischief endorsements, in accordance with Paragraph 8, and builder's risk insurance covering the full replacement value of the Premises upon completion of repairs. Such insurance shall contain waiver of subrogation clauses in favor of Lessor and Lessee in accordance with the provisions of Paragraph 8.5.

(3) Lessee shall notify Lessor of the date of commencement of the repair not later than five (5) days before commencement of the repair to enable Lessor to post and record notices of nonresponsibility. The contractor retained by Lessee shall not commence construction until a completion bond and a labor and materials bond acceptable to Lessor have been delivered to Lessor to insure completion of the construction; provided, however, if the cost of the repair is not estimated to exceed Fifty Thousand Dollars (\$50,000) then Lessee shall not be required to have its contractor obtain a completion bond and a labor and materials bond as herein provided.

(4) Lessee shall accomplish the repair in a manner that will cause the least inconvenience, annoyance, and disruption at the Premises.

(5) On completion of the repair Lessee shall immediately record a notice of completion in the county in which the Premises are located.

(6) The repair shall not be commenced until sums sufficient to cover the cost of repair are placed with the Insurance Trustee as provided in Addendum Section 9.4(b).

9.5 Damage Near End of Term. If the Premises are damaged or destroyed, either partially or totally, during the last one (1) year of the term of this Lease, either party may cancel and terminate this Lease as of the date of occurrence of such damage or destruction by giving written notice to the other of the election to do so within thirty (30) days after the date of occurrence of such damage; provided, however, in the event such damage or destruction occurs during the last year of the initial term and if Lessee has exercised its option to extend the term of the Lease (or does so within thirty (30) days following such damage or destruction and provided Lessee is not then in default), then Lessor may not terminate this Lease without Lessee's written consent. Nothing in this paragraph shall serve to extend Lessee's time for exercising its extension option.

9.6 Abatement of Rent. Notwithstanding the partial or total destruction of the Premises or any part thereof, and notwithstanding whether the casualty is insured or not, there shall be no abatement of rent or of any other obligation of Lessee hereunder by reason of such damage or destruction unless the Lease is terminated by virtue of any other provision of this Lease.

9.7 Termination - Advance Payments. Upon termination of this Lease pursuant to this Addendum Section 9, an equitable adjustment shall be made concerning advance rent and any advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's security deposit as has not theretofore been applied by Lessor.

9.8 Waiver. Lessee waives the provisions of any statutes which relate to termination of leases when the thing leased is destroyed and agrees that such event shall be governed by the terms of this Lease.

10.1 Payment of Taxes. (Continued) Notwithstanding the foregoing, however, Lessee shall not be liable to pay any increase in real property tax (defined in paragraph 10.2) due as a result of Lessor's transfer of its interest in this Lease.

12. Assignment and Subletting. (Continued)

12.5 Procedures and Documentation. (New)

(a) Procedures. Lessor's prior written consent shall be required should Lessee desire to enter into an assignment of this Lease, or sublease all or part of the Premises, in which case Lessee shall give notice thereof to Lessor by requesting in writing Lessor's consent to such transaction and shall provide Lessor with the following:

(i) The full particulars of the proposed transaction, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent, and other documents pertaining to such proposed transaction;

(ii) A description of the identity, net worth and previous business experience of the proposed assignee or subtenant, including, without limitation, copies of the latest income, balance sheet and change-of-financial-position statements (with accompanying notes and disclosures of all material changes thereto) in audited form, if available, and certified as accurate by the proposed assignee or subtenant; and

(iii) Any further information relevant to the transaction, whether or not requested by Lessor, shall be provided to Lessor at the time of Lessee's request for consent and the information and materials covered by items (i) and (ii).

Notwithstanding the foregoing, as it concerns a proposed sublease, Lessee shall provide Lessor with the name and proposed use of the subtenant via facsimile transmission. Failure on the part of Lessor to provide Lessee with written objection thereto within three (3) business days following the sending of such transmission shall be deemed Lessor's consent thereto. In addition, Lessor hereby consents to a sublease from Lessee to an affiliate of Lessee, namely, Knight & Carver Custom Yachts, Inc.

As it concerns a proposed assignment, Lessee shall provide Lessor with the foregoing information (items (i) through (iii) above) via facsimile transmission. Failure on the part of Lessor to provide Lessee with written objection thereto within fifteen (15) days following the sending of such transmission shall be deemed Lessor's consent thereto; provided, however, in the event Lessor requires additional time to review such assignment, Lessor may, within such fifteen (15) day period, request an additional fifteen (15) day review period. In the event Lessor fails to consent or object to such assignment within such additional review period, such failure shall be deemed Lessor's consent thereto.

(b) Documentation. Any assignment or sublease to which Lessor has consented shall be evidenced by an instrument made in such written form as is reasonably satisfactory to Lessor and executed by Lessee and the assignee or subtenant. By such instrument, in the event of an assignment, the assignee shall assume for the direct benefit of Lessor the terms, covenants and conditions of this Lease which are the obligations of Lessee.

12.6 City Approval. (New) In addition to the restrictions set forth in Paragraph 12 of the Lease regarding assignment and subletting, Lessee acknowledges that any assignment, sublease or other transfer of its interest in the Lease and/or the Premises shall be subject to approval by the City pursuant to the terms of the Master Lease.

13. Defaults; Remedies. (Continued)

13.1 Defaults by Lessee. (New) The occurrence of any of the following shall constitute a default under this Lease by Lessee:

(a) Any failure by Lessee to pay rent or any other amounts required under this Lease (and/or under the Master Lease to the extent applicable to the Premises) when due, if the failure continues for thirty (30) days after written notice has

been received by Lessee;

(b) Any failure by Lessee to observe and perform any other provisions of this Lease to be observed and performed by Lessee, where such failure is curable and continues uncured for twenty (20) days after written notice by Lessor to Lessee; provided, however, in the event such failure is not curable within such twenty (20) day period, so long as Lessee is diligently pursuing a cure, then Lessee shall be given an additional reasonable period of time to cure such failure;

(c) The abandonment or vacation of the Premises (absence from the Premises for thirty (30) consecutive days or more shall conclusively be deemed an abandonment or vacation of the Premises);

(d) Lessee's interest in this Lease or in all or a part of the Premises is taken by process of law directed against Lessee, or becomes subject to any attachment at the instance of any creditor of or claimant against Lessee, and such attachment is not discharged within thirty (30) days;

(e) Lessee (i) is substantially unable to pay Lessee's debts generally as they become due or as they become due after being extended in the normal course of Lessee's business; (ii) makes an assignment of all or a substantial part of its property for the benefit of creditors; (iii) applies for or consents to or acquiesces in the appointment of a receiver, trustee, liquidator or custodian of such party or of all or a substantial part of such party's property or of the Premises or of Lessee's interest in this Lease; or (iv) files a voluntary petition in bankruptcy or a petition or an answer seeking reorganization under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization or relief of debtors or an arrangement with creditors, or takes advantage of any insolvency law or files an answer admitting the material allegations of a petition filed against such party in any bankruptcy, relief, reorganization or insolvency proceedings; or

(f) The entry of a court order, judgment or decree against Lessee or any guarantor of Lessee's obligations under this Lease, without the application, approval or consent of such party, approving a petition seeking reorganization of such party or relief of debtors under the Bankruptcy Code or any other law relating to bankruptcy, insolvency, reorganization or relief of debtors or granting an order for relief against it as debtor or appointing a receiver, trustee, liquidator or custodian of such party or of all or a substantial part of such party's property or of the Premises or of Lessee's interest in this Lease, or adjudicating such party bankrupt or insolvent, and such order, judgment or decree will not be vacated, set aside or dismissed within thirty (30) days from the date of entry.

The notices required under this Addendum Section 13.1 are the only notices required to be given by Lessor to Lessee and are not in addition to any statutory notices otherwise required by California law.

13.2 Termination of Lease and Remedies. (New) In the event of any default by Lessee, then, in addition to any and all other rights and remedies available to Lessor at law or in equity, Lessor shall have the right to immediately terminate this Lease and all rights of Lessee hereunder by giving written notice to Lessee of such election by Lessor. If Lessor shall elect to terminate this Lease, then it may recover the following from Lessee:

(a) The worth at the time of the award of any unpaid rent which had been earned at the time of termination;

(b) The worth at the time of the award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of the loss of such rent that Lessee proves could have been reasonably avoided;

(c) The worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of the award exceeds the amount of the loss of such rent that Lessee proves could have been reasonably avoided;

(d) Any other amount necessary to compensate Lessor for the detriment proximately caused by Lessee's default or which in the ordinary course of things would be likely to result therefrom; and

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

As used in subparagraphs (a) and (b) above, the "worth at the time of the award" is computed by allowing interest at the maximum legal rate of interest allowed by the usury laws from time to time between the date of the default and the time of the award. As used in subparagraph (c) above, the "worth at the time of the award" is computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of the award plus one percent (1%).

13.3 Right of Re-Entry. (New) In the event of any default by Lessee, Lessor shall also have the right, with or without terminating this Lease, to re-enter the Premises and remove all property and persons therefrom, and any such property may be removed and stored in a public warehouse or elsewhere at the cost and for the account of Lessee.

13.4 Lease Not Terminated. (New) If Lessor has not elected to terminate this Lease upon Lessee's default as permitted by Addendum Section 13.2, Lessor may either recover all rent as it becomes due or relet the Premises or any part or parts thereof for such term or terms and upon such provisions as Lessor, in its sole judgment, may deem advisable, and Lessor shall have the right to make repairs and alterations to the Premises. No re-entry or taking possession of the Premises by Lessor under Addendum Section 13.3 shall be construed as an election to terminate this Lease unless a written notice of such termination is given to Lessee or unless the termination thereof be adjudged by a court of competent jurisdiction.

13.5 Election to Relet. (New) If Lessor shall elect to relet the Premises as provided in Addendum Section 13.4, the rent received by Lessor from such reletting shall be applied as follows:

(a) To the payment of any indebtedness other than rent due hereunder from Lessee;

(b) To the payment of all costs and expenses incurred by Lessor in connection with such reletting;

(c) To the payment of the costs of any alterations or any repairs to the Premises;

(d) To the payment of rent due and unpaid hereunder;

and the residue, if any, shall be held by Lessor and applied in payment of future rent as the same may become due and payable hereunder. In no event shall Lessee be entitled to any excess rent received by Lessor over and above that which Lessee is obligated to pay hereunder. Should that portion of such rent received from such reletting during any month which is applied to the payment of rent hereunder be less than the rent payable hereunder during that month by Lessee, then Lessee shall pay such deficiency to Lessor immediately upon demand, and such deficiency shall be calculated and paid monthly. Lessee shall also pay Lessor, as soon as ascertained and upon demand, all costs and expenses incurred by Lessor in connection with such reletting and in making any such alterations and repairs which are not covered by the rent received from such reletting. Notwithstanding any reletting without termination by Lessor because of Lessee's default, Lessor may at any time after such reletting elect to terminate this Lease because of such default.

13.6 Lessor's Right to Cure Lessee's Defaults. (New) Lessor may at any time after Lessee commits an act of default, upon ten (10) days' notice, or a shorter period if additional damage may result, cure the act of default for the account and at the expense of Lessee. If Lessor at any time, by reason of an act

of default, is compelled to pay, or elects to pay, any sum of money or to do any act that will incur the payment of any sum of money, or is compelled to incur any expense, including reasonable attorneys' fees in instituting, prosecuting or defending any actions or proceedings to enforce Lessor's rights under this Lease, the sum or sums paid by Lessor (together with interest accruing until paid at the maximum legal rate of interest allowed by the then usury laws as such laws change from time to time), in addition to all other costs and damages shall be deemed to be additional rent under this Lease and shall be due from Lessee to Lessor immediately upon receipt of written demand.

13.7 Remedies Cumulative. (New) All rights and remedies of Lessor under this Lease shall be nonexclusive of and in addition to any other remedy available to Lessor at law or in equity.

13.9 Late Charges (Continued) In addition, should Lessee fail to pay such rent within twenty (20) days following its due date, then without the requirement of notice from Lessor, Lessee shall pay to Lessor an additional late charge equal to three percent (3%) of such overdue amount.

15. Broker's Fee. (New) Except as set forth below, Lessor and Lessee both warrant and represent that no brokerage commission or finder's fee is due in this transaction. Any obligation that may exist is the responsibility of the party through whom such obligation is claimed, and such party agrees to protect, defend, indemnify and hold the other party harmless from and against any and all claims, demands, causes of action, costs, damages, expenses, losses or liabilities resulting therefrom, whenever incurred or arising, including, without limitation, after the termination or expiration of this Lease, as the case may be.

Lessee shall pay Matlow-Kennedy Corporation ("Broker") a commission on Close of Escrow (as defined in Addendum Section 3.1) under the terms of a separate agreement between Lessee and Broker.

31. Attorneys' Fees. (Continued) If either party should become a party to any litigation concerning the Premises, the property of which the Premises are a part, this Lease, or the Master Lease by reason of any act or omission of the other party or such party's employee, agent or representative, the party that causes the litigation shall be liable to that party for reasonable attorneys' fees and costs incurred in such litigation.

32. Lessor's Access. (Continued) During any period in which the Marina Area is not a part of the Premises, Lessor and Lessor's tenants and their respective representatives, agents, employees, licensees, and customers shall have the nonexclusive right, at no cost, (except as otherwise specifically provided herein) to use the parking areas and roadways as shown on Exhibit

E attached hereto and incorporated herein, for the purpose of ingress, egress and parking, together with restrooms, coin operated laundry facilities and use of sea wall. At no cost to Lessor (except as otherwise specifically provided herein), Lessee shall provide to Lessor and marine tenants such parking as is now or in the future may be required by any governmental authority having jurisdiction or as may reasonably be required by Lessor, subject to Lessee's ability to provide same.

34. Signs. (continued) Provided, however, Lessor shall consent to all such signs that are in conformity with currently existing signs and applicable law. Any other consent with reference to signs shall not be unreasonably withheld.

39.5 Option to Extend Term. (New) Lessee is given the option to extend the initial ten (10)-year term of this Lease for a period of ten (10) years (the "Extended Term") following the expiration of the initial term, by giving Lessor notice of exercise of the option ("Option Notice") not more than twelve (12) months nor less than nine (9) months before the Expiration Date of the initial term.

Such Extended Term shall be upon the same terms and conditions as this Lease except as follows:

(a) Annual Rent (as defined in Addendum Section 4) shall be adjusted at the commencement of the Extended Term in accordance with Addendum Section 39.6 and shall thereafter be adjusted periodically during the Extended Term in accordance with Addendum Section 4. On adjustment of Annual Rent at the commencement of the Extended Term as provided herein, the parties shall execute an amendment to this Lease stating the new Annual Rent.

(b) Lessee will have no option to extend the Term of this Lease beyond the Extended Term. Any extension beyond the Extended Term will be subject to mutual agreement of the parties and only as set forth in a writing signed by both of the parties.

(c) The word "term" as used in this Lease shall include the initial term and the Extended Term unless specifically provided to the contrary.

39.6 Annual Rent During Extended Term. (New)

(a) If Lessee exercises its option to extend the term as provided in Addendum Section 39.5, Annual Rent for the first year of the Extended Term shall be an amount equal to the greater of (i) the fair market rental value of the Premises as of the commencement of the Extended Term, or (ii) the Annual Rent in effect immediately before the commencement of the Extended Term

adjusted in accordance with Addendum Section 4. Lessor and Lessee shall attempt to reasonably agree upon the fair market rental value of the Premises. If within fifteen (15) days after the Rent Establishment Date (as defined below) Lessor and Lessee have not agreed as to the fair market rental value of the Premises, the fair market rental value of the Premises shall be determined as follows. Not later than five (5) days following expiration of such fifteen (15) day prior period each of the parties shall select a qualified M.A.I. real estate appraiser with at least five (5) years of commercial appraisal experience and who is familiar with the rental value of commercial property in the City of San Diego. If a party does not appoint an appraiser within five (5) days after the other party has given notice of the name of its appraiser, the single appraiser appointed shall be the sole appraiser and shall determine the fair market rental of the Premises as of the commencement of the Extended Term. If the two appraisers are appointed by the parties as stated in this Addendum Section 39.6(a), the appraisers selected by Lessor and Lessee shall independently report on the then fair market rental value of the Premises. Such appraisers shall report in writing their opinion, as to the fair market rental value of the Premises, no later than forty-five (45) days after such appraisers have been selected by the parties. In making such appraisals, the appraisers shall consider (i) the amount of square feet of the Premises actually being used by Lessee or any of Lessee's affiliates, and the actual use being made thereof, and (ii) the amount of square feet of the Premises being occupied by Lessee's subtenants (excluding affiliates of Lessee) and the use they are making of such premises and (iii) the highest and best use of the Premises discussed in (ii) only considering the totality of the tenant mix. Each party shall promptly upon receipt of the appraisal report from its appraiser exchange same with the other party. If the higher appraisal is not greater than one hundred ten percent (110%) of the lower appraisal, the two appraisals shall be added together and their total divided by two; the resulting quotient shall be the fair market rental value of the Premises. If the higher appraisal is greater than one hundred ten percent (110%) of the lower appraisal, then in the event that Lessor and Lessee cannot agree to a new fair market value within three (3) business days thereafter, within five (5) days thereafter, the two originally selected appraisers shall choose a third appraiser, meeting the above qualifications, who shall, not later than forty-five (45) days after such selection, report in writing its opinion of the fair market rental value of the Premises. If the two appraisers are unable to agree on the third appraiser within such five (5) day period, then either of the parties may petition the President of the San Diego Board of Realtors for the selection of the third appraiser. The third appraiser, however selected, shall be a person who has not acted in any capacity for or against either party. The three appraisals shall be added together and their total divided by three; the resulting quotient shall be the fair market rental value of the Premises. If, however, the middle appraisal is

greater than one hundred ten percent (110%) of the low appraisal and/or the high appraisal is greater than one hundred ten percent (110%) of the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one appraisal is disregarded, the remaining two appraisals shall be added together and their total divided by two; the resulting quotient shall be fair market rental value of the Premises. If both the low appraisal and the high appraisal are disregarded as provided in this paragraph, the middle appraisal shall be fair market rental value of the Premises. In the use of appraisers hereunder, each party shall pay the fees and expenses of its own appraiser and shall equally share the fees and expenses of any third appraiser appointed hereunder.

After the Annual Rent for the Extended Term has been set, the parties shall promptly execute an amendment to this Lease stating such Annual Rent.

The phrase "Rent Establishment Date" as used in this Section refers to the date which is nine (9) months immediately preceding the Extended Term.

(b) Periodic Adjustment of Annual Rent During Extended Terms. During the Extended Term, Annual Rent shall be subject to adjustment pursuant to Addendum Section 4.

48. Survival. (New) Any provisions of this Lease to the contrary notwithstanding, all covenants, representations, agreements and warranties contained in this Lease shall survive the termination or earlier expiration of this Lease.

49. Financial Records Maintenance; Audit. (New) Lessee shall maintain the financial records, conduct the audits and submit the reports and statements to the City as required under Master Lease Section III.E. In addition, Lessee shall concurrently submit to Lessor a copy of all gross income and percentage rental reports and statements Lessee submits to the City. Lessor, through its duly authorized agents and representatives, shall have the same rights to examine and audit Lessee's records and accounts as granted to the City under the Master Lease. In addition, Lessor shall have the right to examine and audit Lessee's records and accounts as follows: (a) If the City requests that either Lessor or Lessee provide the City with copies of financial records pertaining to the Premises; (b) at such times as Lessor and Lessee are negotiating the rent to be payable during the Extended Term; (c) at such time as any lender or financing agency requests or requires access to Lessee's financial records for the benefit of Lessor; and (d) in the event of an uncured default. Notwithstanding the foregoing, Lessor shall not have the right to examine and audit Lessee's records and accounts more than one (1) time during any twelve (12) month period and, in all events, such examination and audit shall be performed only upon prior reasonable written notice to

Lessee and the results thereof shall be kept strictly confidential by Lessor.

50. Assignment of Subleases. (New) This Lease is subject to those subleases for portions of the Premises in effect as of Close of Escrow (the "Subleases"), including, without limitation, those listed on the Schedule of Subleases attached to this Lease as Exhibit F and incorporated herein. In connection with the transfer of the lessee's interest under the Master Lease and the ownership of the improvements on the Premises, effective on Close of Escrow, Lessee hereby assigns the sublessor's interest under the Subleases to Lessor; and Lessor reassigns such sublessor's interest to Lessee to the extent applicable to the Premises. In the event Lessor elects to increase the Premises to include the Marina Area, Lessor shall assign to Lessee all subleases attributable to the Marina Area and the term "Subleases" as used in this Section shall include such Marina Area subleases. The reassignment to Lessee under this Section shall be effective only so long as this Lease remains in effect and Lessee is not in default hereunder and only to the extent the Premises, as increased and/or decreased from time to time pursuant to Addendum Section 2, encompasses the area covered by such Subleases. Lessee agrees to assume and to fully perform all of the obligations of sublessor under the Subleases and to indemnify, protect, defend and hold Lessor harmless from all Claims arising in connection with the subleases.

51. Transfer of Lessor's Interest. (New) In the event Lessor sells, assigns, or otherwise transfers its interest as lessee under the Master Lease and/or its interest in the improvements on the Premises, Lessee agrees to recognize and attorn to Lessor's assignee or transferee as Lessor under this Lease. Furthermore, Lessee agrees and acknowledges that at the option of Lessor this Lease shall become subordinate to any financing an assignee or transferee of Lessor may require. Lessee shall, within ten (10) days of request, execute such documents as Lessor, Lessor's assignee or transferee or its lender may request evidencing such subordination. In the event of an assignment or transfer of Lessor's interest in the Premises, Lessor shall be released from all liabilities and obligations accruing under this Lease on and after the effective date of such assignment or transfer.

52. Lessor's Right to Office Space. (New) Any provision of this Lease to the contrary notwithstanding, Lessor (and any assignee or transferee of Lessor) shall have the right to the exclusive use of that portion of the Premises designated in writing by Lessor, subject to Lessee's ability to provide same, throughout the term of this Lease, at the then current fair rental value of similar type space in the area. Such right of Lessor shall in no way affect or reduce Lessee's obligations regarding the entire Premises (including such space as Lessor has the right to use), including, without

limitation, the obligation to pay Annual Rent and other charges.

53. Dispute Resolution. (New) In all events, whenever a dispute should arise between the parties, they shall use their respective best efforts to meet, discuss such disputes and reach a mutual resolution thereof. However, to the extent the parties are unable to resolve such disputes, except for disputes relating to the payment of rent (paragraph 4) or the determination of rent payable during the Extended Term (paragraph 39.6), all disputes between the parties shall be decided by a third party arbitrator/mediator as shall be agreed upon between the parties, and if they are unable to so agree, such dispute shall be decided by the American Arbitration Association in accordance with the Arbitration Rules then in force with reference to the claim or dispute. Written notice of the demand for arbitration shall be filed by the party seeking arbitration with the other party and with the American Arbitration Association within a reasonable period of time after the dispute has arisen. The award rendered by the arbitrator, whether as picked by the parties, or the American Arbitration Association, shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

54. Common Area Charges (New) Lessor and Lessee acknowledge that in order for the lessee of the Marina Premises to make full use of its premises, it will need to use and have access to certain property located on the Land Premises including use of the parking lot, access way to the Marina Premises, use of restrooms and coin operated laundry facilities and use of sea wall, and Lessee hereby consents to such access and use. Therefore, in the event any person other than Lessee occupies the Marina Premises as lessee, then Lessee shall be entitled to charge Lessor for its reasonable and actual costs and expenses incurred in providing the foregoing to such lessee, which costs and expenses shall not include a charge for rent, but which costs and expenses shall include taxes, utilities, maintenance, repairs, insurance and the like. Lessee shall provide Lessor with an accounting detailing and itemizing Lessee's total costs and expenses in connection with the foregoing and showing Lessor's share thereof, which share shall be calculated based on Lessee's reasonable estimate (after consultation with Lessor) of the actual use of such facilities by persons entering the Marina Premises when compared to the actual use of such facilities by persons entering the Premises. If Lessor objects to such accounting, and if the parties are unable to mutually resolve their differences, the dispute shall be subject to arbitration in accordance with Paragraph 53 hereof. In the event there is no such dispute, such amounts as set forth in the accounting shall be due and payable by Lessor within fifteen (15) days following receipt of the accounting.

55. Right of First Refusal. (New) If Lessor determines to sell all or part of its leasehold interest in the Premises to any

person, entity or association, other than a subsidiary or affiliate of Lessor, Lessor shall notify Lessee of the terms on which Lessor is willing to sell. If Lessee, within thirty (30) days after receipt of Lessor's notice, indicates in writing its agreement to purchase all or such part of Lessor's interest in the Premises on the terms stated in Lessor's notice, Lessor shall sell and convey such interest to Lessee on the terms stated in the notice. If Lessee does not indicate its agreement within such thirty (30) day period, Lessor thereafter shall have the right to sell and convey such interest to a third party on the same terms stated in the notice. If the Lessor does not sell and convey (or enter into a contract for the sale or conveyance of) such interest within one hundred fifty (150) days after the expiration of the first thirty (30) day period or if such sale is to be on terms not as favorable to Lessor as the original offer provided to Lessee, then in either of which case, such transaction shall be deemed a new determination by Lessor to sell and convey such interest and the provisions of this paragraph giving Lessee an opportunity to purchase Lessor's interest in the Premises, or part thereof, shall once again be applicable.

If Lessee purchases such interest in the Premises, this Lease shall terminate on the date such interest vests in Lessee, and Lessor shall remit to Lessee all prepaid and unearned rent. If Lessee purchases Lessor's interest in a part of the Premises, this Lease as to the part purchased shall terminate on the date title vests in Lessee, and the Annual Rent shall be reduced in the same ratio that the value of the Premises before the purchase bears to the value of the Premises covered by the Lease after the purchase.

LESSEE:

KNIGHT & CARVER YACHTCENTER,
INC., a California corporation

By _____

(Type or Print Name)

Its _____
(Type or Print Title)

LESSOR:

RISEING SUN MARINE ENTERPRISES,
(CALIFORNIA), INC., a
California corporation

By Akihiro Takei

Akihiro Takei
(Type or Print Name)

Its _____
President & C.E.O.
(Type or Print Title)

person, entity or association, other than a subsidiary or affiliate of Lessor, Lessor shall notify Lessee of the terms on which Lessor is willing to sell. If Lessee, within thirty (30) days after receipt of Lessor's notice, indicates in writing its agreement to purchase all or such part of Lessor's interest in the Premises on the terms stated in Lessor's notice, Lessor shall sell and convey such interest to Lessee on the terms stated in the notice. If Lessee does not indicate its agreement within such thirty (30) day period, Lessor thereafter shall have the right to sell and convey such interest to a third party on the same terms stated in the notice. If the Lessor does not sell and convey (or enter into a contract for the sale or conveyance of) such interest within one hundred fifty (150) days after the expiration of the first thirty (30) day period or if such sale is to be on terms not as favorable to Lessor as the original offer provided to Lessee, then in either of which case, such transaction shall be deemed a new determination by Lessor to sell and convey such interest and the provisions of this paragraph giving Lessee an opportunity to purchase Lessor's interest in the Premises, or part thereof, shall once again be applicable.

If Lessee purchases such interest in the Premises, this Lease shall terminate on the date such interest vests in Lessee, and Lessor shall remit to Lessee all prepaid and unearned rent. If Lessee purchases Lessor's interest in a part of the Premises, this Lease as to the part purchased shall terminate on the date title vests in Lessee, and the Annual Rent shall be reduced in the same ratio that the value of the Premises before the purchase bears to the value of the Premises covered by the Lease after the purchase.

LESSEE:

KNIGHT & CARVER YACHTCENTER,
INC., a California corporation

By

John R. Knight
John R. Knight
(Type or Print Name)

Its

PRESIDENT
(Type or Print Title)

LESSOR:

RISING SUN MARINE ENTERPRISES,
(CALIFORNIA), INC., a
California corporation

By

(Type or Print Name)

Its

(Type or Print Title)

By Hugh H. Carver II
Hugh H. Carver II
(Type or Print Name)

By _____

(Type or Print Name)

Its SECRETARY
(Type or Print Title)

Its _____
(Type or Print Title)

CONSENT AND ACKNOWLEDGEMENT

The undersigned City of San Diego, a municipal corporation, acting by and through its City Manager, hereby consents to the above Lease, and agrees and acknowledges that neither the Annual Rent and other amounts payable by Lessee to Lessor under this Lease nor the rents payable under any subleases or sub-subleases of all or part of the Premises (with the exception of office space rentals) shall be considered "gross income" for purposes of calculating the rent due to the City under the Master Lease (as the Master Lease is defined in Addendum Section 2).

City of San Diego, a
municipal corporation, acting by
and through its City Manager:

By: _____
City Manager

Dated: _____

PRELIMINARY REPORT
PAGE NO. 6

DESCRIPTION OF THE PREMISES

LEGAL DESCRIPTION
ORDER NO. 9004533-S

PARCEL 1: -LAND-

That portion of the tidelands and submerged or filled lands of Mission Bay - formerly Falsa Bay - and a portion of the Pueblo Lands of San Diego, according to Map therefor made by James Pascoe, in 1870, a copy of which was filed in the Office of the County Recorder of San Diego County, November 14, 1921 and is known as Miscellaneous Map No. 36, all being in the City of San Diego, County of San Diego, State of California, and described as a whole as follows:

Commencing at the Southeast corner of Lot 24, in Block 10 of Resubdivision of Blocks 7, 8, 10 and a portion of Block 9 of Lot "A", INSPIRATION HEIGHTS, according to Map thereof No. 1700, filed in the Office of the County Recorder of San Diego County, December 27, 1917; thence along the Southerly line of said Lot 24, South 89°55'56" West (Record South 89°59'00" West) 25.00 feet to a point of tangent curve in the boundary of said Lot 24; thence South 00°04'04" East 2.00 feet to an intersection with a line which is parallel with and 2.00 feet Southerly at right angles to the Southerly line of said Block 10; thence along said parallel line, North 89°55'56" East 249.70 feet; thence North 05°30'02" West 104.06 feet to the United States Coast and Geodetic Survey Triangulation Station "Old Town" - The Lambert Grid Coordinates, California Zone 6, for said station "Old Town" are X equals 1,712,415.7 and Y equals 213,819.22 - and said triangulation station is located at latitude 32°43'02.45" North, and longitude 117°11'07.200" West, being also the point of origin for the San Diego City Engineer's Mission Bay Park Coordinate System; thence North 5160.53 feet, and West 16,030.79 feet; thence South 66°35'46" East 352.89 feet being at Mission Bay Park Coordinates, North 5020.42 feet and West, 15,706.89 feet; thence continuing South 66°35'46" East 618.76 feet being at Mission Bay Coordinates, North 4774.57 feet and West, 15,139.07 feet; thence continuing South 66°35'46" East 313.04 feet to a point, for reference the coordinates hereinafter mentioned are said Mission Bay Park Coordinate System; thence South 40°00'00" West 421.74 feet; thence South 50°00'00" East 406.88 feet to the Coordinates, North 4065.64 feet and West, 14,811.19 feet; thence South 08°09'38" East 8.12 feet to coordinates North 4057.60 feet and West, 14,810.04 feet; thence South 08°09'38" East 694.75 feet to Coordinates North 3369.88 feet and West 14,711.43 feet; thence South 81°50'22" West 1202.00 feet to the TRUE POINT OF BEGINNING; thence South 08°09'38" East 217.76 feet; thence South 81°50'22" West 800 feet; thence North 0°09'38" West 271.76 feet; thence North 81°50'22" East 800 feet to the TRUE POINT OF BEGINNING.

PHYSICAL IMPROVEMENTS TRANSFER WITH LEASE

July 17, 1990

East Lot

Dayliner Sales Trailer:

1000 square feet. 60' x 16'
Semi permanent.
Wood construction.
Two entrances.
Electrical, phone.
No water or sewer.
Constructed in approximately 1980. (not sure on date)

Display Building

Deli
Main hardware store.
2 baths and laundry.
Engine sales area, adjacent to hardware area.
Material storage, adjacent to repair yard.
Boat Sales with adjacent front display area.
Boat Sales, second floor with air conditioning.
Loft storage on second floor.
Small office second floor.
Engine mechanic shop.
Tool room.
Yard maintenance room.
Electrical meter room.
Facility maintenance room.
Original construction in 1975, (not sure on date) lower level.
Addition and second floor in 1978.
First floor is 132' x 60' (7920 s.f.)
Second floor is 50' x 50' (2500 s.f.)

Note: The deli lease includes yard space to store supplies and ice machine. The deli has use of the bathrooms and uses adjacent display area for customers.

New Two Story Building (Administration)

Two bathrooms with showers.
Solar heating.
Heater room.
Carpenter's shop.
Two lower level offices.
Dual entry stairwell.

PHYSICAL IMPROVEMENTS CONTINUED

Four entrances to upper offices.
Twelve small offices on second floor.
One balcony.
Building is 40' x 80' (3200 s.f. x 2 = 6400 s.f.)

Services include: Electrical
Phone
Water
Sewer
Heating/ Fans
Compressed Air

Yard Office

Semi permanent, L-shaped.
Electrical service with phones.
Wash Station.
Evaporative cooling.
Approximately 500 s.f.

Paint Shop

Semi permanent, L-shaped.
Electrical service and phone.
Compressed air.
Garage door access.
Small department office.
Approximately 900 s.f.

Weld Shop

Portable metal garage type.
Electrical service and telephone.
Water and air.
Approximately 500 s.f.

EXHIBIT B
DESCRIPTION OF THE
MARINA PREMISES

EXHIBIT B

DESCRIPTION OF THE MARINA PREMISES

PARCEL 2: -WATER-

THAT PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF MISSION BAY FORMERLY FALSE BAY AND A PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO THE MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH WAS FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 14, 1921 AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, ALL BEING IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE TRUE POINT OF BEGINNING DESCRIBED IN PARCEL 1 ABOVE; THENCE NORTH $08^{\circ}09'38''$ WEST, 480 FEET; THENCE SOUTH $81^{\circ}50'22''$ WEST, 815 FEET; THENCE SOUTH $81^{\circ}50'22''$ WEST, 815 FEET; THENCE SOUTH $08^{\circ}09'38''$ EAST, 480 FEET TO THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID PARCEL 1; THENCE ALONG SAID PROLONGATION TO AND ALONG THE NORTHERLY LINE OF SAID PARCEL NORTH $81^{\circ}50'22''$ EAST, 815 FEET TO THE POINT OF BEGINNING.

EXCEPTING FROM THAT PORTION OF SAID PARCELS 1 AND 2 LYING WITHIN THE NATURAL BOUNDARIES OF MISSION BAY FORMERLY FALSE BAY ALL DEPOSITS OF MINERALS, INCLUDING OIL AND GAS, TOGETHER WITH THE RIGHT TO PROSPECT FOR, MINE AND REMOVE SUCH DEPOSITS AND TO OCCUPY AND USE SO MUCH OF THE SURFACE AS MAY BE REQUIRED THEREFORE, AS RESERVED BY THE STATE OF CALIFORNIA IN AN ACT OF THE LEGISLATURE APPROVED APRIL 27, 1945, STATUTES OF CALIFORNIA, CHAPTER 142.

EXHIBIT "C"

EQUIPMENT LIST

1. 100T Travelift: Acquired 12/15/87
Serial # 2910-1187
Cost \$285,000 (including financing cost)
Replacement \$300,000
Terms: 60 month lease with First National Leasing Corporation.
Approximately \$100,000 owed.
2. Mobile Crane: Serial # 4186
Model #: 84-180
Replacement: \$25,000
3. Forklift: Serial # WLC781083
Model # W054WTSK
Replacement \$15,000
4. Dolleys: (25 in stock) \$5,000 each
Replacement: \$125,000
5. 60T Travelift: Serial # 254
Model # 1200U - 1976
Replacement \$100,000
6. Orange Mule (boat hauler) and Green Mule:
Serial # 1216
Model # J040RK - 1961
Replacement \$10,000
7. Tugboat: 26 foot Flicka, fiber reinforced plastic hull.
40 HP, Isuzu diesel.
Replacement: \$50,000
8. Fixed Air Compressors: (2) 1-5 HP, 1-25 HP
Replacement: \$50,000
9. Yard Equipment: straps, cables, a-frames, engine lifters,
jacks, carts, spare parts
Replacement: \$50,000
10. Misc: scaffolding, drapes, tarps, booms, lawn equipment,
maintenance equipment
Replacement: \$50,000

EXHIBIT "D" (Page 1 of 5)

SECURITY AGREEMENT

THIS SECURITY AGREEMENT is made between RISING SUN MARINE ENTERPRISES (CALIFORNIA), INC., a California corporation ("Secured Party"), whose address is 200 Occangate, Suite 700, Long Beach, California and KNIGHT & CARVER YACHTCENTER, INC., a California corporation ("Debtor"), whose address is 1500 Quivira Way, San Diego, California, who agree as follows:

1. RECITALS. This Agreement is made with reference to the following facts and objectives:

1.1 Secured Party, as lessor, and Debtor, as lessee, are entering into a written lease dated the same date as this Agreement (the "Lease"), pursuant to which Secured Party leases to Debtor, and Debtor leases from Secured Party, premises located at 1500 Quivira Way, San Diego, County of San Diego, California (the "Premises").

1.2 As a material inducement for Secured Party's entering into the Lease, Debtor has agreed to secure Debtor's performance of the provisions of the Lease by giving Secured Party a security interest in certain collateral as described in this Agreement.

2. CREATION OF SECURITY INTEREST. As security for Debtor's performance of each provision of the Lease to be performed by Debtor, Debtor grants to Secured Party a security interest in the items that are and/or will be located at the Premises and described in Exhibit A attached hereto and made a part hereof ("Collateral"). The security interest created by this Agreement also covers all replacements, substitutions, additions, and accessions to the Collateral, any proceeds of its sale or other disposition (as permitted by this Agreement), and all property of the same character as that covered by this Agreement that Debtor later may acquire at any time until expiration or termination of this Agreement.

3. REPRESENTATIONS. Debtor represents to Secured Party (and Secured Party relies on Debtor's representations) that Debtor has or will have title to the Collateral and that no other person has, will have or purports to have any right, title, lien, encumbrance, adverse claim, or interest in the Collateral, except as provided in Exhibit "A".

*alt**and the title of the Agreement*

EXHIBIT "D" (Page 2 of 5)
SECURITY AGREEMENT

4. AGREEMENTS OF DEBTOR.

4.1 Performance of Lease. Debtor shall perform all the provisions of the Lease required to be performed by Debtor.

4.2 Financing Statement; Additional Documents. Debtor shall execute a California Commercial Code form, Financing Statement (UCC-1), required to perfect the security interest created by this Agreement. In addition, at Secured Party's request, Debtor shall execute any further documents necessary to carry out the purposes of this Agreement, including, without limitation, Continuation Statements (UCC-2). If Debtor fails to execute any such additional documents within ten (10) days after Secured Party requests, Debtor authorizes and empowers Secured Party to act as its attorney-in-fact to execute such documents.

4.3 No Additional Security Interest. Debtor warrants that no financing statement or other security interest covering the Collateral is now or will be during the term of this Agreement on file in any public office except in favor of Secured Party, and that it will defend the Collateral and Secured Party's security interest against any other claim or demand.

4.4 Books and Records. Debtor warrants that all books, records, and documents relating to the Collateral are and will be genuine and in all respects what they purport to be, and that they will be kept at the Premises.

4.5 Location of Collateral. Except as permitted under Paragraph 4.2, Debtor warrants that the Collateral will not be removed from the Premises without Secured Party's consent. Secured Party shall not unreasonably withhold such consent.

4.6 Maintenance; Lawful Use. Debtor warrants that it will (1) maintain the Collateral so that it will remain in good condition, (2) use the Collateral lawfully, (3) not use the Collateral so as to cause any waste or unreasonable deterioration or depreciation, and (4) permit Secured Party to enter the Premises to inspect the Collateral at all reasonable times.

4.7 Insurance. Debtor shall keep the Collateral insured pursuant to the requirements of Paragraphs 8.2 and 8.4 and Addendum Section 8.3 of the Lease.

4.8 Destruction or Theft. Debtor shall notify Secured Party of any destruction or theft of the Collateral, or any part of it, and shall either place the Collateral in the condition as required by Paragraph 4.6, or replace the Collateral with like collateral subject to Secured Party's approval, in the condition

EXHIBIT "D" (Page 3 of 5)
SECURITY AGREEMENT

required by Paragraph 4.6. On Debtor's completion of this obligation, Secured Party shall release to Debtor any insurance proceeds from the insurance provided for in Paragraph 4.7 in an amount not to exceed the amount necessary to compensate Debtor for its costs.

4.9 Sale of Collateral. Except as permitted under Addendum Section 5 of the Lease, Debtor shall not, without Secured Party's consent, exchange, sell, lease, transfer, or dispose of the Collateral or Debtor's rights to the collateral, or permit anything to be done that might impair, or fail to do anything necessary or advisable to preserve, the value of the Collateral and Secured Party's security interest in it.

4.10 Taxes. Debtor shall file when due all schedules, reports, returns, or other data required by local, state or federal authorities with respect to taxes or other charges against the Collateral, shall pay when due all taxes claimed, accrued, or assessed against Debtor or the Collateral, and shall promptly satisfy and cause to be discharged and released of record any and all tax liens against Debtor or the Collateral.

4.11 Certificate of Title. Debtor shall cause Secured Party's name to be properly noted on any certificate of title to the Collateral, or any portion of it.

5. DEFAULT DEFINED; REMEDIES OF SECURED PARTY. The following shall constitute a default by Debtor:

5.1 Failure of Debtor to perform any of its obligations under the Lease after the expiration of any applicable cure period; and/or any other default under the lease.

5.2 Breach or default of any of the provisions, warranties, or representations in this Agreement; and/or

5.3 Commencement by or against Debtor of any proceeding under the Bankruptcy Code, or any amendment to it, the adjudging of Debtor as insolvent, the making of an assignment for the benefit of creditors, or the law of a writ of attachment or execution on any part of the collateral if it is not released or satisfied within ten (10) days, or the appointment of a receiver in any proceeding or action to which Debtor is a party, if the receiver has authority to take possession of the collateral.

On the occurrence of any default, Secured Party shall have all rights provided by the California Commercial Code. To the extent provided by law Secured Party can: (1) take possession of and protect the Collateral; (2) if Secured Party is not then in possession of the Collateral, require Debtor or another person in possession of the Collateral to assemble it and make it

EXHIBIT "D" (P. 4 of 5)
SECURITY AGREEMENT

available to Secured Party at a reasonably convenient place, to be designated by Secured Party; (3) notify other interested persons of Debtor's default under this Agreement; (4) retain the Collateral in satisfaction of Debtor's obligations; and/or (5) dispose of the Collateral and apply the proceeds in total or partial satisfaction of Debtor's obligations to Secured Party and for Secured Party's costs (including, without limitation, reasonable attorneys' fees) incurred in proceeding under this paragraph.

At any time Debtor defaults, Secured Party can cure the default for the account of Debtor, at Debtor's cost. If Secured Party at any time, by reason of a default, is compelled to pay or elects to pay a sum of money, or to do any act that will incur the obligation to pay a sum of money, or is compelled to incur any cost, including, without limitation, reasonable attorneys' fees in instituting, prosecuting, or defending any action or proceeding to enforce Secured Party's rights under this Agreement, the money paid by Secured Party, together with interest at the maximum rate individuals are allowed to charge from time to time, shall be repaid to Secured Party by Debtor immediately on demand.

6. NOTICE. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other party or any other person shall be in writing and shall be given in accordance with the provisions of Paragraph 2.1 of the Lease.

7. ATTORNEYS' FEES. If either party commences an action against the other party arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the losing party reasonable attorneys' fees and costs of suit.

8. NONWAIVER; CUMULATIVE REMEDIES. The failure at any time to require strict performance by Debtor of any of the provisions contained in this Agreement shall not waive, affect, or diminish Secured Party's right to demand strict compliance and performance of it. Any waiver of a default shall not waive or affect any other default, whether before or after the waiver, and whether of the same or of a different type. None of the provisions of this Agreement shall be deemed to have been waived by any act or knowledge of Secured Party, or its authorized representatives, unless the waiver is contained in a written instrument, signed by Secured Party, specifying the waiver. All rights, powers, or remedies afforded to Secured Party, either under this Agreement or by law, shall be cumulative, not alternative; the exercise of one right, power, or remedy shall not bar other rights, powers or remedies allowed by law.

EXHIBIT "D" (Page 5 of 5)
SECURITY AGREEMENT

9. TERM OF AGREEMENT. The term of this Agreement shall commence on the date of this Agreement and shall expire on the date when Debtor has fully performed all of its obligations under the Lease.
10. TIME OF ESSENCE. Time is of the essence of each provision of this Agreement.
11. SUCCESSORS. This Agreement shall be binding on and inure to the benefit of the parties and their successors, subject to the limitations imposed on Debtor under Paragraph 4.2.
12. JOINT AND SEVERAL OBLIGATIONS. "Party" shall mean Secured Party or Debtor; and if more than one person or entity is Secured Party or Debtor, the obligations imposed on that party shall be joint and several.

SECURED PARTY:

RISING SUN MARINE ENTERPRISES
(CALIFORNIA), INC., a California
corporation

By: _____

Its: _____

By: _____

Its: _____

DEBTOR:

KNIGHT & CARVER YACHTCENTER, INC.,
a California corporation

By: _____

Its: _____

By: _____

Its: _____

EXHIBIT E
DESCRIPTION OF THE PARK
AREAS AND ROADWAYS

Ingress
And
Egress for
Marina
Tenants

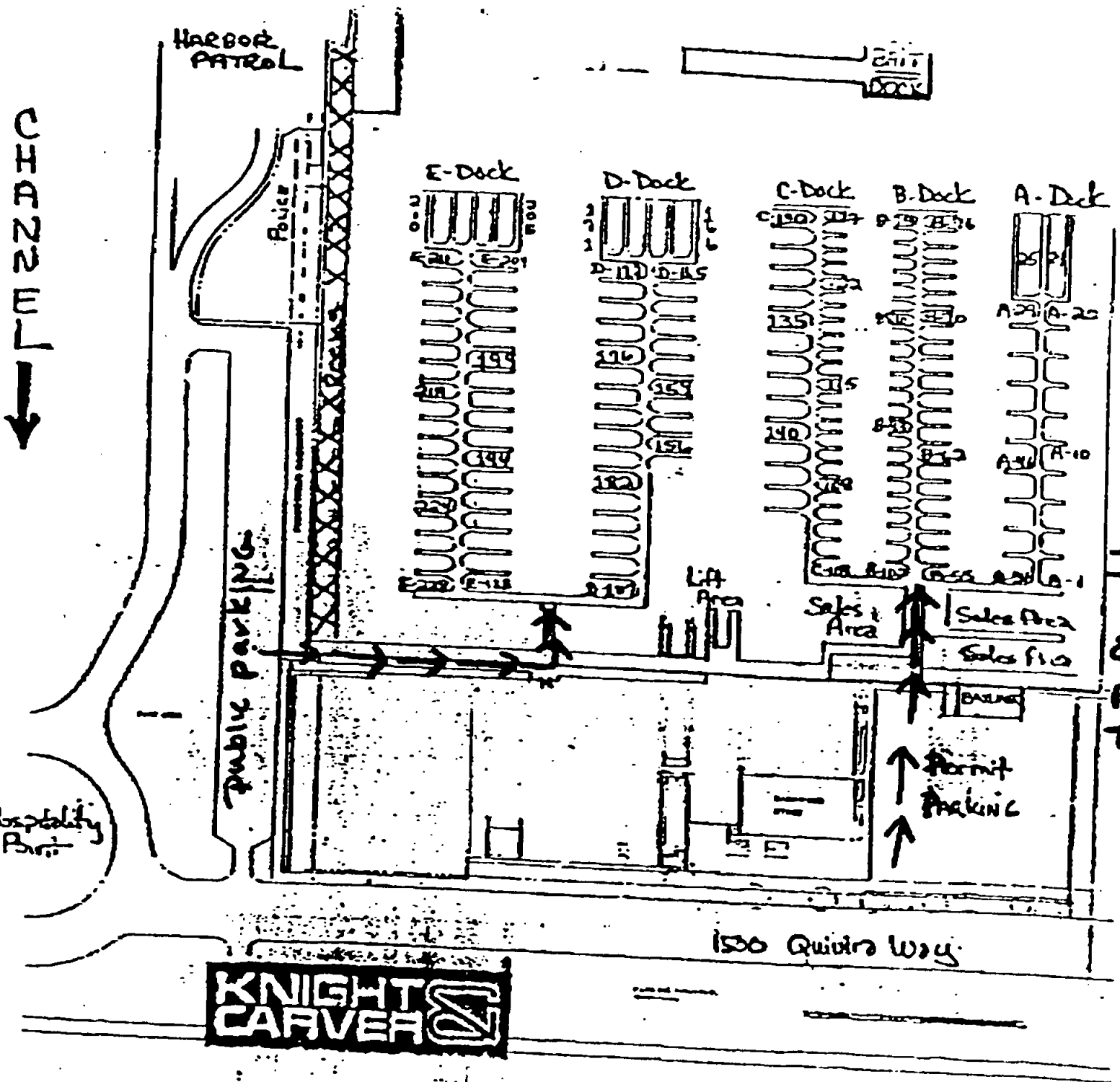


EXHIBIT "F" (Page 1 of 2)

SCHEDULE OF SUB-LEASES

KNIGHT & CARVER YACHTCENTER, INC., 1500 Quivira Way, San Diego,
CA 92109 (619) 222-6488

SUBTENANT LEASE INFORMATION:

MISSION BAY DELI (Suite E) (619) 223-5036
Ms. Darlene Brill, Owner

684 sq.ft. Inside area) \$789.00/month
1600 sq.ft. Outside Patio)

Security Deposit: \$693.00
Payments: Current .4 .

Yearly cost of living adjustment clause

Current lease expires: August 31, 1993

PEREZ COVE MARINE (Suite F) (619) 360-0030
Mr. Rick Byrn, Manager

936 sq.ft. Office space) \$1860.00
3000 sq.ft. Dry storage area) 1650.00
500 sq.ft. Water area) 3150.00

Security Deposit: \$3000.00
Payments: Current

Yearly cost of living adjustment clause

Current lease expires: February 20, 1991

SAILING SOLUTION (Suite C) (619) 223-8228
Mr. Bill Goodwin, Owner

300 sq.ft. Office space) \$500.00

Security Deposit: \$500.00
Payments: Has an arrearage of \$2400.00 (See attached letter)

Yearly cost of living adjustment clause
Current lease expires: August 1, 1990

EXHIBIT "F" (Page 2 of 2)

SUB LEASES CONTINUED

KNIGHT & CARVER YACHT SALES & CHARTERS (Suite I) (419) 224-4102
Mr. Wayne Jones, President

760 sq.ft. Office space) \$1000.00
1000 sq.ft. Water area) 1112.00

Security Deposit: \$ 0
Payments: Current

Current lease expires: February 28, 1991

MISSION BAY COORDINATOR (Suite D) (City of San Diego)
Mr. John Lepparts (419) 694-1638

240 sq.ft. Office space) \$370.00

Security Deposit: \$ 0
Payments: Current

Current lease expires: September 30, 1991

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT is made as of July 21, 1990, between KNIGHT & CARVER YACHTCENTER, INC., a California corporation, ("Seller"), whose address is 1500 Quivira Way, San Diego, California and RISING SUN MARINE ENTERPRISES (CALIFORNIA), INC., a California corporation ("Buyer"), whose address is 200 Oceangate, Suite 700, Long Beach, California, who agree as follows:

1. PROPERTY. In accordance with the provisions of this Agreement, Seller agrees to sell, assign, and transfer to Buyer and Buyer agrees to purchase from Seller: (i) the Lessee's interest (the "Leasehold Interest") under that certain Percentage Lease (the "Master Lease") dated March 5, 1979, originally between the City of San Diego, a municipal corporation, acting by and through its City Manager (the "City") as lessor and Mission Bay Marina, a limited partnership as lessee, covering that certain real property and adjacent water areas located in the City of San Diego, San Diego County, California, commonly known as 1500 Quivira Way, and described more particularly in Exhibit A (the "Premises"); (ii) Seller's fee interest in the buildings and all other improvements, structures, fixtures and equipment now existing or hereafter placed, constructed or installed on the Premises (the buildings and such other improvements, structures, fixtures and equipment being collectively referred to as the "Improvements"); provided, however, there shall be excluded from such Improvements those items listed on Exhibit B; and (iii) all rights, privileges and easements appurtenant to the Premises (the "Appurtenances"). The Premises, Improvements, and Appurtenances are collectively referred to as the "Property." That portion of the Premises located on land (as described on Exhibit A-1) and the Improvements located thereon shall be referred to as the "Land Premises." That portion of the Premises consisting of the marina, docks, and adjacent water areas (as described on Exhibit A-2) and the Improvement thereon shall be referred to as the "Marina Premises." The Property includes, without limitation, an approximately 3,035 square foot two-story office/retail building, an approximately 7,200 square foot one- and two-story office/retail building, an office/retail trailer, a boat repair/construction facility including improvements and structures with approximately 95,000 square feet of outside paved and fenced area, asphalt paved parking areas for 194 cars on approximately 4.616 acres of land, and 240 rental boat slips with rental lockers on approximately 8.815 acres of water.

2. PURCHASE PRICE; PAYMENT OF PURCHASE PRICE

2.1 Purchase Price. The purchase price for the Property is Fourteen Million One Hundred Fifty Thousand Dollars (\$14,150,000) (the "Purchase Price"), to be paid in accordance with Section 2.2.

2.2 Payment of Purchase Price. The Purchase Price shall be payable by Buyer to Seller as follows:

2.2.1 Buyer's predecessor and Seller entered into that certain "Agreement of Intention" dated as of June 29, 1990 (a copy of which is attached as Exhibit C and incorporated herein by this reference), in accordance with which Buyer's predecessor caused Escrow Holder (as defined in Section 2.2.2) to release to Seller the sum of One Hundred Fifty Thousand Dollars (\$150,000) (the "Initial Deposit"). Buyer's predecessor deposited the Initial Deposit with Escrow Holder under escrow instructions dated June 28, 1990 (a copy of which is attached as Exhibit D). By escrow instructions dated June 29, 1990 (a copy of which is attached as Exhibit E), Buyer's predecessor instructed Escrow Holder to release the Initial Deposit to Seller and Seller instructed Escrow Holder to transfer the Initial Deposit via wire transfer to Omni Equities, Inc. Seller acknowledges such receipt of the Initial Deposit. The Initial Deposit shall be credited toward the Purchase Price on Close of Escrow.

Notwithstanding any other provision of this Agreement to the contrary, the Initial Deposit shall only be repayable to Buyer in accordance with the provisions of the Agreement of Intention, which provides for repayment under the following conditions only:

"(1) [Seller] is unable or unwilling to obtain appropriate governmental approvals, as may be necessary, including, but not limited to, the approval of the City of San Diego, to the transaction contemplated by this agreement, whether that be approval of the assignment of the lease or approval of the security interest in such lease, or (2) [Seller] is unable or unwilling to deliver to [Buyer] on the Close a lease and bill of sale relative to the improvements (either by way of sale or as security for a loan) free and clear of all liens and encumbrances, or (3) [Buyer] discovers or identifies a material defect (including, but not limited to, environmental) in the physical condition of the property or material damage to any portion of the property which may require immediate repairs (ordinary wear and tear excepted) and [Seller] fails to complete such repairs or fails to cure such defects in the property in a good and

workmanlike manner to the reasonable satisfaction of [Buyer] ("material shall be defined as an uninsured defect or damages totaling in excess of \$25,000.00, or (4) [Seller] fails to provide [Buyer] with any requested documentation or information relative to [Buyer's] due diligence concerning the purchase or loan and the operation of its business or the leased premises, which documentation or information [Seller] possesses or has access to or which documentation or information [Seller] could possess or could have access to with reasonable due diligence, in any of which case [Seller] shall repay the \$150,000.00 to [Buyer] forthwith."

2.2.2 Within forty-eight (48) business hours after the parties' mutual execution and delivery of this Agreement and of the Master Sublease referred to in Section 6.5, Buyer shall deposit with Commerce Escrow Company, 1545 Wilshire Boulevard, Suite 600, Los Angeles, California 90017 (the "Escrow Holder") the additional sum of Five Hundred Fifty Thousand Dollars (\$550,000) (the "Additional Deposit"). The Additional Deposit shall be deposited with Escrow Holder subject to mutually agreeable escrow instructions signed by both parties. The Additional Deposit shall be credited toward the Purchase Price on Close of Escrow and shall be held in an interest-bearing account with interest to accrue to Buyer's benefit.

In placing the Additional Deposit with Escrow Holder, Buyer shall give Escrow Holder the following instructions as to the disposition of the Additional Deposit: The Additional Deposit shall be held in an interest bearing account with interest to accrue to Buyer's benefit. The Additional Deposit shall be credited toward the Purchase Price on the Close of Escrow. If, however, the transaction contemplated by this Agreement shall not close, Escrow Holder shall retain possession of the Additional Deposit until such time as it receives written instructions signed by both Buyer and Seller as to the disposition of the Additional Deposit, or until such time as it receives an order from a court of competent jurisdiction setting forth the disposition of the Additional Deposit. Buyer and Seller agree to promptly deliver to Escrow Holder said written instructions in accordance with the terms of this Agreement regarding disposition of the Additional Deposit.

2.2.3 The balance of the Purchase Price shall be payable in cash or readily available funds by Buyer to Seller at Close of Escrow.

3. TITLE TO PROPERTY. Title to the Property shall be conveyed by Seller to Buyer as follows: the Leasehold Interest and the Appurtenances applicable thereto shall be assigned by an assignment of lease (the "Assignment of Lease"), without

modification to the Master Lease, in form and content of Exhibit F, duly executed by Seller, Buyer, and the City (memorializing the City's consent to such assignment); and the Improvements and the Appurtenances applicable thereto shall be conveyed by a grant deed (the "Grant Deed") in form and content of Exhibit G, and a bill of sale (the "Bill of Sale") in form and content of Exhibit H, both duly executed by Seller, and such other documents executed by Seller as are required to convey the office/retail trailer referenced in Section 1, if any, all executed by Seller. Such documents shall convey title to the Property free and clear of all liens and encumbrances except: (i) those standard printed exceptions and exclusions to the California Land Title Association Title Insurance policy, or at Buyer's election, the American Land Title Association Title Insurance policy; (ii) current real property taxes, a lien not yet delinquent; and (iii) those items determined as follows:

Seller has, at Seller's cost, delivered to Buyer, and Buyer acknowledges receipt of, a preliminary title report prepared by Fidelity Title (the "Title Company"), showing the condition of title to the Property together with copies of all exceptions to title shown thereon (such preliminary title report and copies of such exceptions being collectively referred to as the "Preliminary Report"). Should Buyer disapprove of any or all of the exception(s) to title shown on the Preliminary Report, Buyer shall notify Seller, within ten (10) days after the execution of this Agreement by both parties, of the exception(s) so disapproved (the "Notice of Disapproval"). If Buyer fails to deliver the Notice of Disapproval, Seller may deliver title subject to all exceptions set forth in the Preliminary Report.

Should Buyer so disapprove of any exception(s) to title, Seller shall notify Buyer within five (5) days of receipt of the Notice of Disapproval should Seller be unable or unwilling to clear any disapproved exception(s) (the "Seller's Notice"); provided, however, Seller shall in any event clear all monetary encumbrances. If, in the Seller's Notice, Seller notifies Buyer that Seller is unable or unwilling to clear any disapproved exception(s), Buyer may elect, by giving written notice (the "Notice of Election") to Seller within five (5) days of receipt of Seller's Notice, to: (i) terminate this Agreement and receive back the Additional Deposit, in which event, except as otherwise specifically provided herein, the parties shall be relieved of all other obligations thereafter accruing under this Agreement; (ii) clear the exception(s), in which event Buyer shall receive a credit toward the Purchase Price in an amount equal to Buyer's costs of clearing such exception(s), including, without limitation, attorneys' fees; or (iii) take title subject to the exception(s) set forth in the Seller's Notice.

If Seller fails to give the Seller's Notice, Seller shall be required to deliver title subject only to those exceptions set forth in the Preliminary Report which Buyer did not disapprove. If Buyer fails to give the Notice of Election, Seller may deliver title subject to those exceptions set forth in the Seller's Notice. If Seller fails to deliver the Preliminary Report to Buyer as required by this Section, in addition to any other rights or remedies Buyer has, Buyer may elect to terminate this Agreement and receive back the Additional Deposit, in which event, except as otherwise specifically provided herein, Buyer shall be relieved of all other obligations thereafter accruing under this Agreement.

4. ESCROW; TITLE INSURANCE; COSTS AND PRORATIONS.

4.1 Close of Escrow. On or before August 15, 1990, the parties shall consummate this transaction through an escrow with Escrow Holder. Escrow shall be deemed closed on the date the Assignment of Lease and the Grant Deed are recorded and the Bill of Sale delivered to Buyer ("Close of Escrow").

4.2 Title Insurance. Upon Close of Escrow, Continental Lawyers Title Company shall issue to Buyer either its standard California Land Title Association or, at Buyer's election, American Land Title Association policy of title insurance, together with such endorsements as Buyer may reasonably request (including, without limitation, mechanics' liens endorsements), in the amount of the Purchase Price insuring that title to the Property is vested of record in Buyer subject only to the liens, exceptions and exclusions to title determined under Section 3.

4.3 Costs and Prorations.

4.3.1 Seller shall pay all costs of title insurance and endorsements, transfer taxes (city and county), and recording fees, bonds, liens and special assessments; provided, however, should Buyer elect an American Land Title Association Policy of Title Insurance in accordance with Paragraph 4.2 above, then Buyer shall pay the cost of such policy in excess of the costs of a standard California Land Title Association Policy of Title Insurance. Buyer and Seller shall each pay one-half of the costs of escrow.

4.3.2 Buyer and Seller shall each bear their own respective legal and accounting costs outside of escrow.

4.3.3 As set forth in the provisions of that Standard Industrial Lease - Net (the "Master Sublease" and/or the "Lease", as further described in paragraph 6.3 of this Agreement) of even date herewith, with Buyer, as Lessor and Seller as Lessee, effective as of the Close of Escrow, Lessee shall lease from Lessor the Land Premises. In addition, as set

forth in the Master Sublease, the Marina Premises, subject to mutual agreement of the parties as to the term thereof, may be leased from Buyer, as Lessor, to Seller, as Lessee. In the event the Marina Premises are so leased, then the following provisions shall NOT apply. In the event Marina Premises are not so leased, then the following provisions SHALL apply: Rentals, revenues, other income, and expenses in connection with the Marina Premises shall be prorated as of the Close of Escrow, in accordance with the following.

(i) Delinquent rentals covering any period before the close of escrow shall not be prorated and shall remain the property of Seller. Seller shall not be entitled to any of the rentals received by Buyer from and after the Close of Escrow from tenants owing delinquent rentals unless such tenants shall be current in their rental obligations for periods occurring from and after Close of Escrow, in which case Buyer shall deliver to Seller any such rentals that are designated by such tenants as payment on account of such delinquent rentals for rental periods occurring prior to Close of Escrow. Buyer shall have no obligation to collect any delinquent rentals; provided, however, any delinquent rental collected by Buyer on behalf of Seller shall be immediately paid to Seller net of Buyer's reasonable costs of collection, supported by invoices, not to exceed ten percent (10%) thereof.

(ii) Operating costs, pass-throughs, and any other additional rentals payable by tenants accrued as of the Close of Escrow but that are not then due and payable shall be prorated as of Close of Escrow; provided, however, no payment thereof shall be made to Seller unless and until Buyer collects same from the tenant and the tenant is current in all such obligations to Buyer. Any payment to Seller shall be net of Buyer's reasonable costs of collection, supported by invoices, not to exceed ten percent (10%) thereof.

(iii) Rentals received by Seller attributable to periods after the Close of Escrow shall be paid by Seller to Buyer upon receipt thereof but not prior to the Close of Escrow. Seller shall not be entitled to receive or retain any rentals from and after Close of Escrow from tenants owing delinquent rentals unless such tenants shall be current in their rental obligations for periods occurring from and after Close of Escrow.

(iv) Buyer shall be credited and Seller shall be debited with an amount equal to all deposits being held by Seller or any other person under any leases, rental agreements, subleases, boat slip rental agreements and other tenancy, occupancy or use agreements (collectively, "Subleases") with respect to the Property in effect as of Close of Escrow and any other such deposits properly claimed by tenants pursuant to the estoppel certificates executed by such tenants prior to Close

of Escrow.

(v) Operating expenses, utility services, real property taxes and any other expenses incurred in operating the Property that Seller customarily pays shall be prorated as of the Close of Escrow on an accrual basis. Seller shall pay all such expenses that accrue prior to Close of Escrow, and Buyer shall pay all such expenses accruing on the Close of Escrow and thereafter. Buyer may elect to assume insurance policies carried by Seller relative to the Property, in which event the premiums for such insurance shall also be prorated as of Close of Escrow. In the event Buyer elects to assume such insurance policies of Seller, Seller shall deliver to Buyer the originals of such insurance policies at Close of Escrow.

(vi) Taxes shall be prorated based on the tax bill in effect at the time of Close of Escrow. If escrow closes at such a time that there is no tax bill for the then current tax year, an estimate shall be made for the amount of taxes for the then current tax year based upon the prior year's tax bill and the provisions of California Constitution Article XIII A (Proposition 13). At such time as the tax bill for the then-current tax year becomes available, an equitable adjustment shall be made outside of escrow so that the actual taxes will be prorated between the parties.

In the event the foregoing provisions should not apply as a result of the lease by Buyer, as Lessor of the Marina Premises to Seller, as Lessee upon the Close of Escrow, then such provisions shall nonetheless become effective at such time as Seller is no longer the Lessee of the Marina Premises.

4.3.4 The provisions of Section 4.3.3 shall not apply to rentals, revenues, other income, and expenses (including real property taxes and assessments, bonds, liens and special assessments) in connection with the Land Premises. Seller shall be responsible for all such items accruing before or after Close of Escrow in light of the fact that Seller shall remain responsible for the Land Premises under the Master Sublease referred to in Section 6.5.

4.3.5 All capital and other improvements (including labor and materials) performed or contracted for by Seller shall be paid by Seller, and Seller shall protect, defend, indemnify and hold Buyer and the Property harmless from any claims, costs, expenses (including, without limitation, costs of litigation and attorneys' fees), or liabilities respecting payment of the same.

4.4 Additional Items Delivered Through Escrow. On or before the Close of Escrow, Seller shall deliver into escrow and there shall be delivered to Buyer through escrow, the following, all in form and content satisfactory to Buyer:

4.4.1 The Grant Deed (as defined in Section 3), duly executed and acknowledged by Seller, conveying to Buyer the Improvements;

4.4.2 The Bill of Sale (as defined in Section 3), duly executed by Seller, conveying to Buyer the Improvements;

4.4.3 The Assignment of Lease (as defined in Section 3), duly executed and acknowledged by Seller and by the City, conveying to Buyer all of Seller's right, title and interest in and to the Master Lease;

4.4.4 An assignment of contracts (the "Assignment of Contracts"), in form reasonably acceptable to Buyer, duly executed and acknowledged by Seller, conveying to Buyer all of Seller's right, title, and interest in and to any and all contracts, guaranties, warranties, insurance policies, commitments and agreements to the extent applicable to the Marina Premises, as designated by Buyer for assumption by Buyer;

4.4.5 [Intentionally omitted];

4.4.6 The certificate(s) of occupancy (if any) for the Property issued by all applicable governmental bodies;

4.4.7 Original letters, in form and content acceptable to Buyer, from Seller addressed to the tenants (including, without limitation, boat slip tenants of the Marina Premises) serving notice of the change of ownership and directing such tenants to make their rental (and other) payments to Buyer or to such party as Buyer may designate;

4.4.8 Executed originals, or complete and true copies if originals do not exist, of the Master Lease and of all of the Subleases in effect as of the Close of Escrow and of all of the contracts, guaranties, warranties, insurance policies, commitments and agreements;

4.4.9 Originals of all building permits, licenses and inspection certificates issued by any governmental agency relating to the Property or any portion thereof, to the extent such permits, licenses or certificate are in Seller's possession or reasonably accessible to Seller;

4.4.10 To the extent applicable to the Marina Premises (or to any portion of the Property in the case of insurance carriers), original letters undated and addressed in blank to the insurance carrier, employees or contractors managing

or working on the Property, vendors, suppliers, utility companies and local officials, executed by Seller, giving notice of the conveyance of the Property to Buyer, and directing that all further matters related to post-closing events or transactions, including any payments, be directed to Buyer or such party as Buyer may designate;

4.4.11 All keys to the Improvements (other than keys held by tenants); and

4.4.12 All such further conveyances, assignments, confirmations, satisfactions, releases, instruments of further assurances, approvals, covenants and any and all such further instruments or documents as may be reasonably necessary, expedient or proper, in the reasonable opinion of Buyer, in order to complete or otherwise facilitate the transaction contemplated herein.

Notwithstanding the provisions of subparagraphs 4.4.4 through 4.4.12 above to the contrary, to the extent any such delivery concerns the Land Premises, Seller, as Lessee thereof, shall be entitled to retain the same, providing copies thereof to Buyer instead. Upon the termination of such Lease as it concerns the Land Premises, Seller shall comply with the foregoing provisions. In addition, should Seller be the Lessee of the Marina Premises on the Close of Escrow, the same provisions shall apply as set forth in the preceding sentence as if the Marina Premises were the Land Premises.

4.5 Within ten (10) days prior to Close of Escrow, Buyer and Seller shall execute and deliver to Escrow Holder appropriate escrow instructions consistent with the terms of this Agreement.

5. POSSESSION. Buyer shall have the right to possession of the Marina Premises upon Close of Escrow. Such possession shall be subject to the rights of tenants in possession. Seller shall retain possession of the Land Premises pursuant to the Master Sublease referred to in Section 6.5.

6. CONDITIONS TO CLOSE. The following are conditions to Buyer's obligations to perform under the terms of this Agreement:

6.1 Inspection of Property. Buyer's obligations under this Agreement are conditioned on Buyer's approving the condition of the Property, as provided below. Buyer shall have a period of ten (10) days following the execution of this Agreement by both parties to conduct or cause to be conducted inspections, tests, surveys and other studies to ascertain the condition of the Property, including, without limitation, an ALTA survey, structural inspections, physical inspections, roof inspections, pest control inspections, soil inspections, water inspections, hazardous material inspections (without in any way relieving

Seller of its obligations under Sections 6.3, 9, 10 or 17) and any other inspections, tests and surveys deemed relevant by Buyer. Buyer may, in its sole discretion, withhold its approval of the condition of the Property pursuant to its investigation of the Property.

6.1.1 Buyer's Notice of Disapproved Condition.

Within ten (10) days of execution of this Agreement by both parties, Buyer shall notify Seller in writing of any condition of the Property of which Buyer disapproves (the "Notice of Disapproved Condition"). Should Buyer so disapprove of any condition(s) of the Property, Seller shall notify Buyer within five (5) days of receipt of the Notice of Disapproved Condition whether or not Seller is willing at its sole expense to correct such disapproved condition(s) (the "Seller's Repair Notice"). Should Seller fail to give the Seller's Repair Notice within such five (5)-day period with respect to any of the disapproved conditions contained in Buyer's Notice of Disapproved Conditions, Seller shall be deemed to have elected not to correct such disapproved conditions and shall be deemed to have delivered Seller's Repair Notice at the end of such five (5) day period to that effect. If Seller notifies Buyer that it will not correct any disapproved condition(s) or if such notice is deemed in accordance with the prior sentence, Buyer may elect, by giving written notice to Escrow Holder and Seller within three (3) days of receipt of the Seller's Repair Notice, to: (i) accept the Property in its "as is" condition with respect to the condition(s) that Seller elects not to correct and proceed with the Close of Escrow in accordance with the terms and conditions of this Agreement; or (ii) terminate this Agreement and cancel escrow, in which case, Escrow Holder shall refund to Buyer the Additional Deposit. Should Buyer fail to give such notice within such three (3)-day period or should Buyer fail to give the Notice of Disapproved Condition as provided above, Buyer shall be deemed to have elected to waive this condition and proceed with the Close of Escrow.

6.1.2 Prior Entry. Seller hereby agrees that, during the effectiveness of this Agreement and/or the Agreement of Intention, Buyer shall have the right, through its agents, representatives, contractors or employees (collectively "Authorized Representatives"), upon notice to Seller and at all reasonable times, to enter upon the Property for all reasonable purposes, including, without limitation, making reasonable examinations, tests, surveys and inspections of the Property (all at Buyer's expense), provided that Buyer shall not unreasonably interfere with any tenant, occupant, and/or operation presently on the Property. Buyer agrees to indemnify, defend and hold Seller harmless from all liability and expenses, including reasonable attorneys' fees, arising out of the acts of Buyer or its Authorized Representatives in connection therewith. Seller agrees to diligently and in good faith cooperate with Buyer and to coordinate with the tenants and occupants of the Property to

facilitate Buyer's examinations, tests, surveys and inspections of the Property. To the extent necessitated by Buyer's actions, Buyer agrees to restore the Property to substantially the same condition existing prior to the commencement of such actions. Buyer agrees that Buyer shall be solely responsible for the cost of all such inspections, tests, surveys and studies, and that Buyer will keep the Property free and clear of all liens in connection therewith.

6.1.3 Reporting Requirements. Buyer and its Authorized Representatives shall have the right to comply with any reporting requirements imposed by any governmental authority(ies) in connection with such surveys, tests, inspections, or examinations or in connection with the physical condition of the Property (including, without limitation, the presence of Hazardous Materials as defined in Section 17); provided, however, prior to such compliance, Buyer shall give Seller not less than five (5) day written notice of its intention to so comply and the nature of such compliance. In no event shall such compliance by Buyer and/or its Authorized Representatives constitute a breach under this Agreement or give rise to any liability of either Buyer or its Authorized Representatives.

6.2 Approval of Documents. To the extent not already so provided, within five (5) business days of the date of execution of this Agreement, Seller shall provide Buyer with the following documents and information (to the extent not previously delivered) (collectively, "Documents"):

6.2.1 True and correct copies of: the Master Lease; all Subleases; estoppel certificates in existence as of the date of execution of this Agreement, to the extent available; correspondence with, to or from tenants relating to such subleases; and any other information relating to any and all leasehold or other possessory interests in all or any portion of the Property;

6.2.2 Rent rolls (which shall include the following information for each Sublease: name of tenant, amount of current monthly rent, designation of leased premises, any provisions regarding escalation of rent or options to extend or renew, commencement date and expiration date of term, amount of prepaid rent, and amount of security deposit); all management agreements; correspondence with management companies relating to the Property or tenants; monthly income and expense statements, as available; and maintenance and service contracts;

6.2.3 All inspection reports, correspondence and other documents of which Seller has knowledge relating to the condition of the Property;

6.2.4 Copies of all utility contracts, service contracts, warranties, and guarantees concerning the Property;

6.2.5 Copies of all insurance policies relating to insurance currently in force on the Property;

6.2.6 Copies of licenses and permits regarding the pollution control and safety facilities on the Property, including, without limitation, the oil, dust and sewage treatment system, the fire safety system and other safety protection systems, as well as copies of any notices of uncured violations with respect thereto;

6.2.7 As they exist, copies of the documents accomplishing, and/or memorializing the City's approval of, each previous assignment of the lessee's interest under the Master Lease;

6.2.8 A disclosure statement completed and certified to be correct by Seller, disclosing all material conditions or facts regarding the Property known to Seller, in form and content acceptable to Buyer;

6.2.9 Seller's tax returns for 1987 and 1988; and

6.2.10 A schedule itemizing the Improvements to be conveyed to Buyer.

On or before the later of (i) the date ten (10) days after execution of this Agreement or (ii) the date ten (10) days after Seller delivers all of the Documents to Buyer, Buyer shall reasonably approve or disapprove the Documents. At any time before such later date, Buyer may request reasonable additional information or documents from Seller, in which case Seller shall immediately provide such additional information or documents.

Within such time period, Buyer shall notify Seller in writing of any condition or fact disclosed by the Documents which Buyer disapproves (the "Notice of Disapproved Documents"). If Buyer fails to give the Notice of Disapproved Documents, Buyer will be deemed to have approved the Documents.

Should Buyer so disapprove of any condition(s) or fact(s) disclosed by the Documents, Seller shall notify Buyer within five (5) days of receipt of the Notice of Disapproved Documents whether or not Seller is willing to correct such disapproved condition(s) or fact(s) (the "Seller's Correction Notice"). Should Seller fail to give the Seller's Correction Notice within such five (5) day period with respect to any of the disapproved conditions or facts contained in Buyer's Notice of Disapproved Documents, Seller shall be deemed to have elected not to correct such disapproved conditions or facts and shall be

deemed to have delivered Seller's Correction Notice at the end of such five (5)-day period to that effect. If Seller notifies Buyer that it will not correct any disapproved condition(s) or fact(s) or if such notice is deemed in accordance with the prior sentence, Buyer may elect, by giving written notice to the Escrow Holder and Seller within three (3) days of receipt of Seller's Correction Notice, to: (i) accept the Property in its "as-is" condition with respect to the condition(s) or fact(s) that Seller elects not to correct and proceed with the Close of Escrow in accordance with the terms and conditions of this Agreement; or (ii) terminate this Agreement and cancel escrow, in which case, Escrow Holder shall refund to Buyer the Additional Deposit. Should Buyer fail to give such notice within such three (3)-day period, Buyer shall be deemed to have waived this condition.

6.3 Affidavit Regarding Subleases and Estoppel Certificates.

6.3.1 On or before the date ten (10) days after execution of this Agreement, Seller shall provide to Buyer an affidavit executed by Seller stating, with respect to all Subleases that, except as disclosed to Buyer in such affidavit: (i) there have been no modifications of any of the terms of the Subleases or other pertinent documents except those modifications which were made in writing and made a part of such Subleases/ documents and which have been provided to Buyer; (ii) there have been no terminations of any of the Subleases except those terminations which occur as a result of the expiration of the terms of such Subleases, which expiration dates were disclosed in the Documents provided to Buyer in accordance with Section 6.2; (iii) there are no inaccuracies in, or subsequent changes to, any of the information provided to Buyer in the copies of the rent rolls provided in accordance with Section 6.2; (iv) all of the information in the rent rolls provided to Buyer in accordance with Section 6.2 is accurate and current. Such affidavit shall be referred to herein as the "Affidavit." Seller shall have a continuing obligation, after providing the Affidavit to Buyer and up to the Close of Escrow, to immediately disclose to Buyer any inaccuracies in, or changes to, the information listed in (i) through (iv) above of which Seller acquires knowledge.

6.3.2 Buyer shall have until ten (10) days after receipt, to reasonably approve or disapprove the Affidavit. If Buyer disapproves the Affidavit, then Buyer shall immediately provide Seller with written notice thereof. Within three (3) days following Seller's receipt of such notice, Seller shall provide Buyer with a written response to Buyer's disapproval. To the extent Buyer is not reasonably satisfied with Seller's explanation, Buyer shall have the right to terminate this Agreement within three (3) days after receiving Seller's written explanation, in which case the Escrow Holder shall refund the Additional Deposit to Buyer and, except as expressly provided, the parties shall be relieved of all liability under this

Agreement thereafter accruing, without in any way relieving the parties of liability for any breach of the obligations, covenants, representations and warranties under this Agreement.

6.3.3 In the event that Buyer learns of any inaccuracies or changes in the Affidavit (whether by disclosure from Seller or otherwise) before Close of Escrow, Buyer shall immediately provide Seller with written notice thereof. Within three (3) days following Seller's receipt of such notice Seller shall provide Buyer with a written explanation of such inaccuracy or change. To the extent Buyer is not reasonably satisfied with Seller's explanation, Buyer shall have the right to terminate this Agreement within three (3) days after receiving Seller's written explanation in which case Escrow Holder shall refund the Additional Deposit to Buyer, and, except as expressly provided, the parties shall be relieved of all liability under this Agreement thereafter accruing, without in any way relieving the parties of liability for the breach of any covenant, obligation, representation or warranty under this Agreement.

6.3.4 Any breach of Seller's obligation pursuant to Section 6.3.1 to provide the Affidavit, any breach of the representations in the Affidavit, or any breach of Seller's obligation to disclose inaccuracies in, or changes to, the Affidavit as provided in Section 6.3.1 shall be subject to Section 10.26 of this Agreement.

6.3.5 On or before August 10, 1990, Seller shall provide Buyer with estoppel certificates executed by all tenants under Subleases and all persons having any other leasehold or possessory interests in the Property (such tenants and other persons being collectively referred to herein as "tenants"). Each such estoppel certificate shall be in form of Exhibit I. Buyer's obligations under this Agreement are conditioned on Seller's delivering such estoppel certificates from all tenants under Subleases, except as provided in Section 6.3.6.

6.3.6 The provisions of Section 6.3.5 to the contrary notwithstanding, in lieu of obtaining such estoppel certificates from tenants of the marina area, Seller hereby warrants and represents the following to Buyer with respect to all such marina area tenants: (1) there is no prepaid rent in excess of one (1) month's rent; (2) the amount of the tenant's current monthly rent and the amount of any security deposit are as indicated on the rent roll provided to Buyer pursuant to Section 6.2; and (3) there are no defaults by such tenants and/or Seller, as lessor, under the Subleases, nor events that with the passing of time or the giving of notice, or both, would constitute a default.

6.4 [Intentionally omitted];

6.5 Master Sublease - Management Agreement - Guaranty/Security. Buyer's obligations under this Agreement shall be conditioned on Buyer's and Seller's mutual execution and delivery of a lease (the "Master Sublease" and/or the "Lease") whereby Buyer leases back to Seller the Land Premises (the City shall execute the Master Sublease memorializing its consent thereto), to be executed concurrently with the execution of this Agreement.

6.6 Approval of City. Buyer's obligations under this Agreement are conditioned on the obtaining of the City's (and any other necessary governmental entity's) written approval of the transactions contemplated under this Agreement in full satisfaction of all requirements under the Master Lease and any other applicable requirements, on or before Close of Escrow. Buyer shall not be obligated to pay any consideration or fees, nor to accept any modification to the Master Lease as a condition to such approval.

6.7 Satisfaction of Conditions; Termination of Agreement. All of the conditions set forth in this Section 6 are for the sole benefit of Buyer, and all or any may be waived, in writing only, by Buyer at any time in its sole discretion. In the event that one or more of the conditions is not satisfied, deemed satisfied, or waived by the dates provided above, Buyer shall have the right to terminate this Agreement, in which case the Escrow Holder shall refund to Buyer the Additional Deposit and except as otherwise specifically provided, the parties shall be relieved of all obligations under this Agreement thereafter accruing, without in any way relieving the parties of liability for the breach of any obligation, covenant, representation or warranty under this Agreement.

7. SELLER'S CERTIFICATION. Prior to Close of Escrow, Seller shall deliver to Buyer a duly executed valid certification of nonforeign status in the form attached hereto as Exhibit J. Seller acknowledges and agrees that if Seller does not execute and deliver such certification, Buyer shall withhold from Seller and deliver to the Internal Revenue Service a portion of the Purchase Price on Close of Escrow, if so required pursuant to Internal Revenue Code Section 1445, or any successor statute.

8. ASSIGNMENT OF WARRANTIES AND GUARANTEES. Effective upon Close of Escrow, and only to the extent Seller does not lease the Marina Premises from Buyer as of the Close of Escrow, Seller hereby assigns to Buyer all warranties and all of Seller's rights against the contractors, subcontractors, suppliers, and materialmen involved in the construction, maintenance, repair or operation of the Marina Premises and all guarantees or warranties respecting any equipment, system, structure, fixture or personal property on the Marina Premises and all of Seller's rights under

such warranties and guarantees. In the event Seller leases the Marina Premises from Buyer, then, on the Close of Escrow, Seller shall cause copies of the foregoing to be delivered to Buyer and, upon the subsequent termination of the lease of the Marina Premises, Seller shall cause the originals thereof (along with appropriate assignments) to be delivered to Buyer. In all events, the foregoing shall not apply to the Land Premises.

Upon Close of Escrow, to the extent applicable in accordance with the preceding paragraph, Seller shall deliver to Buyer all writings which evidence such warranties or guarantees and, at Buyer's request, will execute such instruments as Buyer deems necessary or desirable to accomplish such assignment.

9. CONDITION OF PROPERTY. Subject to the provisions of the Property Information Sheet dated June 29, 1990 previously delivered from Seller to Buyer: Seller hereby warrants and represents that on the date possession of the Property is delivered to Buyer: (i) the Property shall be in sound structural condition and good repair; (ii) the heating, ventilating, air conditioning, plumbing, electrical, drainage and sewer systems, glass and built-in appliances, all equipment, all other fixtures located thereon shall be in good repair and normal working order; (iii) the roofs shall not leak; (iv) the existing landscaping and grounds shall be maintained; (v) the Property shall be free of debris (and as to the Marina Premises of all Seller's belongings); and (vi) the Property shall conform to all applicable building, zoning, fire, health and safety codes and ordinances. Seller further warrants and represents to Buyer that Seller does not know or have reason to know of any material defects in the Property except as disclosed in this Agreement. Inspection of the Property by Buyer or Buyer's representatives shall not alter or diminish Seller's representations or warranties under this Agreement and Seller acknowledges and agrees that Buyer is relying on Seller's representations and warranties made herein, unless any such representation or warranty is specifically waived in writing in whole or in part by Buyer.

10. REPRESENTATIONS AND WARRANTIES. Seller hereby represents and warrants that the following are true and correct as of the date hereof and shall be true and correct as of Close of Escrow.

10.1 Seller owns all right, title and interest in and to the Property and no other party has any interest in or right to use the Property, except for the City, Seller's subtenants on both the Land Premises and Marina Premises and except as set forth in the Preliminary Report referred to in Section 3, the Documents delivered pursuant to Section 6.2, or the Affidavit delivered pursuant to Section 6.1.

10.2 The Property is free and clear of all liens, encumbrances, claims, rights, demands, easements, leases, agreements, covenants, conditions and restrictions of any kind or character (including but without limitation of the generality of the foregoing, liens or claims for taxes, assessments, mortgages, conditional sales contracts or other title retention agreements, deeds of trust, security agreements and pledges) except for those exceptions to title permitted to be shown on the title policy provided for in Sections 3 and 4.2 and those items set forth in the Documents delivered to Buyer pursuant to Section 6.2 or the Affidavit delivered pursuant to Section 6.3. Without limiting the generality of the foregoing, there are no encroachments on the Property from adjoining property and the Property does not encroach on any adjoining property or easements or on streets.

10.3 Existing zoning and building codes and all other applicable laws and governmental regulations permit the operation of the Property as it now exists. Seller knows of no circumstances that would tend to prevent or impair the operation of the Property from and after Close of Escrow in the manner in which Seller has operated the Property.

10.4 There are no actions, suits or administrative proceedings pending or threatened against the Property that would affect the ability of Seller to perform Seller's obligations hereunder or that would affect Buyer's contemplated use of the Property, the value of the Property, or the marketability of the Property. Neither Seller nor to the best of Seller's knowledge any tenant of the Property is or anticipates becoming the subject of any bankruptcy or insolvency proceeding. Seller has no knowledge of (i) any eminent domain or similar proceedings pending or threatened against the Property or any portion thereof; (ii) any anticipated change or effort or plan to create a change in the zoning of the Property or the surrounding area; or (iii) any existing, proposed or contemplated plan to widen, modify or realign any street or highway, which would affect the use, value or marketability of the Property.

10.5 None of the easements, rights, interests, covenants, conditions, restrictions or agreements to which the Property is or may be subject has interfered with, or will interfere with, or be breached by or as a result of, the use or operation of the Property in the manner Seller has operated it. To Seller's knowledge, there is no default under or in respect of any of the Appurtenances on the part of any party thereto and no condition exists that with the passage of time or giving of notice or both could constitute such a default.

10.6 All permits, licenses, easements, certificates and authorities necessary for the construction and completion of the Improvements and the continued operation of the Property, including but not limited to, all building and use permits, have been obtained and are in effect and in good standing. Seller has

complied with and performed all covenants, conditions and requirements imposed on the owner or developer or contractor under or in connection with such permits, licenses, easements, certificates and authorities.

10.7 Seller has complied with all laws, ordinances, rules and regulations (including, but not limited to, those relating to zoning, building, fire, health and safety) of any government or any agency, body or subdivision thereof bearing on the construction, operation, ownership or use of the Property.

10.8 Seller has received no notice or knowledge that any governmental authority or any employee or agent thereof considers any construction of the Improvements or the operation, use or ownership of the Property to have violated any ordinance, rule, law, regulation or order of any government or any agency, body or subdivision thereof or that any investigation has been commenced or is contemplated respecting such possible violation.

10.9 Subject to the provisions of the Property Information Sheet dated June 29, 1990 previously delivered from Seller to Buyer: The Improvements have been constructed and completed strictly in accordance with the plans and specifications hereto submitted to governmental authorities in accordance with any zoning change application or application for building permit relating to such Improvements, and in accordance with all covenants, conditions, restrictions and agreements of any kind or nature affecting the Premises or the Improvements or the development thereof. The Property is connected to, and serviced by adequate water, sewage disposal, gas and electricity facilities in accordance with all applicable laws, statutes, ordinances, rules and regulations of all public or quasi-public authorities having or claiming jurisdiction thereover and such facilities are in good working order.

10.10 The number of automobile parking spaces existing on the Property is sufficient to comply with all applicable statutes, ordinances, codes and orders of all public authority having or claiming jurisdiction thereover and with the landlord's obligations under the Leases.

10.11 Seller has no knowledge of any conditions or facts which might impair or prevent Buyer's contemplated use of the Property, the value of the Property, or the marketability of the Property.

10.12 Seller knows of no unrecorded instruments, easements, licenses, rights or any other encumbrances affecting the title to or use of the Property which have not been disclosed to Buyer in writing prior to the execution hereof. Seller has no knowledge of any use of the Property which might, with the passage of time, create a prescriptive easement.

10.13 Seller knows of no pending or proposed assessment(s) against all or any portion of the Property.

10.14 Except as the same shall apply to marina area rentals, and except as otherwise set forth in the Lease between Buyer and Seller, during the period from the date of execution of this Agreement to the Close of Escrow, unless Buyer shall have given its prior written consent thereto, pursuant to Section 11.1 item (ii), Seller shall neither lease all or any portion of the Property nor extend or modify any existing Lease of all or any portion of the Property, whether accomplished orally or in writing.

10.15 The Property is not situated in a Special Study Zone as designated under Sections 2621-2630 of the California Public Resources Code, or any successor statute, or in a Flood Zone as set forth on the most recent U.S. Department of Housing and Urban Development Special Flood Zone Area Maps.

10.16 Seller has no knowledge of any land failures, including, without limitation, surface ruptures from earthquake faulting, mud slides, landslides, land subsidence, soil erosion or slope instability, on or affecting the Property or any property in the area surrounding the Property. Seller has disclosed to Buyer that the Property, or a portion thereof, is located on land fill.

10.17 The Property and all Subleases comply with and conform to all rent control laws, ordinances, regulations and rules (collectively "Rent Control Regulations") applicable to the Property, including, without limitation, Rent Control Regulations regarding registration of the Property and maximum legal rental. There have been no previous violations of any Rent Control Regulation and no tenant or prior tenant or occupant has reported or otherwise claimed any violation of any Rent Control Regulation. Seller has delivered to Buyer copies of all documents, correspondence, reports and other materials pertaining to Rent Control Regulations. In addition to any other obligations of Seller, Seller agrees to indemnify, protect, defend and hold harmless Buyer and Buyer's officers, shareholders, Authorized Representatives and successors and assigns from all claims, penalties, rent rollbacks, losses (including, without limitation, loss of future rents), liabilities, or expenses of any nature whenever arising (including, without limitation, attorneys' fees) arising out of or related to any failure to comply with Rental Control Regulations before Close of Escrow.

10.18 Seller has not received any notice from any insurance company and does not otherwise have knowledge of defects or inadequacies in the Property or any part thereof, which would adversely affect the insurability of the Property.

10.19 The copies of the Documents provided by Seller pursuant to Section 6.2 are true, accurate and complete. Other than the Documents there are no contracts, agreements, commitments, or arrangements of any kind affecting the Property.

10.20 Seller shall continue its normal business practices prior to Close of Escrow as the same concerns the payment of any sums owing to contractors, subcontractors, laborers and materialmen who perform or have performed work on the Property contracted for by Seller.

10.21 Other than the Subleases delivered by Seller to Buyer pursuant to Section 6.2, there are no oral or written leases, sublease agreements, or any other possessory or use agreements in relation to the Property. Except as indicated in the Subleases and other documents delivered by Seller, there are no prepaid rents or rent concessions in connection with any Subleases. Seller knows of no default by any tenant or Seller under any of the Subleases, nor any condition that with the passage of time or the giving of notice or both could constitute a default.

10.22 No person or entity has an option, right of first refusal, or contract to purchase any or all of the Property, and there are no offers from Seller outstanding to any other party that have not been disclosed.

10.23 Seller is not party to or otherwise bound by any collective bargaining agreement or multi-employer pension fund covering employees who service the Property. There is no current labor dispute with any maintenance or other personnel or employees of Seller or any contracts with respect to the Property which could adversely affect the use, operation or value of the Property.

10.24 No representation, warranty or statement of Seller in this Agreement or in any document, certificate or schedule furnished or to be furnished to Buyer pursuant thereto or in connection with the transactions contemplated herein contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact so as to make the statements or facts contained therein misleading. All such representations, warranties or statements of Seller are based upon current, accurate and complete information as of the time of their making and there has been no adverse material change in such information subsequent thereto.

10.25 Seller and the individual(s) executing this Agreement on behalf of Seller warrant and represent that (i) Seller is a corporation organized, existing and in good standing under the laws of California; (ii) the individual(s) executing this Agreement on behalf of Seller has (have) full power and authority to execute this Agreement and to take all

further actions necessary to implement and carry out the provisions and intent of this Agreement on behalf of Seller; (iii) neither the approval nor the signature of any other individual(s) is required to bind Seller under this Agreement or to take the actions referred to in the preceding item (ii); and (iv) this transaction has been approved by resolution of Seller's board of directors. Prior to the Close of Escrow, Seller will deliver to Buyer a copy of that resolution which remains in effect, certified to be correct by an officer of the corporation. Seller further warrants and represents that it has obtained all governmental approvals necessary for the consummation of the transactions contemplated under this Agreement, including, without limitation, all necessary approvals of the City.

10.26 The continuing validity in all respects of all of the representations, warranties, covenants, and agreements contained in Section 10.1 through 10.25 above and in Sections 6.3 and 9 shall be a condition precedent to Buyer's obligation to close escrow hereunder. If Seller has breached any of such representations, warranties, or covenants, Buyer shall have the right to terminate this Agreement as provided below. If Buyer learns that Seller has materially breached such representations, warranties, or covenants, and if Seller fails to cure such breach within five (5) days following written notice from Buyer to Seller, or within such reasonable period of time if such breach is not subject to cure within five (5) days, but in all events such breach shall be cured prior to the date set for the Close of Escrow, then on written notice from Buyer to Seller on or before the date of Close of Escrow, this Agreement, at Buyer's election and without limiting any other rights or remedies available to Buyer, shall be terminated and the Additional Deposit paid by Buyer shall be immediately refunded to Buyer, and Seller shall reimburse Buyer for all of Buyer's out-of-pocket expenses, including, without limitation, attorneys' fees, inspection fees, Title Company's fees, and escrow fees incurred by Buyer in connection with this Agreement and/or the purchase of the Property. Inspection of the Property and various documents and materials by Buyer shall not alter nor diminish Seller's representations, warranties, and covenants under this Agreement.

In addition to any other remedies available to Buyer, Seller agrees to protect, defend, indemnify and hold Buyer, its officers, shareholders, successors, assigns and Authorized Representatives harmless from and against any and all claims, demands, causes of action, damages, expenses (including, without limitation, attorneys' fees) or liabilities, whenever made or incurred, resulting from the inaccuracy or breach of any of the representations, warranties or covenants made by Seller in this Section.

11. ADDITIONAL OBLIGATIONS OF SELLER.

11.1 After the date of execution of this Agreement, Seller shall:

(i) not encumber the Property without Buyer's prior written consent;

(ii) except as otherwise provided in this Agreement or in the Lease, not enter into any new subleases or extend any existing Subleases without Buyer's prior written consent, which Buyer shall not unreasonably withhold or delay;

(iii) not solicit, entertain, discuss, negotiate or accept any other offer or backup offer concerning the transfer of Seller's interest in the Property;

(iv) not enter into any service contracts, management contracts, or other agreements pertaining to the Property (other than in the ordinary course of business) without first obtaining the written consent of Buyer;

(v) not convey or remove from the Premises or from any other location where now located, and not alter any of the Improvements;

(vi) keep and perform, or cause to be kept and performed, all of the obligations to be performed by the landlord under the Subleases;

(vii) maintain the Property, in its present condition, ordinary wear and tear excepted;

(viii) maintain all casualty and liability insurance currently in force with respect to the Property;

(ix) pay all special assessments which are due or which come due.

12. ASSIGNMENT. Following the Close of Escrow, Buyer shall have the right to assign this Agreement and all of Buyer's rights hereunder upon written notice to Seller. In the event of an assignment of Buyer's rights under this Agreement, all of Buyer's right and all of Seller's covenants, representations, warranties and obligations (including, without limitation, obligations to indemnify, protect, defend, and hold Buyer harmless) shall inure to the benefit of Buyer's assignee(s).

13. DAMAGE OR DESTRUCTION. If all or any part of the Property is totally or partially damaged or destroyed prior to Close of Escrow, the repair cost of which exceeds Twenty-Five Thousand Dollars (\$25,000.00), and if Seller does not agree to effect repair thereof within five (5) days following such damage

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or destruction, Buyer may elect to: (i) terminate this Agreement, in which event the Escrow Holder shall return the Additional Deposit to Buyer and, except as otherwise specifically provided herein, the parties shall be relieved of all other obligations thereafter accruing under this Agreement, without in any way relieving the parties of liability for breach of any covenant, obligation, representation, or warranty under this Agreement; or (ii) complete the transaction and take the Property subject to such damage or destruction, in which event (or in the event the cost of repair is less than \$25,000.00) all insurance proceeds, if any, otherwise collectible by Seller shall be paid or assigned to Buyer at Close of Escrow.

14. CONDEMNATION. If either party to this Agreement receives notice or otherwise becomes aware of any contemplated or actually commenced condemnation or eminent domain proceeding, or any proceeding in lieu thereof, against all or any part of the Property prior to Close of Escrow, such party shall notify the other party of that fact. Buyer may then elect to: (i) terminate this Agreement, in which event, the Escrow Holder shall return the Additional Deposit to Buyer, and except as otherwise specifically provided herein, the parties shall be relieved of all other obligations thereafter accruing under this Agreement, without in any way relieving the parties of liability for breach of any obligation, covenant, representation, or warranty under this Agreement; or (ii) proceed with this Agreement according to its terms, in which event Buyer shall be entitled to receive the entire condemnation award if Buyer purchases the Property.

15. LIQUIDATED DAMAGES. If Buyer fails to complete the transaction contained in this Agreement as a result of a breach of its obligations hereunder, the parties agree that Seller shall be entitled to receive and/or retain as liquidated damages the Additional Deposit in lieu of all other remedies at law or in equity. Buyer and Seller agree that the amount of the Additional Deposit is a reasonable sum considering all of the circumstances existing on the date of this Agreement, including the relationship of the sum to the range of harm to Seller that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or inconvenient.

Seller's initials: _____

Buyer's initials: WT

(The failure of either or both parties to insert their initials above shall not affect the enforceability of this provision.)

In addition to the foregoing, in the event of any termination of this Agreement as a result of the failure of a condition of the Agreement to be satisfied, Buyer and Seller shall equally share any fees payable to Escrow Holder and Title Company; provided, however, if such failure is due to the breach of this Agreement by Buyer or Seller, the breaching party shall

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or destruction, Buyer may elect to: (i) terminate this Agreement, in which event the Escrow Holder shall return the Additional Deposit to Buyer and, except as otherwise specifically provided herein, the parties shall be relieved of all other obligations thereafter accruing under this Agreement, without in any way relieving the parties of liability for breach of any covenant, obligation, representation, or warranty under this Agreement; or (ii) complete the transaction and take the Property subject to such damage or destruction, in which event (or in the event the cost of repair is less than \$25,000.00) all insurance proceeds, if any, otherwise collectible by Seller shall be paid or assigned to Buyer at Close of Escrow.

14. CONDEMNATION. If either party to this Agreement receives notice or otherwise becomes aware of any contemplated or actually commenced condemnation or eminent domain proceeding, or any proceeding in lieu thereof, against all or any part of the Property prior to Close of Escrow, such party shall notify the other party of that fact. Buyer may then elect to: (i) terminate this Agreement, in which event, the Escrow Holder shall return the Additional Deposit to Buyer, and except as otherwise specifically provided herein, the parties shall be relieved of all other obligations thereafter accruing under this Agreement, without in any way relieving the parties of liability for breach of any obligation, covenant, representation, or warranty under this Agreement; or (ii) proceed with this Agreement according to its terms, in which event Buyer shall be entitled to receive the entire condemnation award if Buyer purchases the Property.

15. LIQUIDATED DAMAGES. If Buyer fails to complete the transaction contained in this Agreement as a result of a breach of its obligations hereunder, the parties agree that Seller shall be entitled to receive and/or retain as liquidated damages the Additional Deposit in lieu of all other remedies at law or in equity. Buyer and Seller agree that the amount of the Additional Deposit is a reasonable sum considering all of the circumstances existing on the date of this Agreement, including the relationship of the sum to the range of harm to Seller that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or inconvenient.

Seller's initials: DSH Buyer's initials: _____

(The failure of either or both parties to insert their initials above shall not affect the enforceability of this provision.)

In addition to the foregoing, in the event of any termination of this Agreement as a result of the failure of a condition of the Agreement to be satisfied, Buyer and Seller shall equally share any fees payable to Escrow Holder and Title Company; provided, however, if such failure is due to the breach of this Agreement by Buyer or Seller, the breaching party shall

be solely responsible for such fees.

16. BROKER/COMMISSION.

16.1 Broker's Commission. Except as set forth below, Seller and Buyer both warrant and represent that no brokerage commission or finder's fee is due in this transaction. Any obligation with respect thereto that may exist is the responsibility of the party through whom such obligation is claimed, and such party agrees to protect, defend, indemnify and hold the other party harmless from and against any and all claims, demands, causes of action, costs, damages, expenses (including, without limitation, attorneys' fees), losses or liabilities resulting therefrom, whenever incurred or arising, including, without limitation, after the termination or expiration of this Agreement.

Seller has agreed to pay Matlow-Kennedy Corporation a commission under the terms of a separate written agreement.

17. ENVIRONMENTAL PROTECTION AND HAZARDOUS WASTE.

17.1. Seller's Representations. Seller represents and warrants that, (i) it is now and has been, at all times that it has owned or controlled the Property, (and to the best of Seller's knowledge at all times before Seller owned or controlled the Property, the Property was) in full compliance with all applicable statutes, ordinances, rules and regulations of all governmental and quasi-governmental authorities governing environmental protection, including, without limitation, the generation, use, storage, placement, handling, treatment or disposal of hazardous or toxic chemicals, wastes, substances or materials, including, without limitation, asbestos, hydrocarbons, PCBs and heavy metals (all such chemicals, wastes, substances and materials being collectively called "Hazardous Materials"); (ii) Seller has received no notices of violation of any laws applicable to Hazardous Materials in connection with the Property; and (iii) except as Seller has notified Buyer in writing, no such Hazardous Materials are located on, under or adjacent to the Property and/or the ground water, other waters and soil on, or under the Property or, to the best of Seller's knowledge, on or under the surrounding properties.

17.2 Buyer's Right to Inspect. From the date of execution of this Agreement until ten (10) days thereafter, in addition to any other rights of inspection Buyer has hereunder, Buyer shall have the right to cause the Property to be inspected, tested, surveyed and studied at Buyer's own expense, in order to determine whether any Hazardous Materials are present. If any Hazardous Materials are uncovered within such ten (10)-day period, which Hazardous Materials Seller does not cleanup within five (5) days following written notice thereof from Buyer, or within such additional reasonable period of time as may be

necessary to effectuate cleanup, so long as Seller is diligently pursuing such cleanup, Buyer may elect, in its discretion, to either (i) terminate this Agreement, in which event the Escrow Holder shall return the Additional Deposit to Buyer and, except as otherwise specifically provided, the parties shall be relieved of all obligations under this Agreement thereafter accruing, without in any way relieving the parties of liability for breach of any obligation, covenant, representation, or warranty under this Agreement or (ii) take the Property, with such Hazardous Materials, in which case Buyer shall be deemed to have waived its right to terminate this Agreement due to such Hazardous Materials without in any way relieving Seller of its obligations under Section 17.3. Additionally, Seller shall make available to Buyer, within five (5) days of execution of this Agreement, all documents related to Hazardous Materials respecting the Property in Seller's possession or reasonably accessible to Seller.

Nothing contained herein to the contrary, Buyer shall have access to the Property and the premises at all reasonable times prior to the Close of Escrow.

17.3 Indemnification. Seller agrees to defend, protect, indemnify and hold harmless Buyer, its officers, shareholders, successors, assigns and Authorized Representatives from and against all claims, losses, damage, costs, liabilities or expenses (including, without limitation, attorneys' fees); loss of use of the Property; cost of repair; cost of removal or clean-up and legally required disposal of Hazardous Materials; and liens, fines or penalties related to or arising out of the disposal of, presence of, use, release or existence of Hazardous Materials on, under, about, or from the Property incurred by or asserted against Buyer resulting or arising from a breach of Seller's warranties and representations contained in Section 17.1 of this Agreement, or the presence of such Hazardous materials on, under, about, or from the Property prior to Close of Escrow.

18. MISCELLANEOUS.

18.1 Attorneys' Fees. In the event of any controversy, claim or dispute between the parties hereto arising out of or relating to this Agreement or the breach thereof, the prevailing party shall be entitled to recover from the losing party reasonable expenses, attorneys' fees and costs. If either party should become a party to any litigation concerning the Property or this Agreement, solely by reason of the acts or omissions of the other party to this Agreement or such party's Authorized Representative, the party that causes the other party to become involved in the litigation shall be liable to that party for reasonable expenses, attorneys' fees and costs incurred by it in the litigation.

18.2 Notices. Any notice, tender or delivery to be given hereunder by either party to the other may be effected by personal delivery in writing or by certified mail, postage prepaid, return receipt requested, or transmission via facsimile so long as such transmission is immediately followed up therewith, in the case of a transmission to an area within the State of California, regular mail, return receipt requested, and if to an area outside of the State of California but within the United States of America, via overnight air carrier (e.g. Federal Express) and if such transmission is outside the United States of America, then via international carrier for quickest delivery available (e.g. DHL). Notices shall be delivered and/or addressed to the respective addresses of the parties set forth in the introductory paragraph of this Agreement, but each party may change its address by written notice in accordance with this Section. Notices sent by mail shall be deemed given fortyeight (48) hours after deposited in the U.S. mails as provided above.

18.3 Binding Effect. This Agreement shall bind and inure to the benefit of the respective heirs, personal representatives, executors, successors and assigns of the parties.

18.4 Entire Agreement. This Agreement contains the entire understanding of the parties hereto with respect to the matters contained herein, and no prior agreement or understanding pertaining to any such matter shall be effective for any purpose. No provision of this Agreement may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.

18.5 Time. Time is specifically deemed to be of the essence of this Agreement.

18.6 Survival. In addition to any survival conditions contained elsewhere in this Agreement, all covenants, representations and warranties, and all obligations to protect, defend, indemnify and hold harmless contained herein shall survive the close of Escrow or the termination of this Agreement.

18.7 Governing Law. This Agreement shall be governed by the laws of the State of California.

18.8 Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be or become invalid, illegal or unenforceable, such provision or the application thereof shall, if and to the extent possible, be reformed rather than voided in order to achieve the intent of the parties, and the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is invalid, illegal or unenforceable, shall not be affected thereby, and each provision of this Agreement shall be enforced to the fullest extent

permitted by law.

18.9 Counterparts. This Agreement, and all amendments and supplements to this Agreement, may for convenience each be signed in any number of counterpart copies with the same effect as if the signature to each such counterpart copy were on a single instrument. Each counterpart shall be deemed an original as to any party whose signature it bears and all of such counterparts taken together shall constitute one document.

18.10 Exhibits. All exhibits referred to are attached to and incorporated in this Agreement by reference.

18.11 Interpretation. The section headings of this Agreement are inserted only as a matter of convenience and in no way define, limit, extend or describe the scope or intent of this Agreement or any provision hereof, or in any way affect this Agreement. As used herein, the neuter includes the feminine and masculine genders, and the singular includes the plural.

18.12 Payments. All payments are to be made in lawful money of the United States of America.

Executed on the day and year first above written.

SELLER:

KNIGHT & CARTER YACHTCENTER,
INC., a California corporation

By John R. Knight
JOHN R. KNIGHT
(Type or Print Name)

Its PRESIDENT
(Type or Print Title)

By Hugo W. Cover II
HUGO W. COVER II
(Type or Print Name)

Its SECRETARY
(Type or Print Title)

BUYER:

RISING SUN MARINE ENTERPRISES
(CALIFORNIA), INC., a
California corporation

By Akihiro Takei
Akihiro Takei
(Type or Print Name)

Its President & C.E.O.
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

PRELIMINARY REPORT
PAGE NO. 6

DESCRIPTION OF THE PREMI

LOCAL DESCRIPTION
ORDER NO. 9004593-6

PARCEL 1: -LAND-

That portion of the tidelands and submerged or filled lands of Mission Bay - formerly False Bay - and a portion of the Pueblo Lands of San Diego, according to Map thereof made by James Pascoe, in 1870, a copy of which was filed in the Office of the County Recorder of San Diego County, November 13, 1921 and is known as Miscellaneous Map No. 36, all being in the City of San Diego, County of San Diego, State of California, and described as a whole as follows:

Commencing at the Southeast corner of Lot 24, in Block 10 of Resubdivision of blocks 7, 8, 10 and a portion of Block 9 of Lot "A", INSPIRATION HEIGHTS, according to Map thereof No. 1700, filed in the Office of the County Recorder of San Diego County, December 27, 1917; thence along the Southerly line of said Lot 24, South 89°55'56" West (Round South 89°59'00" West) 25.00 feet to a point of tangent curve in the boundary of said Lot 24; thence South 00°04'04" East 2.00 feet to an intersection with a line which is parallel with and 2.00 feet Southerly at right angles to the Southerly line of said Block 10; thence along said parallel line, North 89°55'56" East 240.70 feet; thence North 05°30'02" West 104.06 feet to the United States Coast and Geodetic Survey Triangulation Station "Old Town" - The Lambert Grid coordinates, California Zone C, for said station "Old Town" are X equals 1,712,415.7 and Y equals 213,419.22 - and said triangulation station is located at latitude 32°43'02.45" North, and longitude 117°11'07.200" West, being also the point of origin for the San Diego City Engineer's Mission Bay Park Coordinate System; thence North 5160.53 feet, and West 16,030.79 feet, being at Mission Bay Park Coordinates, North 5160.53 feet and West 16,030.79 feet; thence South 66°35'46" East 352.09 feet being at Mission Bay Park Coordinates, North 5020.42 feet and West, 15,706.89 feet; thence continuing South 66°35'46" East 618.76 feet being at Mission Bay Coordinates, North 4774.57 feet and West, 15,132.07 feet; thence continuing South 66°35'46" East 313.04 feet to a point, for reference the coordinates hereinafter mentioned are said Mission Bay Park Coordinate System; thence South 40°00'00" West 421.74 feet; thence South 50°00'00" East 406.88 feet to the Coordinates, North 4065.64 feet and West, 14,011.19 feet; thence South 08°09'38" East 0.12 feet to coordinates North 4057.60 feet and West, 14,810.04 feet; thence South 08°09'38" East 694.75 feet to coordinates North 3369.88 feet and West 14,711.43 feet; thence South 81°50'22" West 1202.00 feet to the TRUE POINT OF BEGINNING; thence South 08°09'38" East 217.76 feet; thence South 81°50'22" West 800 feet; thence North 0°09'38" West 271.76 feet; thence North 01°50'22" East 800 feet to the TRUE POINT OF BEGINNING.

PARCEL 2: -WATER-

That portion of the tidelands and submerged or filled lands of Mission Bay - formerly False Bay - and a portion of the Pueblo Lands of San Diego, according to Map thereof made by James Pascoe, in 1870, a copy of which was

PRELIMINARY REPORT
PAGE NO. 7

DESCRIPTION OF THE PREMISES

LEGAL DESCRIPTION CONTINUED
ORDER NO. 9004533-S

filed in the Office of the County Recorder of San Diego County, November 14, 1921 and is known as Miscellaneous Map No. 36, all being in the City of San Diego, County of San Diego, State of California, and described as a whole as follows:

Beginning at the TRUE POINT OF BEGINNING described in Parcel 1 above; thence North 8°09'38" West 400 feet; thence South 81°50'22" West 815 feet; thence South 8°09'38" East 400 feet to the Westerly prolongation of the Northerly line of said Parcel 1; thence along said prolongation to and along the Northerly line of said Parcel, North 81°50'22" East 815 feet to the POINT OF BEGINNING.

EXCEPTING from that portion of said Parcels 1 and 2, lying within the natural boundaries of Mission Bay - formerly Palms Bay - all deposits of minerals, including oil and gas, together with the right to prospect for, mine and remove such deposits and to occupy and use so much of the surface as may be required therefore, as reserved by the State of California, in an Act of the Legislature approved April 27, 1945, Statutes of California, Chapter 142.

4/3/90
ack

EXHIBIT A-1

DESCRIPTION OF THE LAND PRE

EXHIBIT A-1

DESCRIPTION OF THE LAND PREMISES

LEGAL DESCRIPTION

PARCEL 1: -LAND-

THAT PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF MISSION BAY FORMERLY FALSE BAY AND A PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO THE MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH WAS FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 14, 1921 AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, ALL BEING IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND DESCRIBED AS A WHOLE AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF LOT 24 IN BLOCK 10 OF RESUBDIVISION OF BLOCKS 7, 8, 10 AND A PORTION OF BLOCK 9 AND LOT "A", INSPIRATION HEIGHTS, ACCORDING TO THE MAP THEREOF NO. 1700, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 27, 1917; THENCE ALONG THE SOUTHERLY LINE OF SAID LOT 24, SOUTH $89^{\circ}55'56''$ WEST (RECORD SOUTH $89^{\circ}59'00''$ WEST), 25.00 FEET TO A POINT OF TANGENT CURVE IN THE BOUNDARY OF SAID LOT 24; THENCE SOUTH $00^{\circ}04'04''$ EAST, 2.00 FEET TO AN INTERSECTION WITH A LINE WHICH IS PARALLEL WITH AND 2.00 FEET SOUTHERLY AT RIGHT ANGLES TO THE SOUTHERLY LINE OF SAID BLOCK 10; THENCE ALONG SAID PARALLEL LINE, NORTH $09^{\circ}55'66''$ EAST, 249.70 FEET; THENCE NORTH $05^{\circ}30'02''$ WEST, 104.06 FEET TO THE UNITED STATES COAST AND GEODETIC SURVEY TRIANGULATION STATION "OLD TOWN" THE LAMBERT GRID COORDINATES, CALIFORNIA ZONE 6, FOR SAID STATION "OLD TOWN" ARE X EQUALS 1,712,415.7 AND Y EQUALS 213,819.22 AND SAID TRIANGULATION STATION IN LOCATED AT LATITUDE $32^{\circ}43'02.45''$ NORTH AND LONGITUDE $117^{\circ}11'07.200''$ WEST, BEING ALSO THE POINT OF ORIGIN FOR THE SAN DIEGO CITY ENGINEER'S MISSION BAY PARK COORDINATE SYSTEM; THENCE NORTH 5160.53 FEET AND WEST 16,030.79 FEET, BEING AT MISSION BAY PARK COORDINATES, NORTH 5160.53 FEET AND WEST 16,030.79 FEET; THENCE SOUTH $66^{\circ}35'46''$ EAST, 352.89 FEET; THENCE CONTINUING SOUTH $66^{\circ}35'46''$ EAST, 618.76 FEET AND WEST, 15,706.89 FEET; THENCE CONTINUING SOUTH $66^{\circ}35'46''$ EAST, 313.04 FEET AND WEST, 15,139.07 FEET; THENCE CONTINUING SOUTH $66^{\circ}35'46''$ EAST, 421.74 FEET; THENCE SOUTH $50^{\circ}00'00''$ WEST 421.74 FEET; THENCE SOUTH $50^{\circ}00'00''$ EAST, 406.88 FEET TO THE COORDINATES NORTH 4065.64 FEET AND WEST, 14,811.19 FEET; THENCE SOUTH $08^{\circ}09'38''$ EAST, 8.12 FEET TO COORDINATES NORTH 4057.60 FEET AND WEST, 14,810.04 FEET; THENCE SOUTH $08^{\circ}09'38''$ EAST, 694.75 FEET TO COORDINATES NORTH 3369.88 FEET AND WEST 14,711.43 FEET; THENCE SOUTH $81^{\circ}50'22''$ WEST, 1202.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE SOUTH $89^{\circ}09'38''$ EAST, 217.76 FEET; THENCE SOUTH $81^{\circ}50'22''$ WEST, 800 FEET; THENCE NORTH $08^{\circ}09'38''$ WEST, 271.76 FEET; THENCE NORTH $81^{\circ}50'22''$ EAST, 800 FEET TO THE TRUE POINT OF BEGINNING.

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7/12/90 2:30 pm

EXHIBIT A-2
DESCRIPTION OF THE
MARINA PREMISES

EXHIBIT A-2
DESCRIPTION OF THE MARINA PREMISES

PARCEL 2: -WATER-

THAT PORTION OF THE TIDELANDS AND SUBMERGED OR FILLED LANDS OF MISSION BAY, FORMERLY FALSE BAY AND A PORTION OF THE PUEBLO LANDS OF SAN DIEGO, ACCORDING TO THE MAP THEREOF MADE BY JAMES PASCOE IN 1870, A COPY OF WHICH WAS FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, NOVEMBER 14, 1921 AND IS KNOWN AS MISCELLANEOUS MAP NO. 36, ALL BEING IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AND DESCRIBED AS A WHOLE AS FOLLOWS:

BEGINNING AT THE TRUE POINT OF BEGINNING DESCRIBED IN PARCEL 1 ABOVE; THENCE NORTH $08^{\circ}09'38''$ WEST, 480 FEET; THENCE SOUTH $81^{\circ}50'22''$ WEST, 815 FEET; THENCE SOUTH $08^{\circ}09'38''$ EAST, 480 FEET TO THE WESTERLY PROLONGATION OF THE NORTHERLY LINE OF SAID PARCEL 1; THENCE ALONG SAID PROLONGATION TO AND ALONG THE NORTHERLY LINE OF SAID PARCEL NORTH $81^{\circ}50'22''$ EAST, 815 FEET TO THE POINT OF BEGINNING.

EXCEPTING FROM THAT PORTION OF SAID PARCELS 1 AND 2 LYING WITHIN THE NATURAL BOUNDARIES OF MISSION BAY FORMERLY FALSE BAY ALL DEPOSITS OF MINERALS, INCLUDING OIL AND GAS, TOGETHER WITH THE RIGHT TO PROSPECT FOR, MINE AND REMOVE SUCH DEPOSITS AND TO OCCUPY AND USE SO MUCH OF THE SURFACE AS MAY BE REQUIRED THEREFORE, AS RESERVED BY THE STATE OF CALIFORNIA IN AN ACT OF THE LEGISLATURE APPROVED APRIL 27, 1945, STATUTES OF CALIFORNIA, CHAPTER 142.

KNIGHT & CARVER

DESCRIPTION OF EXCLUDED IMPROVEMENT

Itemized Inventory
- Excluded from Sale

KNIGHT & CARVER ENGINEERS, INC.
OFFICE OF PROPERTY PLANT & EQUIPMENT
FOR YEARS ENDING 12/31/07 & 12/31/06

ASSET CLASS	SECTION	ACQ DATE	DATE SOLD	PRIOR TO 12/31/06 COST	2006 DEPRECIATION 12/31/06	NET OF DEPRECIATION 12/31/06	2007 DEPRECIATION	NET
1 YCIN WELD SHOP BLDG		880725		159.50	0.00	159.50	S/L	25.00
1 YCIN WELD SHOP BLDG		880725		10.37	0.00	10.37	S/L	25.00
1 YCIN WELD SHOP CONST.		880930		23,513.82	0.00	23,513.82	S/L	25.00
1 YCIN WELD SHOP CONST.		881004		26.80	0.00	26.80	S/L	25.00
1 YCIN WELD SHOP CONST.		881006		26.12	0.00	26.12	S/L	25.00
1 YCIN WELD SHOP CONST.		881008		26.01	0.00	26.01	S/L	25.00
1 YCIN WELD SHOP CONST.		881014		443.45	0.00	443.45	S/L	25.00
1 YCIN WELD SHOP CONST.		881014		471.26	0.00	471.26	S/L	25.00
1 YCIN WELD SHOP CONST.		881020		850.38	0.00	850.38	S/L	25.00
1 YCIN WELD SHOP CONST.		881020		50.27	0.00	50.27	S/L	25.00
1 YCIN WELD SHOP CONST.		881025		807.65	0.00	807.65	S/L	25.00
1 YCIN WELD SHOP CONST.		881025		151.44	0.00	151.44	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881026		98.82	0.00	98.82	S/L	25.00
1 YCIN WELD SHOP CONST.		881027		156.87	0.00	156.87	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881031		274.19	0.00	274.19	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881031		22.71	0.00	22.71	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881031		100.42	0.00	100.42	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881031		2.00	0.00	2.00	S/L	25.00
1 YCIN WELD SHOP CONST.		881031		3.16	0.00	3.16	S/L	25.00
1 YCIN WELD SHOP CONST.		881031		4.97	0.00	4.97	S/L	25.00
1 YCIN WELD SHOP CONST.		881117		33.56	0.00	33.56	S/L	25.00
1 YCIN WELD SHOP CONST.		881117		3,584.31	0.00	3,584.31	S/L	25.00
1 YCIN WELD SHOP CONST.		881117		211.95	0.00	211.95	S/L	25.00
1 YCIN WELD SHOP CONST.		881117		43.43	0.00	43.43	S/L	25.00
1 YCIN WELD SHOP CONST.		881117		70.07	0.00	70.07	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		539.49	0.00	539.49	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		7.43	0.00	7.43	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		105.48	0.00	105.48	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		70.55	0.00	70.55	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		589.00	0.00	589.00	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881122		238.76	0.00	238.76	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881202		13.50	0.00	13.50	S/L	25.00
1 YCIN TOOL ROOM IMPRV.		881207		50.00	0.00	50.00	S/L	25.00
1 YCIN WELD SHOP EQUIP.		881207		463.00	0.00	463.00	S/L	25.00
1 YCIN WELD SHOP EQUIP.		881207		75.76	0.00	75.76	S/L	25.00
1 YCIN WELD SHOP EQUIP.		881207		49.52	0.00	49.52	S/L	25.00
1 YCIN BIG PIER CONST. W/L		881216		27,620.03	0.00	27,620.03	S/L	25.00
1 YCIN WELD SHOP CONST.		881216		70.28	0.00	70.28	S/L	25.00
1 YCIN TOOL ROOM ADDITION		881220		7,002.87	0.00	7,002.87	S/L	25.00
1 YCIN WELD SHOP CONST.		881223		142.31	0.00	142.31	S/L	25.00
1 YCIN BIG PIER CONST. W/L		881223		1,170.00	0.00	1,170.00	S/L	25.00
1 YCIN LAUNDRY ROOM IMPRV.		881223		110.75	0.00	110.75	S/L	25.00
1 YCIN BIG PIER CONST. W/L		881223		257.69	0.00	257.69	S/L	25.00
12/31/06 SUBTOTALS				126,929.57	0.00	126,929.57		
CAPITALIZE TO TYPE 3 (MIL/00000)								
TOTALS				126,929.57	0.00	126,929.57		

DESCRIPTION OF EXCLUDED IMPROVEMENT

ASSET CLASS	DESCR	ACQ DATE	DATE SOLD	COST	ACQ DEPREC 8/12/77/88	COST DEPREC BASIS	DEPREC METH
2 NTRV	NIRVANA	791231		34,221.00	34,011.00	210.00	S/L
2 NTRV	NIRVANA	810630		4,791.00	4,785.50	5.42	S/L
2 NTRV	NIRVANA	820630		4,343.00	4,328.23	4.77	S/L
2 TRAN	83 FORD RANGER	830630		8,400.00	8,400.00	0.00	S/L
2 NTRV	3 BR PROPANE	840301		2,740.00	2,521.63	218.33	S/L
2 NTRV	3 BR PROPANE	850401		500.00	476.05	23.95	S/L
2 TRAN	1983 MAZDA PICK-UP	850612		6,395.00	6,302.74	92.26	S/L
2 NTRV	0 MAN RAFT	050701		1,550.00	1,046.26	503.74	S/L
2 NTRV	ENGINE YRD	050701		761.00	497.38	263.62	S/L
2 NTRV	2 WATCH COVERS/IRAWG	860117		801.00	516.83	284.17	S/L
2 HCEW	4 WALKIE TALKIES	860313		467.00	269.12	197.88	S/L
2 HCEW	4 WALKIE TALKIES	860331		1,748.00	1,079.46	668.54	S/L
2 COMP	IT COMPUTER W/PRINTER	860430		2,420.00	1,510.14	909.86	S/L
2 COMP	IT COMPUTER W/PRINTER	860500		2,471.00	1,506.81	964.19	S/L
2 COMP	IBM ACUTE SOFTWARE	860516		1,823.00	848.54	974.46	S/L
2 COMP	686A XT COMPUTER(2)	860520		3,127.00	1,827.05	1,299.95	S/L
2 COMP	NOVELL NETWORK SETUP	860520		2,228.00	1,800.93	427.07	S/L
2 COMP	RM ACUTE SOFTWARE	860520		753.00	496.60	256.40	S/L
2 COMP	SOFTWARE	860630		509.00	236.23	272.77	S/L
2 COMP	SOFTWARE NET. ASSIST	860630		101.00	50.90	50.10	S/L
2 COMP	IT COMPUTER W/PRINTER	860731		2,094.00	1,020.70	1,073.30	S/L
2 HCEW	SMTH COMM PHONE SYST	860831		1,262.00	593.12	668.88	S/L
2 COMP	IT CMPT & ACTIVE HLB	860831		1,966.00	924.03	1,041.97	S/L
2 NTRV	MISC SAILING SUPPLY	860930		140.00	67.67	72.33	S/L
2 COMP	IT COMPUTER	860930		1,124.00	510.50	613.50	S/L
2 BYED	1980 EL CAMINO SOLD	861229		4,273.00	2,750.00	1,523.00	S/L
2 BYED	2 YRD MULES	861229		0,200.00	2,400.00	3,200.00	S/L
2 BYED	3 STORAGE BLOBS	861229		4,500.00	1,741.94	2,758.06	S/L
2 BYED	BOAT CARRIER-60 TONS	861229		47,250.00	10,290.22	36,959.78	S/L
2 HCEW	CHWIN LINK GATES	861229		0,140.00	2,500.27	2,640.27	S/L
2 BYED	COMPRESSED AIR SYSTM	861229		9,950.00	3,581.61	6,368.39	S/L
2 BYED	ELECTRIC POWER PANEL	861229		3,000.00	1,030.71	1,969.29	S/L
2 BYED	FORD LIFT	861229		14,500.00	3,612.90	10,887.10	S/L
2 BYED	ICE MAKER	861229		1,323.00	512.90	810.10	S/L
2 BYED	MOTOROLA PAGER	861229		2,700.00	1,043.16	1,656.84	S/L
2 BYED	PRESSURE WASHER	861229		1,000.00	819.25	180.75	S/L
2 BYED	TRUCK CRANE-SHROVE	861229		20,300.00	11,806.48	8,493.52	S/L
2 BYED	VC PORTABLE MISC SLS	861229		21,550.00	3,274.17	18,275.83	S/L
2	NEW ADJUST	861229		1230,000.00	0.00	1230,000.00	S/L
2	IBV ADJUST	861229		0.00	177,034.12	177,034.12	S/L
SUBTOTAL 12/29/86				12,323.00	62,979.82	169,391.80	
2 COMP	ALPS PRINTER	861231		2,155.00	154.00	2,001.00	S/L
2 TRAN	asset sold	861231		12,521.00	12,521.00	0.00	S/L
2 TRAN	asset sold	861231		5,878.00	5,878.00	0.00	S/L
2 TRAN	asset sold	861231		11,045.00	11,045.00	0.00	S/L
2 TRAN	asset sold	861231		5,878.00	5,878.00	0.00	S/L
2 TRAN	asset sold	861231		2,521.00	2,521.00	0.00	S/L
2 TRAN	asset sold	861231		11,045.00	11,045.00	0.00	S/L
2 COMP	PRINTER W/PRINTER DISK	861231		674.00	261.10	412.90	S/L
2 COMP	SPEERY IT COMPUTER	870119		2,323.00	1,077.42	1,245.58	S/L
2 COMP	EPSON PRINTER	870211		519.00	261.29	257.71	S/L

DESCRIPTION OF EXCLUDED IMPROVEMENTS

2 COMP 60MB TAPE BACKUP	870010	873.40	280.20	415.17	S/L
2 BYED TIME CLOCK	870006	770.00	278.77	491.23	S/L
2 TRAN TRANS EQUIP	870019	49.20	24.97	24.23	S/L
2 COMP 640K XT COMPUTER	870403	1,429.00	500.00	929.00	S/L
2 COMP 640K XT COMPUTER	870407	1,300.00	400.00	900.00	S/L
2 HXED CASH REGISTER YCH	870479	842.00	325.00	517.00	S/L
2 BYED WALKIE TALKIE	870401	1,425.00	500.00	925.00	S/L
2 COMP PRINTER/STAND/CABLE	870505	519.40	207.27	312.13	S/L
2 BYED TIME CLOCK	870526	705.70	270.00	435.70	S/L
2 COMP EPSON PRINTER	870607	420.00	162.50	257.50	S/L
2 COMP 640K XT COMPUTER	870605	954.10	350.00	604.10	S/L
2 HXED PHONE INSTALLATION	870615	2,269.04	870.71	1,398.33	S/L
2 HXED PHONE SYSTEM	870625	897.70	340.37	557.33	S/L
2 HXED PHONE SYSTEM (COLD)	870771	12,000.00	0.00	12,000.00	S/L
2 COMP 640K XT COMPUTER	870817	1,100.00	450.97	649.03	S/L
2 TRAN CJ ADJ	870831	49.20	24.97	24.23	S/L
2 HXED PHONE SYSTEM	870901	472.00	171.70	300.30	S/L
2 TRAN TRUCK REPAIR	870931	140.08	72.97	67.11	S/L
2 HXED PHONE SYSTEM	871015	177.20	67.74	109.46	S/L
2 COMP A-T COMPUTER	871124	1,300.00	478.00	822.00	S/L
2 COMP BATTERY BACK-UP SYST	871217	500.00	193.55	306.45	S/L
2 YCED BOOM LIFT	880111	370.00	70.72	299.28	S/L
2 YCED 100T TRAVEL LIFT	880131	243,125.00	14,010.00	229,115.00	S/L
2 YCED 100T TRAVEL LIFT	880131	1,649.10	102.71	1,546.39	S/L
2 YCED 100T TRAVEL LIFT	880131	1,156.50	66.42	1,090.08	S/L
2 YCED 4 X 6 BOOM	880324	2,200.00	440.00	1,760.00	S/L
2 YCED 4 X 6 BOOM	880324	409.45	76.61	332.84	S/L
2 YCED PAINT SHOWER	880428	965.70	180.68	785.02	S/L
2 COMP A-T COMPUTER	880504	1,434.36	156.25	1,278.11	S/L
2 YCED WELD SHOP EQUIP.	880506	489.26	53.32	435.94	S/L
2 COMP TAPE BACKUP	880600	1,457.75	134.71	1,323.04	S/L
2 COMP AUPS PRINTER	880610	760.00	105.26	654.74	S/L
2 YCED WELD SHOP EQUIP	880622	3,407.77	375.55	3,032.22	S/L
2 YCED AIR COMPRESSOR	880629	3,418.65	319.94	3,098.71	S/L
2 YCED AIR COMPRESSOR	880629	415.00	59.29	355.71	S/L
2 COMP EPSON 200 PRINTER	880705	473.92	37.47	436.45	S/L
2 YCED WELD SHOP EQUIP	880707	26.90	2.61	24.29	S/L
2 YCED WELD SHOP GRINDER	880708	415.55	39.29	376.26	S/L
2 YCED PAINT SHOP EQUIP.	880710	1,061.70	99.16	962.54	S/L
2 YCED WELD SHOP WELDERS	880719	2,098.00	271.29	1,826.71	S/L
2 YCED WELD SHOP WELDERS	880720	156.57	12.16	144.41	S/L
2 YCED STORAGE CONTAINER	880722	1,704.00	132.84	1,571.16	S/L
2 YCED WELD SHOP FENCING	880725	1,970.00	155.42	1,814.58	S/L
2 YCED WELD SHOP EQUIP.	880726	3,302.30	257.26	3,045.04	S/L
2 YCED WELD SHOP GRINDER	880728	1,375.00	107.50	1,267.50	S/L
2 COMP A-T COMPUTER	880801	1,560.20	97.29	1,462.91	S/L
2 YCED TURBINE VENTILATORS	880803	50.97	0.94	50.03	S/L
2 COMP 306 FILE SERVER	880812	3,271.75	328.70	2,943.05	S/L
2 YCED OIL BATH FILTER	880810	250.75	15.90	234.85	S/L
2 YCED PAN & VAL FOR YAHN	880831	1,250.42	77.63	1,172.79	S/L
2 YCED HITA 60:001 COPIER	880831	754.90	45.04	709.86	S/L
2 YCED SUNSCREEN JOB 200	880831	2,350.00	159.00	2,191.00	S/L
2 YCED CAMERA EQUIPMENT	880902	797.00	61.74	735.26	S/L
2 YCED AIR CONDITIONER	880911	325.00	16.54	308.46	S/L
2 YCED DUST COLLECTION SYST	880929	510.00	75.39	434.61	S/L
2 YCED DUST COLLECTION SYST	881000	200.00	0.00	200.00	S/L
2 YCED DUST COLLECTION SYST	881006	200.00	0.00	200.00	S/L
2 COMP 640K XT COMPUTER	881027	1,473.00	0.00	1,473.00	S/L

FROM

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DESCRIPTION OF EXCLUDED IMPROVEMENT

2	VIDEO BLOWER - PAINT SHOP	901117	760.70	0.00	760.70	S/L
2	VIDEO 3" DEARING FULLER	901206	2,340.00	0.00	2,340.00	S/L
2	VIDEO 100T TRAVEL LIFT	981207	10,735.10	0.00	10,735.10	S/L
2	VIDEO 100T TRAVEL LIFT	981207	11,156.50	0.00	11,156.50	S/L
	ADJUST ERROR					
	SUBTOTAL 12/7/98		240,822.22	90,501.53	250,323.64	
2	COMP BACK AT COMPUTER	901214	0.00	0.00	1,436.87	S/L
	SUBTOTAL 12/31/98		0.00	0.00	257,697.51	
2	HILLER WELDER	890101	0.00	0.00	724.37	S/L
2	SCAFFOLDING	890113	0.00	0.00	8,737.36	S/L
2	AT COMPUTER	890505	0.00	0.00	11,257.26	
2	STORAGE CONTAINER	890701	0.00	0.00	11,371.16	
	TOTALS		0.00	0.00	262,542.76	
	Moving Software Aug 89/122				1,551.50	S/L
	UAA repair 890507 (see ably)				(694.94)	S/L
	shike sold & consue				(1516.54)	

DESCRIPTION OF EXCLUDED IMPROVE

ASSET CLASS	DESCR	ADD DATE	DATE COLG	AMOUNT	DEPRE	COST	DEPRE
3 HSN	HARDWARE STORE IMPV	860701		100.00	100.00		S/L
3 HSN	ADM OFFICE FURNITURE	860720		1,131.00	4,553.83	0,873.17	S/L
3 YCIN	YACHTCENTER IMPROVMT	861001		47,150.00	4,114.37	47,114.13	S/L
3 HSN	GLASS WALL CASE	861125		471.00	140.98	330.02	S/L
3 HSN	ASPHALT-CURB	861229		5,240.00	406.38	4,841.62	S/L
3 HSN	ASPHALT-PARKING	861229		71,559.10	5,837.07	66,919.01	S/L
3 HSN	ASPHALT-STORAGE YARD	861229		73,023.00	3,474.57	77,160.43	S/L
3 DLG	DLG-ADM OFFICE	861229		462,492.00	33,806.13	426,685.87	S/L
3 DLG	DLG-YC YARD OFFICE	861229		24,000.00	1,979.99	22,156.01	S/L
3 HSN	CHAIN LINK	861229		14,413.00	5,579.63	8,833.37	S/L
3 HSN	CONCRETE DUMPERS	861229		601.00	50.75	550.25	S/L
3 HSN	CONCRETE WALK	861229		10,093.00	820.10	9,272.90	S/L
3 HSN	CONCRETE-104,000SQFT	861229		627,527.00	48,567.17	578,959.83	S/L
3 HSN	EXTENSION LIGHTING	861229		19,810.00	7,390.97	12,419.03	S/L
3 DLG	FURNITURE-MARINA OFF	861229		5,000.00	1,705.20	3,294.80	S/L
3 DLG	FURNITURE-RETAIL OFF	861229		9,930.00	2,730.72	7,199.28	S/L
3 DLG	FURNITURE-SALES OFF	861229		4,000.00	1,271.73	2,728.27	S/L
3 HSN	HULL-OUT PIER	861229		262,160.00	20,495.00	241,665.00	S/L
3 HSN	LANDSCAPE	861229		18,792.00	1,453.10	17,338.90	S/L
3 DLG	NEW LOCKERS	861229		33,499.00	4,296.74	29,202.26	S/L
3 HSN	WOOD FENCING	861229		23,002.00	9,215.20	13,786.80	S/L
3 DLG	YC PAINT SHOP-DLG	861229		106,797.00	41,340.37	65,456.63	S/L
3 DLG	YCH/ADM RETAIL-DLG	861229		18,211.00	1,409.44	16,801.56	S/L
3	NOV ADJUST	861229		0.00	172,554.00	73,554.00	S/L
SUBTOTAL 12/29/86				2,601,011.00	186,706.06	2,414,224.94	S/L
3 YCIN	CARPET/MARINA OFFICE	870177		160.00	61.94	98.06	S/L
3 YCIN	HAWK CONST RUD/RELLA	870228		3,063.78	223.90	2,841.88	S/L
3 YCIN	ARCH SERVICES	870401		7,077.00	174.52	6,902.48	S/L
3 YCIN	YC SHOP CONSTRUCTION	870417		500.00	40.94	459.06	S/L
3 HSN	COUNTER/ENG SHOP	870421		40.00	154.94	114.94	S/L
3 YCIN	RENOVEL YARD OFFICE	870427		10,000.00	307.19	9,692.81	S/L
3 HSN	CASH REGISTER Y/C	870500		842.00	325.16	516.84	S/L
3 HSN	AIR CONDITIONER	870511		323.00	205.16	117.84	S/L
3 YCIN	RENA IMP	870512		20.00	20.00	0.00	S/L
3 YCIN	GLASS	870513		148.00	77.42	70.58	S/L
3 YCIN	FRT HSN IMP	870519		40.00	100.00	60.00	S/L
3 YCIN	OFFICE RENOVEL	870519		800.00	42.94	757.06	S/L
3 YCIN	OFFICE RENOVEL	870519		540.00	35.52	504.48	S/L
3 YCIN	OFFICE RENOVEL	870519		70.00	5.74	64.26	S/L
3 YCIN	TOOL ROOM IMPV	870520		72.00	0.00	72.00	S/L
3 YCIN	TOOL ROOM IMPV	870528		20.47	0.00	20.47	S/L
3 YCIN	ENG SHOP IMPV	870531		10.51	0.00	10.51	S/L
3 YCIN	SMALL PIER CONST.	870600		23,000.00	1,453.10	21,546.90	S/L
3 HSN	RUD/FRONT OFFICE	870617		379.00	240.03	138.97	S/L
3 YCIN	YCH FITE DRILL HUL C	870622		200.00	11.40	188.60	S/L
3 YCIN	TRENCH PLTS/DOCK CONT	870623		79.00	5.74	73.26	S/L
3 YCIN	MARINA REST ROOM IMPV	870624		73.00	3.31	69.69	S/L
3 YCIN	SMALL PIER CONST.	970702		38,354.20	2,202.03	36,152.17	S/L
3 YCIN	SCREEN FOR YARD	870706		904.18	33.48	870.70	S/L
3 HSN	DOCK	870707		500.48	309.03	191.45	S/L

DESCRIPTION OF EXCLUDED
IMPROVEMENTS

ITEMS EXCLUDED FROM SALE -
RETAINED BY KNIGHT & CARVER YACHT CENTER, INC.

1. Inventory
2. Parts & supplies
3. Personal effects
4. Office furniture and equipment
5. Small hand tools
6. Shop equipment
7. Welding, painting, building, fairing, misc. equipment and supplies, ventilators, filters and scaffolding
8. "Nirvana" sail boat
9. Vehicles
10. Computers & software
11. Walkie talkies, pagers, communications equipment
12. Boat carriers
13. Yard Mules, pulleys
14. Storage buildings
15. Forklifts
16. Cranes
17. Pressure washers
18. Travel lifts, boom lifts
19. Booms
20. Fencing & gates
21. Camera Equipment
22. Any and all items not attached and made a part of any building or dock, or physical improvement.

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EXHIBIT C
AGREEMENT OF INTENTION

AGREEMENT OF INTENTION

THIS AGREEMENT OF INTENTION is made as of June 29, 1990 between KNIGHT & CARVER YACHTCENTER, INC., a California corporation ("K & C"), and ASAHI KAIYO CORPORATION, a Japanese corporation, or nominee ("Asahi"), who agree as follows:

The purpose of this agreement is to set forth the general understanding between K & C and Asahi concerning a certain sale and/or loan transaction. This agreement does not constitute a binding agreement for purchase and sale or loan between the parties hereto; a binding agreement shall exist only when the purchase agreement and/or loan agreement (both as discussed in greater detail below) are executed by both of the parties. From and following the execution of this agreement, the parties represent that they shall diligently use their respective good faith best efforts to rapidly bring about a sale and/or loan as contemplated herein.

The sale and/or loan shall concern the following:

1. K & C, or related entity, shall sell to Asahi, for Fourteen Million One Hundred Fifty Thousand Dollars (\$14,150,000.00), K & C's, or such related entity's, interest as lessee in that certain Master Lease/Percentage Lease dated March 5, 1979 with the City of San Diego concerning premises described as follows: a 3,035 square foot 2-story office/retail building, a 7,200 square foot 1 and 2 story office/retail building, a boat repair/construction facility including improvements and structures with 95,000 square feet of outside paved and fenced area, 2 asphalt paved parking areas for 194 cars on 4.616 acres of land, and 240 rental boat slips with rental lockers on approximately 8.815 acres of water, situated in the City of San Diego, County of San Diego, State of California, described as Lots 25, 26, 27 and 28 of the Quivira Basin, Mission Bay Park, commonly known as Knight & Carver Yachtcenter, 1500 Quivira Way, San Diego, California; or
JACK
WJ
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TOGETHER WITH WATER AREA ADJACENT THERETO
2. Asahi shall make a loan to K & C in the amount of Fourteen Million One Hundred Fifty Thousand Dollars (\$14,150,000.00), to be repaid upon mutually agreeable terms, and to be secured by either an assignment of the lease and/or an assignment of the stock of K & C, or related entity, and/or an option to purchase such lease and/or stock.

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EXHIBIT C
AGREEMENT OF INTENTION

In the event a sale of the lease and related improvements is consummated, K & C shall sublet back from Asahi that portion of the leased premises constituting land and improvements (as opposed to water, marina, dock and other related improvements) for a term of ten (10) years with an option to renew for an additional ten (10) year period, upon mutually agreeable terms to be agreed upon by the parties. The base rent shall be Nine Hundred Thousand Dollars (\$900,000.00) per annum, payable monthly, in advance (triple net). The base rent shall increase annually, commencing with the second (2nd) year, by a cost of living adjustment, with the minimum annual increase to be three percent (3%) and the maximum annual increase to be eight percent (8%) (Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, Los Angeles-Long Beach-Anaheim, California (1982-84-100), "all items"). Additional security (e.g. guaranty) to be as mutually agreed upon by the parties.

The decision as to whether the transaction will be a sale or loan will be Asahi's, however, Asahi is mindful of K & C's desire to minimize income taxes and property tax increases as a result of the transaction.

The following documents shall be prepared by counsel for the parties:

1. Purchase Agreement or Loan Agreement, and related documents, shall be prepared and executed by the parties no later than July 13, 1990. The agreement will contain a provision requiring the deposit of \$550,000 U.S. into escrow within eight hours of the additional documents and executed by the parties no later than July 13, 1990.

The transaction contemplated by this agreement shall be concluded on or before August 15, 1990 (the "Close"). Asahi acknowledges that time is specifically of the essence; there can be no extension granted beyond this date unless otherwise agreed upon by the parties in writing.

The parties agree to sign and deliver such additional documents as may be necessary to effectuate the transactions contemplated by this agreement, including, but not limited to, escrow instructions as may be required by Commerce Escrow Company, 1545 Wilshire Boulevard, Suite 600, Los Angeles, California 90017, Phillip R. Graf, Escrow Officer, Escrow No. 90-12256.

From and following the execution of this agreement:

As represented by Asahi on or before July 13, 1990,
 liquidated damages in favor of K&C shall be the
 sum of \$175,000.

AGREEMENT OF INTENTION

1. Asahi shall have immediate right to enter the property to perform all tests and due diligence relative to acquiring the lease and/or making the loan and to review all books and records of K & C relative thereto. ASAMI, SHALL INDEMNIFY, DEFEND AND HOLD K&C AND ITS AGENTS HARMLESS FROM ALL LIABILITY INCURRED BY K&C, ASAMI, OR ITS AGENTS, IN CONNECTION WITH THE SALE OF THE LEASE AND/OR SIMILAR LOAN WITH ANY OTHER PROSPECTIVE PURCHASER/LENDER AND SHALL REJECT ALL CURRENT OFFERS OR PROPOSALS FROM THIRD PARTIES RELATIVE THERETO;

3. Both parties shall commit their time, attention and financial resources to the good faith and diligent consummation of all agreements relative hereto and shall be reasonable in all aspects of negotiation relative thereto as well; and

4. ~~K & C shall not encumber, lease or enter into any other agreements relative to the premises without Asahi's prior written consent.~~

In the event a dispute should arise between the parties concerning the transactions contemplated by this agreement, the prevailing party shall be entitled to recover its reasonable attorneys' fees and costs.

Notwithstanding any of the foregoing to the contrary, the parties acknowledge that, concurrently with the execution of this agreement, Asahi has paid to K & C One Hundred Fifty Thousand Dollars (\$150,000.00), which is applicable towards the purchase price/loan amount. The parties agree that this \$150,000.00 has been earned by K & C in exchange for entering into this agreement. K & C shall be entitled to retain this \$150,000.00 under all circumstances, irrespective of whether Asahi actually purchases the lease or makes the loan unless (1) K & C is unable or unwilling to obtain appropriate governmental approvals, as may be necessary, including, but not limited to, the approval of the City of San Diego, to the transaction contemplated by this agreement, whether that be approval of the assignment of the lease or approval of the security interest in such lease, or (2) K & C is unable or unwilling to deliver to Asahi on the close a lease and bill of sale relative to the improvements (either by way of sale or as security for a loan) free and clear of all liens and encumbrances, in either of which case K & C shall repay the \$150,000.00 to Asahi, or (3) Asahi, K & C or any other third party discovers or identifies a presently unknown, undisclosed material defect in the physical condition of the property or serious damage to any portion of the property which may require immediate repairs (ordinary wear and tear excepted) and K & C fails to complete such repairs or cures such defects in the property in a good and workmanlike manner to the reasonable satisfaction of Asahi, or (4) K & C fails to

(including, but not limited to, environmental)

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(*material* shall be defined as an uninsured 1st ... totaling

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ANNEX C
 AGREEMENT OF INTENTION 4 of

Asahi's due diligence concerning the purchase or lease,
 provide Asahi with any requested documentation or information relative to the operation of its business or the leased premises, which documentation or information X & C possesses or has access to or which documentation or information X & C could possess or could have access to with reasonable due diligence,

in any of which X & C:
 case K & C shall
 repay the \$50,000.00
 to Asahi forthwith.

KNIGHT & CARVER YACHTCENTER,
 INC.,
 a California corporation

By:

John R. Knight
 PRESIDENT John R. Knight
 (Print name and title)

ASAHI:

ASAHI KAIYO CORPORATION,
 a Japanese corporation

By:

AKIHIRO TAKAI
 PRESIDENT
 (Print name and title)

EXHIBIT D
JUNE 28, 1990 ESCROW
INSTRUCTIONS



COMMERCE ESCROW COMPANY
1545 Wilshire Blvd., Suite 600, Los Angeles, California 90017
(213) 484-0855

DATE: JUNE 28, 1990

ESCROW OFFICER: PHIL R. GRAF

ESCROW NO: 90 12256

ESCROW INSTRUCTIONS

REGARDING THE ABOVE PROPOSED ESCROW CONCERNING THE REAL PROPERTY AT 1500 QUIVIRA ROAD, SAN DIEGO, CALIFORNIA, IT IS UNDERSTOOD THAT THE BUYER IN THE PROPOSED TRANSACTION, BEING ASAHI KAIYO, INC., A JAPANESE CORPORATION SHALL CAUSE TO BE WIRED INTO YOUR TRUST ACCOUNT AT IMPERIAL BANK (COSTA MESA OFFICE) THE SUM OF \$150,000.00, ON JUNE 29, 1990

UPON YOUR RECEIPT ON JUNE 29, 1990 OF SAID SUM OF MONEY, YOU ARE TO NOTIFY THE SELLER, VIA FAX NOTIFICATION TO MR. ROY TAKEI, AT THE HYATT ISLANDIA, ROOM 221, FAX NO. (619) 224-0348 OF YOUR RECEIPT OF SAID FUNDS.

THE BUYER, SHALL THEN NOTIFY YOU IN WRITING, VIA FAX AS TO THE DISPOSITION OF SAID \$150,000.00.

ASAHI KAIYO, INC.
A JAPANESE CORPORATION

BY [Signature]

ITS: DIRECTOR

BY [Signature]

ITS: PRESIDENT

NIGHT & CARVER YACHTCENTER, INC.,
CALIFORNIA CORPORATION

BY John R. Knight / Signed by Suzanne J. S. Hampton
ITS: President representative from
Omni Equities, Inc.

ITS: _____

CH OF THE ABOVE-SIGNED STATES HE HAS READ THE FOREGOING INSTRUCTIONS AND DERSTANDS AND AGREES TO THEM, AND HEREBY ACKNOWLEDGES A RECEIPT OF A PY THEREOF.

COMMERCIAL ESCROW COMPANY
1545 WILSHIRE BOULEVARD
SUITE 600
LOS ANGELES, CALIFORNIA 90017
(213) 484-0855

EXHIBIT E
JUNE 29, 1990 E
INSTRUCTIONS

ESCROW INSTRUCTIONS

DATE: JUNE 29, 1990

ESCROW OFFICER: PHIL R. GRAF

ESCROW NO: 90 12256

1. BUYER, ASAHI KAIYO, INC., A JAPANESE CORPORATION HEREBY DIRECTS COMMERCIAL ESCROW TO IMMEDIATELY RELEASE THROUGH ESCROW AND PAY TO SELLER, KNIGHT AND CARVER YACHTCENTER, INC., A CALIFORNIA CORPORATION THE SUM OF \$150,000.00 CURRENTLY DEPOSITED IN YOUR TRUST ACCOUNT AT IMPERIAL BANK (COSTA MESA OFFICE).

2. SELLER, KNIGHT AND CARVER YACHTCENTER, INC., A CALIFORNIA CORPORATION, HEREBY INSTRUCTS ESCROW TO IMMEDIATELY PAY \$150,000.00 FROM THE KNIGHT AND CARVER YACHTCENTER PROCEEDS TO OMNI EQUITIES, INC. VIA WIRE TRANSFER AS FOLLOWS:

PAYEE: OMNI EQUITIES, INC (GENERAL ACCOUNT)

ABA 122003516 / A/C # 0973-04786

SANWA BANK 1280 4TH AVENUE SAN DIEGO, CALIF

ATTENTION: MAX KEAFFABER (619) 234-3511

BUYER:

ASAHI KAIYO, INC.
A JAPANESE CORPORATION

BY [Signature]
ITS PRESIDENT

BY

ITS DIRECTOR

SELLER:

KNIGHT AND CARVER YACHTCENTER, INC.,
A CALIFORNIA CORPORATION

BY

ITS PRESIDENT

BY

ITS SECRETARY

ASSIGNMENT OF LEASE

1 of 1

EXHIBIT F

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

ASSIGNMENT OF LEASE

This Assignment of Lease (the "Assignment") is made as of _____, 1990, by Knight & Carver Yachtcenter, Inc., a California corporation ("Assignor"), in favor of Rising Sun Marine Enterprises (California), Inc., a California corporation ("Assignee"), with reference to the following facts and objectives:

A. Assignor is the lessee under that certain Percentage Lease (the "Lease") dated March 5, 1979, originally between the City of San Diego, a municipal corporation, acting by and through its City Manager (the "City") as lessor and Mission Bay Marina, a limited partnership as lessee covering certain property (the "Premises") located in the City of San Diego, County of San Diego, State of California, more particularly described in Schedule 1. Assignor is the owner of buildings and other improvements on the Premises (the "Improvements"). The Improvements are being conveyed to Assignee pursuant to a grant deed and a bill of sale executed by Assignor in favor of Assignee.

B. Assignor desires to assign, transfer and convey to Assignee all Assignor's right, title and interest in and to the Lease.

Now, therefore, Assignor agrees as follows:

1. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in and to the Lease.

2. Assignor and City warrant and represent that the Lease is in full force and effect, unmodified, has not been previously assigned by Assignor and there is no default on the part of Assignor as lessee or on the part of the City as lessor, and there exists no condition that with the passage of time or the giving of notice or both would constitute such a default.

3. Assignor agrees to indemnify, protect, defend and hold Assignee harmless from and against any and all liability, claims,

ASSIGNMENT OF LEASE

2 of

losses, costs, damages or expenses of any nature (including, without limitation, attorneys' fees and costs) relating to Assignor's obligations with respect to the Lease or the breach of any of Assignor's warranties and representations under Section 2.

4. The provisions of this Assignment shall be binding on and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

5. Schedule 1 is attached to and incorporated in this Assignment and the recitals contained on the first page of this Assignment are incorporated in and made a part of this Assignment.

In witness whereof, Assignor and Assignee have executed this Assignment of Lease as of the date first written above.

ASSIGNOR:

KNIGHT & CARVER YACHTCENTER,
INC., a California corporation

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

ASSIGNEE:

RISING SUN MARINE ENTERPRISES,
(CALIFORNIA), INC., a
California corporation

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

CONSENT AND ACKNOWLEDGEMENT

The undersigned City of San Diego, a municipal corporation, acting by and through its City Manager, hereby consents to the above Assignment, agrees and acknowledges that all conditions and

ASSIGNMENT OF LEASE

ASSIGNMENT OF LEASE

3 of

requirements for such Assignment under the Lease have been satisfied or waived, and agrees to those warranties and representations set forth in Section 2.

City of San Diego, a
municipal corporation, acting by
and through its City Manager:

By: _____

City Manager

Dated: _____

[Attach Schedule 1]

7.25.1998

3. 5

11. 43

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL THIS DEED AND, UNLESS OTHERWISE SHOWN BELOW, MAIL TAX STATEMENTS TO MAIL ☒

Keywords: child sexual abuse; disclosure; social support

॥ १ ॥
॥ २ ॥

514

CORPORATION GRANT DEED

SPACE ABOVE THIS LINE FOR RECORDER'S USE

File Order No.

Invoice or Loan No.

CORPORATION GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

DOCUMENTARY TRANSFER TAX \$5

☐ computed on full value of property conveyed, or

☐ computed on full value of property conveyed, or
☐ computed on full value less value of liens or encumbrances remaining at time of sale.
☐ Unincorporated area: () City of _____ and _____

☐ Unincorporated area: () City of

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,
KNIGHT & CARVER YACHTCENTER, INC.

a corporation organized under the laws of the State of California
 hereby GRANTS to RISING SUN MARINE ENTERPRISES (CALIFORNIA), INC., a
 California corporation, all buildings and other improvements, structures,
 fixtures, and equipment located on (but not including)
 the following described real property:

The following described real property in the City of San Diego and adjacent water areas in the County of San Diego

County of San Diego
And just

State of California: See Schedule 1 attached hereto

The foregoing notwithstanding, the items listed on Schedule 2, attached hereto and made a part hereof, shall not be so granted, but shall be retained by the undersigned.

Doled

STATE OF CALIFORNIA
COUNTY OF

COUNTY OF

198

On 17th _____ day of _____

I hereby certify that the foregoing is a true and correct copy of the original as the same appears in the records of the County of _____ and State of _____.

Q24

not likely to be a (re)production of an existing work (e.g. a
in the present case, the reproduction of a work of art).

I, the person who executed the within instrument (s) _____
 President, and _____ Secretary on behalf of the corporation
 herein named, and acknowledged to me that such corporation executed the
 same instrument as its true and lawful agent of its board of directors
 with my hand and official seal.

March 1981

KNIGHT & CARVER YACHTCENTER, INC.,
a California corporation.

_____ Nowhere

Secretary

10/10/10 (10/10/10)

(List names here - first and last names only)

EXHIBIT H

BILL OF SALE

EXHIBIT HBILL OF SALE

FOR GOOD AND VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, KNIGHT & CARVER YACHTCENTER, INC., a California corporation ("Seller") hereby grants, sells, transfers and delivers to RISING SUN MARINE ENTERPRISES (CALIFORNIA), INC., a California corporation ("Buyer") the buildings and all other improvements, structures, fixtures, and equipment located on (but not including) that certain real property and adjacent water areas commonly known as 1500 Quivira Way, San Diego, California and described more particularly on Schedule 1 attached to and made a part of this Bill of Sale (all such buildings, improvements, structures, fixtures and equipment shall be collectively referred to as the "Improvements"); provided, however, there shall be excluded from such Improvements those items listed on Schedule 2 attached to and incorporated in this Bill of Sale.

To have and to hold the same to Buyer, and its successors and assigns to its use forever.

Seller hereby represents and warrants to Buyer that: (a) Seller is the lawful owner of the Improvements as of the date of transfer of the Improvements to Buyer; (b) the Improvements are free and clear of all liens and encumbrances as of the date of transfer to Buyer, except those liens and encumbrances listed on Schedule 3 attached to and incorporated in this Bill of Sale; (c) the Improvements have not been altered, modified, damaged or diminished since Buyer and Seller entered into that certain Purchase Agreement dated as of July 21, 1990; (d) Seller has the right to sell the Improvements; and (e) Seller will warrant and defend all of the above against the claims and demands of all persons.

Dated: _____, 1990

SELLER:

KNIGHT & CARVER YACHTCENTER, INC.,
a California corporation

By: _____
(Type or Print Name)

By: _____
(Type or Print Name)

Its: _____
(Type or Print Title)

Its: _____
(Type or Print Title)

[Attach Schedule 1, Schedule 2 and Schedule 3]

EXHIBIT I
TENANT ESTOPPEL CERTIFICATE

Rising Sun Marine Enterprises
(California), Inc., a California
corporation

Ladies and Gentlemen:

The undersigned,
("Tenant"), as tenant under a lease (the "Sublease") of certain
premises dated _____, executed by Tenant and
Knight & Carver Yachtcenter, Inc., a California corporation
("Landlord"), hereby state, declare, represent and warrant as
follows:

(a) The copy of the Sublease attached hereto as
Exhibit A is a true and correct copy of the Sublease, constitutes
the only agreement between Landlord and Tenant with respect to
the leased premises, and the Sublease is in full force and effect
and has not been amended, supplemented or changed, except as
follows: (if none, so state):

(b) Tenant has accepted possession of the premises
demised under the Sublease, and all items of an executory nature
have been completed under the terms of the Sublease, including,
but not limited to, completion of construction of the demised
premises (and all other improvements required under the Sublease)
in accordance with applicable plans and specifications and within
the time periods set forth in the Sublease. Tenant further
acknowledges that the term shall expire on _____, 19____,
unless sooner terminated or extended in accordance with the terms
of the Sublease.

(c) The premises demised under the Sublease are in good
condition and repair and there are no outstanding items of
deferred maintenance.

(d) No default or event that with the passing of time
or the giving of notice, or both, would constitute a default on
the part of the undersigned Tenant exists under the Sublease in
the performance of the terms, covenants and/or conditions of the
Sublease required to be performed on the part of the undersigned
Tenant.

EXHIBIT I
TENANT ESTOPPAL CERTIFICATE
2 of

(e) No default or event that with the passing of time or the giving of notice, or both, would constitute a default on the part of Landlord exists under the Sublease in the performance of the terms, covenants and/or conditions of the Sublease required to be performed on the part of Landlord.

(f) No rentals are accrued and unpaid under the Sublease.

(g) No prepayments of rentals due under the Sublease have been made and no security or deposits as security have been made thereunder, except as set forth in the Sublease.

(h) The undersigned Tenant has no defense as to its obligations under the Sublease and claims no setoff or counterclaim against Landlord; the undersigned Tenant is not a party to and does not contemplate any litigation or other action against Landlord, and Landlord is not a party to and does not contemplate any litigation or other action against Tenant.

(i) The undersigned Tenant has not received notice of any assignment, hypothecation, mortgage, or pledge of Landlord's interest in the Sublease or the rents or other amounts payable thereunder. Tenant has not assigned the Sublease nor sublet any portion of its premises to any party.

(j) The undersigned Tenant acknowledges that this estoppel certificate is sought, and will be relied on, in connection with a transaction between Landlord and Rising Sun Marine Enterprises (California), Inc., a California corporation ("Rising Sun") whereby Rising Sun is acquiring an interest in the property of which Tenant's premises are a part. Until otherwise notified in writing by Rising Sun, Tenant shall continue to make rent and other payments to Landlord; provided, however, Tenant agrees that on notice from Rising Sun, Tenant will attorn to and recognize Rising Sun as its landlord and make all rent payments and other performances under the Sublease to Rising Sun. As used in this paragraph (j), the term "Rising Sun" will include Rising Sun Marine Enterprises (California), Inc., a California corporation ("Rising Sun") and/or any assignee of Rising Sun Marine Enterprises (California), Inc.'s interest in the property of which Tenant's premises are a part.

TENANT:

By _____

(Type or Print Name)

Its _____

(Type or Print Title)

FROM

7.25.1990

17

P.52

EXHIBIT I
TENANT ESTOPPAL CERTIFICA
3 of

By _____
(Type or Print Name)
Its _____
(Type or Print Title)

LANDLORD:

KNIGHT & CARVER YACHTCENTER,
INC., a California corporation

By _____
(Type or Print Name)
Its _____
(Type or Print Title)

By _____
(Type or Print Name)
Its _____
(Type or Print Title)

~~CONFIDENTIAL~~
CERTIFICATION OF NON-FOREIGN
STATUS BY ENTITY TRANSFEROR

EXHIBIT J

TRANSFeree (BUYER) MUST
RETAIN FOR SIX YEARS
AFTER THE TRANSACTION

CERTIFICATION OF NON-FOREIGN
STATUS BY ENTITY TRANSFEROR

1. Section 1445 of the Internal Revenue Code provides that a transferee ("Buyer") of a U.S. real property interest must withhold tax if the transferor ("Seller") is a foreign person.
2. In order to inform each transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by _____ (the "Transferor"), the undersigned hereby certifies the following on behalf of Transferor:
 - 2.1 Transferor is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
 - 2.2 Transferor's U.S. employer identification number is _____; and
 - 2.3 Transferor's office address is _____.
3. Transferor understands that this certificate may be disclosed to the Internal Revenue Service by the transferee and that any false statement contained in this certification may be punished by fine or imprisonment (or both).
4. Transferor understands that each transferee is relying on this certificate in determining whether withholding is required and each transferee may face liabilities if any statement in this certificate is false.
5. Transferor hereby agrees to protect, defend, indemnify and hold each transferee harmless, from and against any and all claims, demands, causes of action, expenses, losses and liabilities which such transferee may incur as a result of:
 - (i) Transferor's failure to pay any U.S. Federal income tax which such Transferor is required to pay under applicable U.S. law, or
 - (ii) any false or misleading statement contained herein.

EXHIBIT F

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

ASSIGNMENT OF LEASE

This Assignment of Lease (the "Assignment") is made as of _____, 1990, by Knight & Carver Yachtcenter, Inc., a California corporation ("Assignor"), in favor of Rising Sun Marine Enterprises (California), Inc., a California corporation ("Assignee"), with reference to the following facts and objectives:

A. Assignor is the lessee under that certain Percentage Lease (the "Lease") dated March 5, 1979, originally between the City of San Diego, a municipal corporation, acting by and through its City Manager (the "City") as lessor and Mission Bay Marina, a limited partnership as lessee covering certain property (the "Premises") located in the City of San Diego, County of San Diego, State of California, more particularly described in Schedule 1. Assignor is the owner of buildings and other improvements on the Premises (the "Improvements"). The Improvements are being conveyed to Assignee pursuant to a grant deed and a bill of sale executed by Assignor in favor of Assignee.

B. Assignor desires to assign, transfer and convey to Assignee all Assignor's right, title and interest in and to the Lease.

Now, therefore, Assignor agrees as follows:

1. Assignor hereby assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in and to the Lease.

2. Assignor and City warrant and represent that the Lease is in full force and effect, unmodified, has not been previously assigned by Assignor and there is no default on the part of Assignor as lessee or on the part of the City as lessor, and there exists no condition that with the passage of time or the giving of notice or both would constitute such a default.

3. Assignor agrees to indemnify, protect, defend and hold Assignee harmless from and against any and all liability, claims,

losses, costs, damages or expenses of any nature (including, without limitation, attorneys' fees and costs) relating to Assignor's obligations with respect to the Lease or the breach of any of Assignor's warranties and representations under Section 2.

4. The provisions of this Assignment shall be binding on and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

5. Schedule 1 is attached to and incorporated in this Assignment and the recitals contained on the first page of this Assignment are incorporated in and made a part of this Assignment.

In witness whereof, Assignor and Assignee have executed this Assignment of Lease as of the date first written above.

ASSIGNOR:

KNIGHT & CARVER YACHTCENTER,
INC., a California corporation

ASSIGNEE:

RISEING SUN MARINE ENTERPRISES,
(CALIFORNIA), INC., a
California corporation

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

By _____
(Type or Print Name)

Its _____
(Type or Print Title)

CONSENT AND ACKNOWLEDGEMENT

The undersigned City of San Diego, a municipal corporation, acting by and through its City Manager, hereby consents to the above Assignment, agrees and acknowledges that all conditions and

7.13.1

13:27

1 : #10

P.18

ASSIGNMENT OF LEASE 3 of

requirements for such Assignment under the Lease have been satisfied or waived, and agrees to those warranties and representations set forth in Section 2.

City of San Diego, a
municipal corporation, acting by
and through its City Manager:

By: _____
City Manager

Dated: _____

[Attach Schedule 1]

CERTIFICATION OF NON-FC
STATUS BY ENTITY TRANSF

Under penalties of perjury, I declare that I have examined this certification and that to the best of my knowledge and belief it is true, correct and complete, and I further declare that I have authority to sign this document on behalf of Transferor.

Executed in _____ County, California, on
the date indicated below.

(Signature and Title)

(Date)

RISING SUN MARINE ENTERPRISES

LEGAL AND BANK REFERENCES

LEGAL:

Mr. Reed M. Williams, Esquire.
Williams, Woolley, Cogswell, Nakazawa, & Russell
200 Oceangate, Suite 700
Long Beach, CA 90802-4333
(213) 495-6000

BANK:

Mr. Gregory Booth
Assistant Vice-President
Bank of California
550 S. Flower Street
Los Angeles, CA 90054
(213) 972-2005

CONSENT TO FIRST AMENDMENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

PEREZ COVER MARINE

(SUBLESSEE) dated March 1, 1989. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions: None.

THE CITY OF SAN DIEGO

Dated

1/4/90

By

[Signature]
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated

1/8/90

By

[Signature]
Deputy

CEBK:jw(62-1)
1-4-90

CITY ATTORNEY

FIRST AMENDMENT TO SUBLEASE

This First Amendment to Sublease is executed by and between the KNIGHT & CARVER YACHTCENTER INC. and PEREZ COVE MARINE.

- A. Heretofore, KNIGHT & CARVER YACHTCENTER INC., and PEREZ COVE MARINE, entered into that certain lease agreement dated March 1, 1989.
- B. The parties hereto desire to further amend said lease agreement the manner herein set forth.

NOW, THEREFORE, for good and valuable consideration, mutually exchanged between the parties, the parties hereby agree to the following changes:

1. Section 1, b. SUBLEASE

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises". which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

2. Section 3, SUBLEASE OF THE PREMISES.

Changed Seven Hundred, fifty (750) square feet to read NINE HUNDRED, THIRTY SQUARE FEET (930)

3. Section 6, RENT

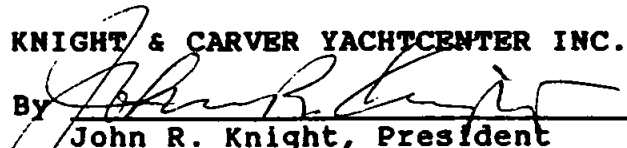
a. MONTHLY RENT

Changed \$6,500.00 per month to read \$6,860.00 PER MONTH.

Nothing herein is intended to change any other terms or conditions of the existing lease agreement.

Dated 12-11-, 1989

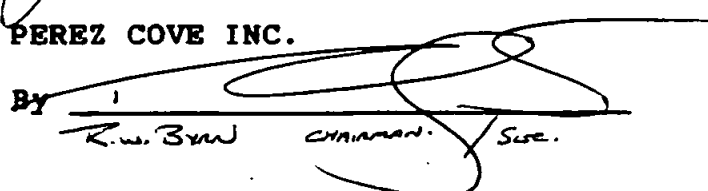
KNIGHT & CARVER YACHTCENTER INC.

By 

John R. Knight, President

Dated 12-14, 1989

PEREZ COVE INC.

By 

R.W. Byn

CHAIRMAN.

Sec.

MISSION BAY
CHANNEL

LOT 30

PEDESTRIAN EASEMENT

PARKING

PARK AREA

DUYUNA BASIN

PIERHEAD LINE

815'-0"

BOAT SLIPS

BOAT SLIPS

880'-0"

LOT PER

WATER DISPLAY

OFFICE SPACE
LAND DISPLAY

OFFICE SPACE

DRY BOAT STORAGE

TOOL
SHED

BOAT YARD

LAND OFFICE

RESTROOMS

RESTROOMS

DRIVE
SHOP

HARDWARE
STORE

DELI

OFFICE

14'-0" BIKES PATH

800'-0"

DUYUNA WAY

87'-0"

PARKING (imposed)

Perez Cove Marine

SAN DIEGO RIVER FLOODWAY

EXHIBIT "A"



1" = 80'-0"
0 20 100

file
CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER

(LESSEE) and filed in the Office of the City Clerk as Document 766042 hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

PEREZ COVE MARINE

(SUBLESSEE) dated March 1, 1990. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and that all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease. In addition, this consent is subject to the following conditions:

NONE.

THE CITY OF SAN DIEGO

Dated 3-16-90

By [Signature]
Supervising Property Agent
for the City Manager
APPROVED AS TO FORM:

JOHN W. WITT, CITY ATTORNEY

Dated 3/16/90

By [Signature]
Deputy

CAF:Disk 2
6/8/83

SUBLEASE

This SUBLEASE ("Sublease") is made as of March 1, 1990 between Knight & Carver Yachtcenter, Inc., ("Marina"), and Perez Cove Marine ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City", as landlord, and Marina, as tenant, signed that certain written Percentage Lease ("Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease.

(b) Sublease.

The subject of this Sublease is a certain space at 1548 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the covenants and conditions of the Master Lease. Any reference to "City" in the Master Lease shall be deemed to be a reference to Marina for the purposes of this Sublease and any reference to "Lessee" in the Master Lease shall be deemed to be a reference to Subtenant for the purposes of this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space comprises approximately Nine Hundred, Thirty (930) square feet and which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the

"Premises". The Premises shall include, but not necessarily be limited to, the structural improvements constituting the space and any and all interior improvements within the space including carpeting, fixtures, wall coverings, and all other interior items delivered to Subtenant by Marina at the time of Subtenant's initial occupancy of the Premises.

It is understood that Premises shall be used for the sole purpose of boat sales and subtenant's operations will in no way conflict, interfere or compete with operations by Marina or Knight & Carver Yachtcenter.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than March 1, 1990. Subtenant shall indemnify and hold harmless Marina and its principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process.

On the commencement date of the term of this Sublease, the Premises shall be in good condition. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Initial Term.

The initial term ("Initial Term") of this Sublease shall be for a period of one (1) year. Subtenant's rent shall commence to accrue and Subtenant shall be obligated to commence paying rent on the commencement date regardless of whether Subtenant has actually occupied the Premises on that date. The initial term shall expire at 11:59 p.m. Pacific Standard Time on the date one (1) year after the commencement date.

(b) Commencement Date.

When the actual commencement date of the Initial Term is determined, the parties shall execute a memorandum setting forth the actual date of commencement of the Initial Term in the form and content of the memorandum attached hereto, marked Exhibit "B" and incorporated herein by reference.

(c) Option to Extend.

Subtenant is granted the option to extend the Initial Term on all the provisions and conditions of this sublease for three (3) successive periods of one year immediately following termination of the Initial Term provided that Subtenant shall have given to Marina written notice of Subtenant's exercise of the option to extend at least ninety (90) days but not more than one hundred eighty (180) days prior to the expiration of the Initial Term, and provided further that there shall be no uncured default of any of the Subtenant's obligations or no Unlawful Detainer for Failure to Pay have been filed in the Initial Term

of this Sublease at the time of Marina's Receipt.

6. RENT.

(a) Monthly Rent.

Subtenant shall pay to Marina, in advance, on the first (1st) day of each and every calendar month during the term of this Sublease, beginning on the first (1st) day of the first (1st) full calendar month of the Initial Term, the sum of \$6860.00 per month (the "Monthly Rent"). Subtenant shall pay the Monthly Rent to Marina without deduction, set off, prior notice, or demand.

(b) Percentage Rent - City

In addition to the Monthly Rent set forth in subparagraph (a) above, and subject to increases issued by the City in accordance with the Master Lease, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, a sum of money equal to:

(i) Three quarters of one percent of gross revenue (as hereinafter defined) from Sale of New Boats or Used Boats in which Subtenant is owner.

(ii) Five percent of lessee's retained commissions from the sale of brokered or consigned boats, and

(iii) See Master Lease from City of San Diego to determine other areas applicable to percentage rent payments.

Subtenant shall keep accurate and complete records in a manner and in a form satisfactory to Marina from which Marina can at all reasonable times determine the nature and amount of revenue subject to Percentage Rent. Subtenant's books and records shall show all transactions relative to the conduct of Subtenant's business, and such transactions shall be supported by documents of original entry, including, but not limited to, sales slips, cash register tapes, purchase invoices, and tickets issued, or other means satisfactory to Marina. Together with each payment of Percentage Rent, Subtenant shall deliver to Marina in a written statement as to the source of the receipts showing all gross revenue of the preceding calendar month together with the amount payable to Marina as set forth above. Each monthly written statement shall be signed and certified to be correct by Subtenant or its authorized representative, and if Subtenant is or becomes a corporation, the written monthly statements shall be signed and certified to be correct by an officer of Subtenant. Subtenant shall also furnish to Marina copies of Subtenant's quarterly California sales and use tax returns at the time each is filed with the State of California.

After the end of each twelve (12) month period after the commencement date of the term of this Sublease, Subtenant shall cause an audit of the business conducted on the Premises to be made by a certified public accountant. The audit shall be conducted at Subtenant's sole cost and expense. Within sixty (60) days after the end of each such year, Subtenant shall, at

Subtenant's sole cost and expense, deliver to Marina a copy of the written audit. In the event that the audit discloses that the Percentage Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Percentage Rent, than Subtenant shall pay to Marina ten percent (10%) of the amount by which the Percentage Rent was underpaid in addition to the unpaid Percentage Rent so shown to be due to Marina as compensation to Marina for administrative costs, loss of interest, and other charges and damages.

(c) Delinquent Rent.

The monthly Rent is due and payable on the first (1st) day of each calendar month. The Percentage Rent is due and payable on the fifteenth (15th) day of each calendar month immediately after the calendar month in which the relevant revenue is received by Subtenant. In the event that Marina does not receive in its office the full payment of the Monthly Rent from Subtenant at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full payment of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Marina shall have the right to terminate this Sublease or otherwise exercise any of the rights of a landlord available to Marina at law or in equity. In the event that Marina does not receive in its office the full amount of the Monthly Rent at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full amount of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Subtenant shall

be able to cure its delinquency only upon the payment of the full amount of the delinquent Monthly Rent or Percentage Rent, as the case may be, plus a sum equal to ten percent (10%) of the Monthly Rent or Percentage Rent for each month that the Monthly Rent or Percentage Rent is delinquent commencing on the first (1st) month of delinquency. The parties acknowledge that the ten percent (10%) delinquency fee is based upon Marina's actual damages incurred in connection with its administration and collection of delinquent rent.

(d) Rent Escalations

On each anniversary date of this sublease, beginning with March 1, 1990, the monthly rent payable under paragraph 6 of this sublease shall be adjusted by the increase, if any, from the date of this lease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, San Diego, California (1967=100), "All Items", herein referred to as "C.P.I.".

The monthly rent payable in accordance with paragraph (a) of this Addendum shall be calculated as follows: the rent payable for the first month of the term of this Lease, as set forth in paragraph 4 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. for the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences.

The sum so calculated shall constitute the new monthly rent hereunder, but in no event shall such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.

Pending receipt of the required C.P.I. and determination of the actual adjustment, lessee shall pay an estimated adjusted rental, as reasonably determined by Lessor by reference to the then available C.P.I. information. Upon notification of the required C.P.I., any overpayment shall be against the next installment of rent due, and any underpayment shall be immediately due and payable by Lessee. Lessor's failure to request payment of an estimated or actual rent adjustment shall not constitute a waiver of the right to any adjustment provided for in the Lease or this addendum.

In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid by Lessor and Lessee.

7. SECURITY & DAMAGE DEPOSIT.

Concurrently with the execution of this Sublease,

Subtenant shall deposit with Marina in addition to the first full month's rent, the sum of Three Thousand Dollars (\$3000.00) as a security deposit for the performance by Subtenant of all of Subtenant's obligations under this Sublease. Fifteen Hundred Dollars (\$1500.00) of the security deposit may be applied to Subtenant's last full month's rent. If Subtenant is in default of Subtenant's obligations, Marina shall have the right to use the security deposit, or any portion of the security deposit, to cure the default or to compensate Marina for any and all damage sustained resulting from Subtenant's default or use. Subtenant shall immediately upon demand pay to Marina a sum equal to the portion of the security deposit expended or applied by Marina as provided in this numbered paragraph so as to maintain the security deposit in the sum initially deposited with Marina. If Subtenant is not in default of Subtenant's obligation at the expiration or earlier termination of this Sublease, Marina shall return the deposit to Subtenant. Marina's obligations with respect to the security deposit are those of a debtor and not a trustee. Marina may either maintain the security deposit with Marina's general or other funds in it's sole and absolute discretion. Marina shall not be required to pay Subtenant any interest on the security deposit.

8. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements without the prior written consent of Marina.

9. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises except for structural defects in the walls, floor, ceiling, electrical facilities, or plumbing facilities of the Premises, which defects were not caused by acts or omissions by Subtenant, Subtenant's agents, or Subtenant's customers, Subtenant shall cause such defect to be remedied or repaired at Subtenant's sole cost and expense. Marina shall maintain the exterior walls, windows, roof, stairways, and common areas of the Building at Marina's sole cost and expense. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws.

10. USE OF THE PREMISES.

Subtenant shall operate its boat sales business within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease.

Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Marina or Knight & Carver Yachtcenter in the normal repair, maintenance, and commissioning of boats.

11. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina its share of charges for any utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire Building, including, but not limited to, water, gas and heat, Marina shall pay such utilities prior to delinquency.

12. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with Satisfactory evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina, or the portion of the taxes resulting from the increase in Marina's assessment. Marina shall have the right to pay such taxes regardless of the validity of the levy.

13. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Marina, Knight & Carver Yachtcenter and the City of San Diego from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with City and shall name City and Marina additional insureds. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to City and Marina by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Such policy or policies shall be in an amount sufficient to cover at least eighty percent (80%) of the replacement costs of the Premises and all improvements and contents in, on, or about the Premises.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

14. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Marina and City. An assignment by operation of Law shall automatically terminate this Sublease.

15. ACCESS TO RESTROOMS.

(a) Marina shall provide Subtenant and Subtenant's agents, employees, and customers with access to the restrooms located at the rear of the first (1st) floor of the Building during all reasonable hours during which Subtenant's business is in operation. Subtenant acknowledges that Subtenant shall share the restrooms with other Subtenants in the Building and their agents and customers, and with users of boat slips.

(b) Marina will collect a Fifty Dollar (\$50.00) refundable deposit for each key issued for Marina/restroom access.

16. USE OF MARINA EQUIPMENT.

Subtenant shall have the right to rent from Marina Marina's equipment at standard rates charged by Marina from time to time.

17. PARKING.

Subtenant and all of Subtenant's employees shall park on the street outside the Premises. Subtenant's customers shall park on a space available basis, in the Marina parking lot or on the street.

18. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE.

Except as the provisions of the Master Lease are varied by this Sublease, and except as the provisions of the Master Lease are irrelevant to Subtenant, all the provisions of the Master Lease shall control as to Subtenant and shall remain in full force and effect for the entire term of this Sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises.

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Marina or City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall

pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

22. HEADINGS AND CAPTIONS.

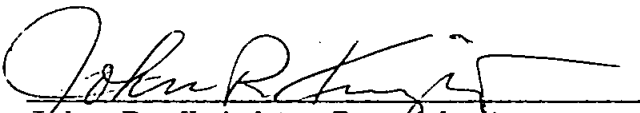
The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

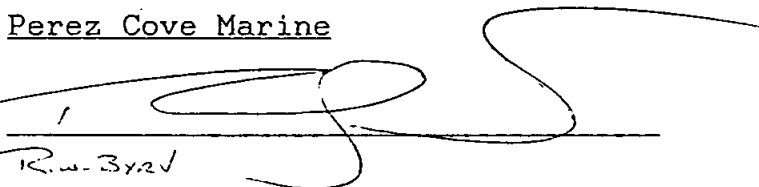
MARINA:

KNIGHT & CARVER YACHTCENTER, INC.

By: 
John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Perez Cove Marine

By: 
R. W. Byrd

MEMORANDUM OF COMMENCEMENT DATE

This MEMORANDUM OF COMMENCEMENT DATE ("Memorandum") is made as of March 1, 1990, between Knight & Carver Yachtcenter, Inc. as Sublandlord, and Perez Cove Marine, as Subtenant.

The parties acknowledge that the term of that certain written Sublease made as of _____ commenced on March 1, 1990. Pursuant to the provisions of the Sublease, the Initial Term of the Sublease shall expire at 11:59 p.m. on February 28, 1991.

SUBLANDLORD:

KNIGHT & CARVER YACHTCENTER, INC.

By: _____

John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Perez Cove Marine

By: _____

C. W. Smith

← 2222 1111

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PATROL

Police

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Sales Area

Sales Area
Sales Area

BAYLINER

← BOAT DISPLAY

Hospitality
Booth

1500 Quivira Way

KNIGHT
CARVER

BAYLINER OFFICES & WATER SPACE

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

PEREZ COVE MARINE

(SUBLESSEE) dated March 1, 1989. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions: (If none, write "none.")

None.

THE CITY OF SAN DIEGO

Dated 11-22-89

By


Supervising Property Agent
for the City Manager

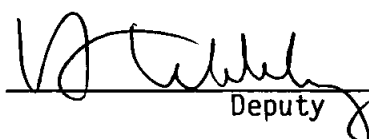
APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated

11/27/89

By


Deputy

JEH:st(43-1)
11-20-89

SUBLEASE

This SUBLEASE ("Sublease") is made as of March 1, 1989 between Knight & Carver Yachtcenter, Inc., ("Marina"), and Perez Cove Marine ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City", as landlord, and Marina, as tenant, signed that certain written Percentage Lease ("Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the covenants and conditions of the Master Lease. Any reference to "City" in the Master Lease shall be deemed to be a reference to Marina for the purposes of this Sublease and any reference to "Lessee" in the Master Lease shall be deemed to be a reference to Subtenant for the purposes of this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space comprises approximately Seven Hundred Fifty (750) square feet and which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises". The

Premises shall include, but not necessarily be limited to, the structural improvements constituting the space and any and all interior improvements within the space including carpeting, fixtures, wall coverings, and all other interior items delivered to Subtenant by Marina at the time of Subtenant's initial occupancy of the Premises.

It is understood that Premises shall be used for the sole purpose of boat sales and subtenant's operations will in no way conflict, interfere or compete with operations by Marina or Knight & Carver Yachtcenter.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than March 1, 1989. Subtenant shall indemnify and hold harmless Marina and its principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process.

On the commencement date of the term of this Sublease, the Premises shall be in good condition. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Initial Term.

The initial term ("Initial Term") of this Sublease shall be for a period of one (1) year. Subtenant's rent shall commence to accrue and Subtenant shall be obligated to commence paying rent on the commencement date regardless of whether Subtenant has actually occupied the Premises on that date. The initial term shall expire at 11:59 p.m. Pacific Standard Time on the date one (1) year after the commencement date.

(b) Commencement Date.

When the actual commencement date of the Initial Term is determined, the parties shall execute a memorandum setting forth the actual date of commencement of the Initial Term in the form and content of the memorandum attached hereto, marked Exhibit "B" and incorporated herein by reference.

(c) Option to Extend.

Subtenant is granted the option to extend the Initial Term on all the provisions and conditions of this sublease for three (3) successive periods of one year immediately following termination of the Initial Term's anniversary provided that Subtenant shall have given to Marina written notice of Subtenant's exercise of the option to extend at least ninety (90) days but not more than one hundred eighty (180) days prior to the expiration of the Initial or successive Term, and provided further that there shall be no uncured default of any of the Subtenant's obligations or no Unlawful Detainer for Failure to

Pay have been filed and that Marina approves said extension.

6. RENT.

(a) Monthly Rent.

Subtenant shall pay to Marina, in advance, on the first (1st) day of each and every calendar month during the term of this Sublease, beginning on the first (1st) day of the first (1st) full calendar month of the Initial Term, the sum of \$6500.00 per month (the "Monthly Rent"). Subtenant shall pay the Monthly Rent to Marina without deduction, set off, prior notice, or demand.

(b) Percentage Rent - City

In addition to the Monthly Rent set forth in subparagraph (a) above, and subject to increases issued by the City in accordance with the Master Lease, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, a sum of money equal to:

(i) Three quarters of one percent of gross revenue (as hereinafter defined) from Sale of New Boats or Used Boats in which Subtenant is owner.

(ii) Five percent of lessee's retained commissions from the sale of brokered or consigned boats, and

(iii) See Master Lease from City of San Diego to determine other areas applicable to percentage rent payments.

Subtenant shall keep accurate and complete records in a manner and in a form satisfactory to Marina from which Marina can at all reasonable times determine the nature and amount of revenue subject to Percentage Rent. Subtenant's books and records shall show all transactions relative to the conduct of Subtenant's business, and such transactions shall be supported by documents of original entry, including, but not limited to, sales slips, cash register tapes, purchase invoices, and tickets issued, or other means satisfactory to Marina. Together with each payment of Percentage Rent, Subtenant shall deliver to Marina in a written statement as to the source of the receipts showing all gross revenue of the preceding calendar month together with the amount payable to Marina as set forth above. Each monthly written statement shall be signed and certified to be correct by Subtenant or its authorized representative, and if Subtenant is or becomes a corporation, the written monthly statements shall be signed and certified to be correct by an officer of Subtenant. Subtenant shall also furnish to Marina copies of Subtenant's quarterly California sales and use tax returns at the time each is filed with the State of California.

After the end of each twelve (12) month period after the commencement date of the term of this Sublease, Subtenant shall cause an audit of the business conducted on the Premises to be made by a certified public accountant. The audit shall be conducted at Subtenant's sole cost and expense. Within sixty (60) days after the end of each such year, Subtenant shall, at

Subtenant's sole cost and expense, deliver to Marina a copy of the written audit. In the event that the audit discloses that the Percentage Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Percentage Rent, then Subtenant shall pay to Marina ten percent (10%) of the amount by which the Percentage Rent was underpaid in addition to the unpaid Percentage Rent so shown to be due to Marina as compensation to Marina for administrative costs, loss of interest, and other charges and damages.

(c) Delinquent Rent.

The monthly Rent is due and payable on the first (1st) day of each calendar month. The Percentage Rent is due and payable on the fifteenth (15th) day of each calendar month immediately after the calendar month in which the relevant revenue is received by Subtenant. In the event that Marina does not receive in its office the full payment of the Monthly Rent from Subtenant at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full payment of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Marina shall have the right to terminate this Sublease or otherwise exercise any of the rights of a landlord available to Marina at law or in equity. In the event that Marina does not receive in its office the full amount of the Monthly Rent at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full amount of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Subtenant shall

be able to cure its delinquency only upon the payment of the full amount of the delinquent Monthly Rent or Percentage Rent, as the case may be, plus a sum equal to ten percent (10%) of the Monthly Rent or Percentage Rent for each month that the Monthly Rent or Percentage Rent is delinquent commencing on the first (1st) month of delinquency. The parties acknowledge that the ten percent (10%) delinquency fee is based upon Marina's actual damages incurred in connection with its administration and collection of delinquent rent.

(d) Rent Escalations

On each anniversary date of this sublease, beginning with March 1, 1989, the monthly rent payable under paragraph 6 of this sublease shall be adjusted by the increase, if any, from the date of this lease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, San Diego, California (1967=100), "All Items", herein referred to as "C.P.I.".

The monthly rent payable in accordance with paragraph (a) of this Addendum shall be calculated as follows: the rent payable for the first month of the term of this Lease, as set forth in paragraph 4 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. for the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences.

The sum so calculated shall constitute the new monthly rent hereunder, but in no event shall such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.

Pending receipt of the required C.P.I. and determination of the actual adjustment, lessee shall pay an estimated adjusted rental, as reasonably determined by Lessor by reference to the then available C.P.I. information. Upon notification of the required C.P.I., any overpayment shall be against the next installment of rent due, and any underpayment shall be immediately due and payable by Lessee. Lessor's failure to request payment of an estimated or actual rent adjustment shall not constitute a waiver of the right to any adjustment provided for in the Lease or this addendum.

In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid by Lessor and Lessee.

7. SECURITY & DAMAGE DEPOSIT.

Concurrently with the execution of this Sublease,

Subtenant shall deposit with Marina in addition to the first full month's rent, the sum of Three Thousand Dollars (\$3000.00) as a security deposit for the performance by Subtenant of all of Subtenant's obligations under this Sublease. Fifteen Hundred Dollars (\$1500.00) of the security deposit may be applied to Subtenant's last full month's rent. If Subtenant is in default of Subtenant's obligations, Marina shall have the right to use the security deposit, or any portion of the security deposit, to cure the default or to compensate Marina for any and all damage sustained resulting from Subtenant's default or use. Subtenant shall immediately upon demand pay to Marina a sum equal to the portion of the security deposit expended or applied by Marina as provided in this numbered paragraph so as to maintain the security deposit in the sum initially deposited with Marina. If Subtenant is not in default of Subtenant's obligation at the expiration or earlier termination of this Sublease, Marina shall return the deposit to Subtenant. Marina's obligations with respect to the security deposit are those of a debtor and not a trustee. Marina may either maintain the security deposit with Marina's general or other funds in it's sole and absolute discretion. Marina shall not be required to pay Subtenant any interest on the security deposit.

8. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements without the prior written consent of Marina.

9. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises except for structural defects in the walls, floor, ceiling, electrical facilities, or plumbing facilities of the Premises, which defects were not caused by acts or omissions by Subtenant, Subtenant's agents, or Subtenant's customers, Subtenant shall cause such defect to be remedied or repaired at Subtenant's sole cost and expense. Marina shall maintain the exterior walls, windows, roof, stairways, and common areas of the Building at Marina's sole cost and expense. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws.

10. USE OF THE PREMISES.

Subtenant shall operate its boat sales within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease.

Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks.

Subtenant shall not compete directly with Marina or Knight & Carver Yachtcenter in the normal repair, maintenance, and commissioning of boats.

11. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges for any utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire Building, including, but not limited to, water, gas and heat, Marina shall pay such utilities prior to delinquency.

12. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with Satisfactory evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina, or the portion of the taxes resulting from the increase in Marina's assessment. Marina shall have the right to pay such taxes regardless of the validity of the levy.

13. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Marina, Knight & Carver Yachtcenter and the City of San Diego from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitees.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with City and shall name City and Marina additional insureds. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to City and Marina by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Such policy or policies shall be in an amount sufficient to cover at least eighty percent (80%) of the replacement costs of the Premises and all improvements and contents in, on, or about the Premises.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

14. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the Premises or any part thereof without the prior written consent of Marina and City. An assignment by operation of Law shall automatically terminate this Sublease.

15. ACCESS TO RESTROOMS.

(a) Marina shall provide Subtenant and Subtenant's agents, employees, and customers with access to the restrooms located at the rear of the first (1st) floor of the Building during all reasonable hours during which Subtenant's business is in operation. Subtenant acknowledges that Subtenant shall share the restrooms with other Subtenants in the Building and their agents and customers, and with users of boat slips.

(b) Marina will collect a Fifty Dollar (\$50.00) refundable deposit for each key issued for Marina/restroom access.

16. USE OF MARINA EQUIPMENT.

Subtenant shall have the right to rent from Marina Marina's equipment at standard rates charged by Marina from time to time.

17. PARKING.

Subtenant and all of Subtenant's employees shall park on the street outside the Premises. Subtenant's customers shall park on a space available basis , in the Marina parking lot or on the street.

18. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE.

Except as the provisions of the Master Lease are varied by this Sublease, and except as the provisions of the Master Lease are irrelevant to Subtenant, all the provisions of the Master Lease shall control as to Subtenant and shall remain in full force and effect for the entire term of this Sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises.

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner

set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Marina or City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

22. HEADINGS AND CAPTIONS.

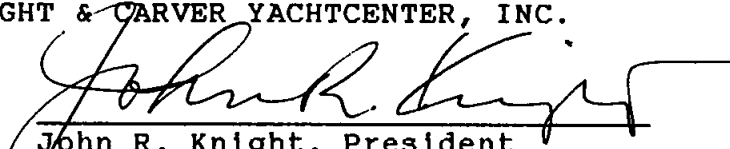
The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

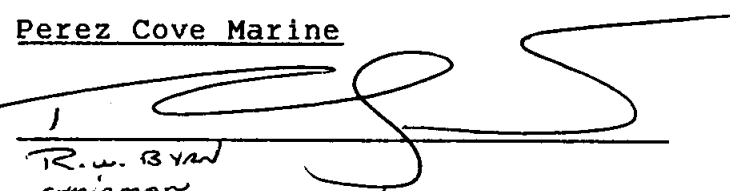
KNIGHT & CARVER YACHTCENTER, INC.

By: 

John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Perez Cove Marine

By: 

R. W. Ryan
Chairman
Perez Cove Marine

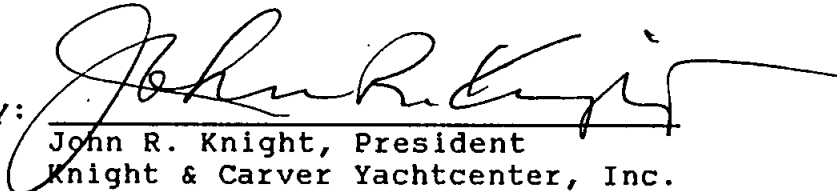
MEMORANDUM OF COMMENCEMENT DATE

This MEMORANDUM OF COMMENCEMENT DATE ("Memorandum") is made as of March 1, 1989, between Knight & Carver Yachtcenter, Inc. as Sublandlord, and Perez Cove Marine, as Subtenant.

The parties acknowledge that the term of that certain written Sublease made as of _____ commenced on March 1, 1989. Pursuant to the provisions of the Sublease, the Initial Term of the Sublease shall expire at 11:59 p.m. on February 28, 1990.

SUBLANDLORD:

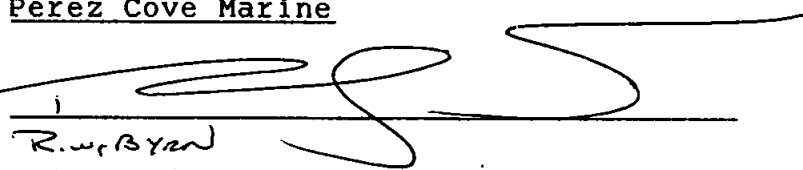
KNIGHT & CARVER YACHTCENTER, INC.

By: 

John R. Knight, President
Knight & Carver Yachtcenter, Inc.

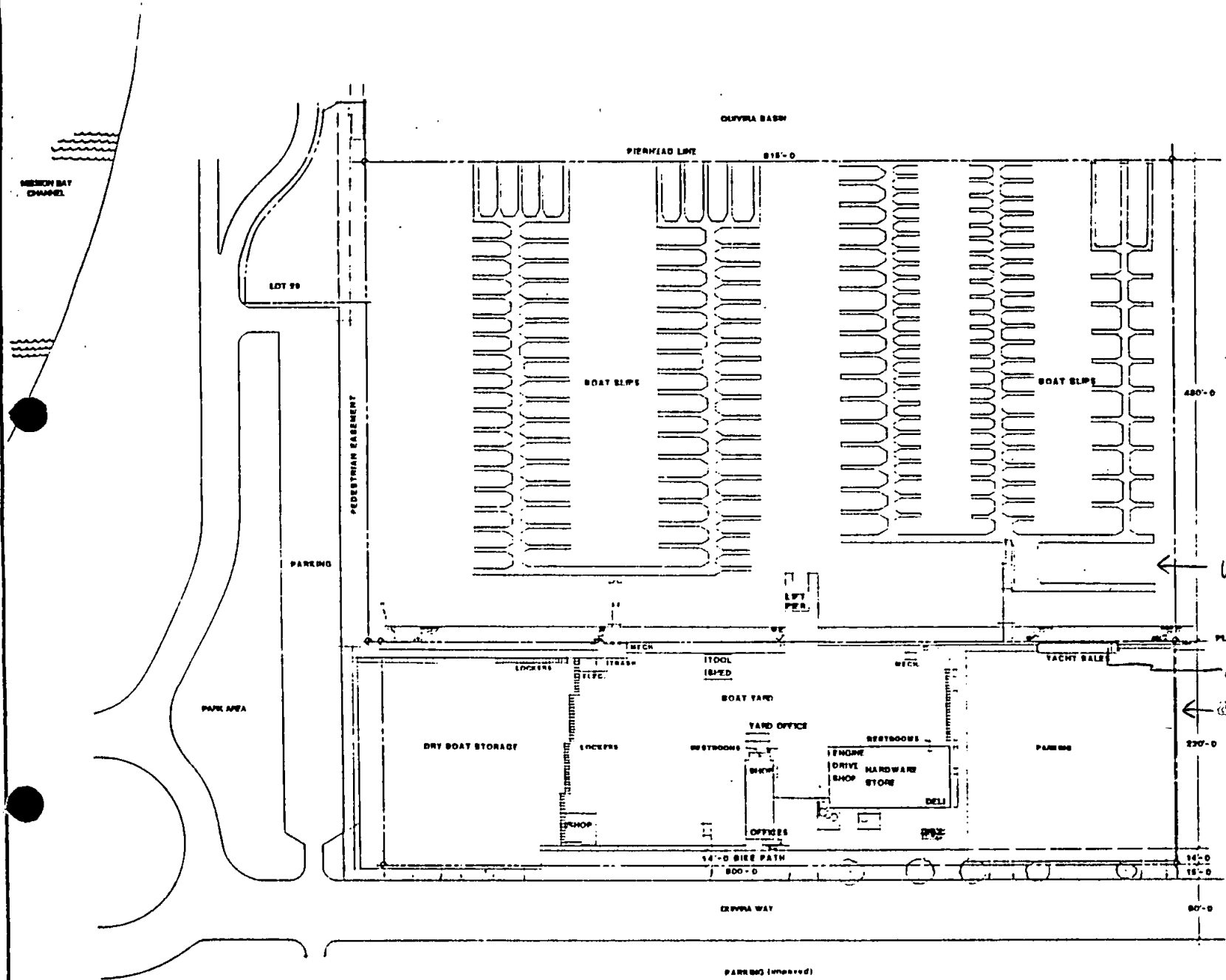
SUBTENANT:

Perez Cove Marine

By: 

R. W. BYRN
CHAIRMAN

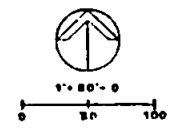
PEREZ COVE MARINE



Perez Cove Marine

SAN DIEGO RIVER FLOODWAY

EXHIBIT "A"



CONSENT TO FIRST AMENDMENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain First Amendment to Sublease Agreement between the above LESSEE (SUBLESSOR) and

HANS CHRISTIAN YACHTS, INC.

(SUBLESSEE) dated November 22, 1989. Said Amendment to Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Amendment to Sublease. The CITY is not bound by any term or condition in the Amendment to Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions: (If none, write "none.")

None.

THE CITY OF SAN DIEGO

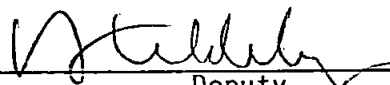
Dated 12/15/89

By 
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 12/18/89

By 
Deputy

JEH:st(43-1)
12-15-89

FIRST AMENDMENT TO SUBLEASE

This First Amendment to Sublease is executed by and between the KNIGHT & CARVER YACHTCENTER INC. and HANS CHRISTIAN YACHTS INC.

- A. Heretofore, KNIGHT & CARVER YACHTCENTER INC., and HANS CHRISTIAN YACHTS INC., entered into that certain lease agreement dated July 1, 1989.
- B. The parties hereto desire to further amend said lease agreement the manner herein set forth:

NOW, THEREFORE, for good and valuable consideration, mutually exchanged between the parties, the parties hereby agree to the following changes:

1. Section 1, b. SUBLEASE

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises". which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

2. Section 3, SUBLEASE OF THE PREMISES.

Changed Eight Hundred (800) square feet to read
ONE THOUSAND ONE HUNDRED THIRTY SQUARE FEET (1,130)

3. Section 6, RENT

a. MONTHLY RENT

Changed \$1,200.00 per month to read \$1,700.00 PER MONTH.

4. Section 7, SECURITY AND DAMAGE DEPOSIT

Add an additional \$500.00 security deposit

Nothing herein is intended to change any other terms or conditions of the existing lease agreement.

Dated 11-20, 1989

KNIGHT & CARVER YACHTCENTER INC.

By

John R. Knight
John R. Knight, President

Dated 11-22, 1989

HANS CHRISTIAN YACHTS INC.

By

Craig Beckwith

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

HANS CHRISTIAN YACHTS, INC.

(SUBLESSEE) dated July 1, 1989. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions: (If none, write "none.")

None.

THE CITY OF SAN DIEGO

Dated

11-22-89

By

[Signature]
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated

11/27/89

By

[Signature]
Deputy

JEH:st(43-1)
11-20-89

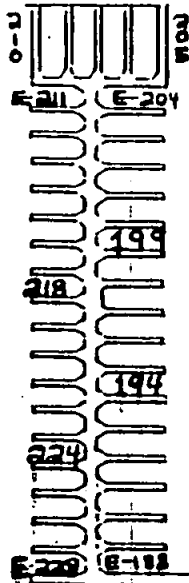
VIEW 22 W ↓

HARBOR
PATROL

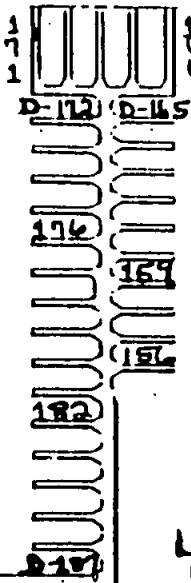
Police

ROCKS

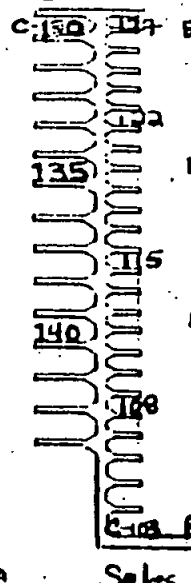
E-Dock



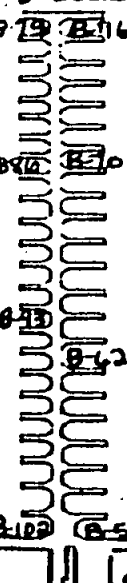
D-Dock



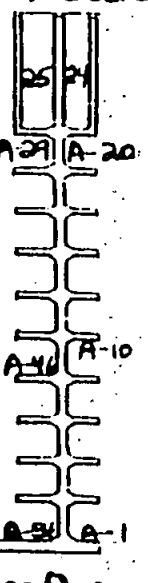
C-Dock



B-Dock



A-Dock



BAIT
DOCK

Lift
Area

Sales
Area

Sales Area
Sales Area

BAYLINK

Permit
PARKING

BARWARE
STORE

1500 Quivira Way

KNIGHT
CARVER

WINS BARBERS (UPSTAIRS)

DOWNSTAIRS

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

KNIGHT & CARVER YACHTCENTER, INC.

(LESSEE) and filed in the Office of the City Clerk as Document 766042, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

HANS CHRISTIAN YACHTS, INC.

(SUBLESSEE) dated July 1, 1989. Said Sublease shall be subordinate to the Master Lease in all respects. The CITY is merely approving the SUBLESSEE and the proposed use, and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease. The CITY is not bound by any term or condition in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease.

In addition, this consent is subject to the following conditions: (If none, write "none.")

None.

THE CITY OF SAN DIEGO

Dated 11-22-89

By 
Supervising Property Agent
for the City Manager

APPROVED AS TO FORM:

JOHN W. WITT, City Attorney

Dated 11/27/89

By 
Deputy

JEH:st(43-1)
11-20-89

SUBLEASE

This SUBLEASE ("Sublease") is made as of July 1, 1989 between Knight & Carver Yachtcenter, Inc., "Marina", and Hans Christian Yachts, Inc. ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO a municipal corporation ("City", as landlord, and Marina, as tenant, signed that certain written Percentage Lease ("Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease.

(b) Sublease.

The subject of this Sublease is a certain space at 1500 Quivira Way designated as "the premises", which space is delineated on the plan attached hereto, marked Exhibit "A" and incorporated herein by this reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" and attached hereto.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease, and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result, the parties shall be released from all liabilities and obligations under this Sublease. This Sublease is subject and subordinate to the covenants and conditions of the Master Lease. Any reference to "City" in the Master Lease shall be deemed to be a reference to Marina for the purposes of this Sublease and any reference to "Lessee" in the Master Lease shall be deemed to be a reference to Subtenant for the purposes of this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina Sublets to Subtenant and Subtenant sublets from Marina that certain space at Mission Bay Marina, which space comprises approximately Eight Hundred (800) square feet and which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises". The

Premises shall include, but not necessarily be limited to, the structural improvements constituting the space and any and all interior improvements within the space including carpeting, fixtures, wall coverings, and all other interior items delivered to Subtenant by Marina at the time of Subtenant's initial occupancy of the Premises.

It is understood that Premises shall be used for the sole purpose of boat sales and subtenant's operations will in no way conflict, interfere or compete with operations by Marina or Knight & Carver Yachtcenter.

4. PREPARATION AND ACCEPTANCE OF THE PREMISES.

Subtenant shall have access to the Premises and may commence Subtenant's improvement and fixturing process no later than July 1, 1989. Subtenant shall indemnify and hold harmless Marina and its principals from any and all claims, demands or liability, arising out of, or in any way connected with Subtenant's improvement and fixturing process.

On the commencement date of the term of this Sublease, the Premises shall be in good condition. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings and other items required by Subtenant to conduct Subtenant's business.

5. TERM: COMMENCEMENT DATE.

(a) Initial Term.

The initial term ("Initial Term") of this Sublease shall be for a period of five (5) years. Subtenant's rent shall commence to accrue and Subtenant shall be obligated to commence paying rent on the commencement date regardless of whether Subtenant has actually occupied the Premises on that date. The initial term shall expire at 11:59 p.m. Pacific Standard Time on the date five (5) years after the commencement date.

(b) Commencement Date.

When the actual commencement date of the Initial Term is determined, the parties shall execute a memorandum setting forth the actual date of commencement of the Initial Term in the form and content of the memorandum attached hereto, marked Exhibit "B" and incorporated herein by reference.

(c) Option to Extend.

Subtenant is granted the option to extend the Initial Term on all the provisions and conditions of this sublease for three (3) successive periods of five years immediately following termination of the Initial Term provided that Subtenant shall have given to Marina written notice of Subtenant's exercise of the option to extend at least ninety (90) days but not more than one hundred eighty (180) days prior to the expiration of the Initial Term's anniversary, and provided further that there shall be no uncured default of any of the Subtenant's obligations or no Unlawful Detainer for Failure to

Pay have been filed and that Marina approves said extension.

6. RENT.

(a) Monthly Rent.

Subtenant shall pay to Marina, in advance, on the first (1st) day of each and every calendar month during the term of this Sublease, beginning on the first (1st) day of the first (1st) full calendar month of the Initial Term, the sum of \$1200.00 per month (the "Monthly Rent"). Subtenant shall pay the Monthly Rent to Marina without deduction, set off, prior notice, or demand.

(b) Percentage Rent - City

In addition to the Monthly Rent set forth in subparagraph (a) above, and subject to increases issued by the City in accordance with the Master Lease, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, a sum of money equal to:

(i) Three quarters of one percent of gross revenue (as hereinafter defined) from Sale of New Boats or Used Boats in which Subtenant is owner.

(ii) Five percent of lessee's retained commissions from the sale of brokered or consigned boats, and

(iii) See Master Lease from City of San Diego to determine other areas applicable to percentage rent payments.

Subtenant shall keep accurate and complete records in a manner and in a form satisfactory to Marina from which Marina can at all reasonable times determine the nature and amount of revenue subject to Percentage Rent. Subtenant's books and records shall show all transactions relative to the conduct of Subtenant's business, and such transactions shall be supported by documents of original entry, including, but not limited to, sales slips, cash register tapes, purchase invoices, and tickets issued, or other means satisfactory to Marina. Together with each payment of Percentage Rent, Subtenant shall deliver to Marina in a written statement as to the source of the receipts showing all gross revenue of the preceding calendar month together with the amount payable to Marina as set forth above. Each monthly written statement shall be signed and certified to be correct by Subtenant or its authorized representative, and if Subtenant is or becomes a corporation, the written monthly statements shall be signed and certified to be correct by an officer of Subtenant. Subtenant shall also furnish to Marina copies of Subtenant's quarterly California sales and use tax returns at the time each is filed with the State of California.

After the end of each twelve (12) month period after the commencement date of the term of this Sublease, Subtenant shall cause an audit of the business conducted on the Premises to be made by a certified public accountant. The audit shall be conducted at Subtenant's sole cost and expense. Within sixty (60) days after the end of each such year, Subtenant shall, at

Subtenant's sole cost and expense, deliver to Marina a copy of the written audit. In the event that the audit discloses that the Percentage Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Percentage Rent, then Subtenant shall pay to Marina ten percent (10%) of the amount by which the Percentage Rent was underpaid in addition to the unpaid Percentage Rent so shown to be due to Marina as compensation to Marina for administrative costs, loss of interest, and other charges and damages.

(c) Delinquent Rent.

The monthly Rent is due and payable on the first (1st) day of each calendar month. The Percentage Rent is due and payable on the fifteenth (15th) day of each calendar month immediately after the calendar month in which the relevant revenue is received by Subtenant. In the event that Marina does not receive in its office the full payment of the Monthly Rent from Subtenant at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full payment of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Marina shall have the right to terminate this Sublease or otherwise exercise any of the rights of a landlord available to Marina at law or in equity. In the event that Marina does not receive in its office the full amount of the Monthly Rent at or before 5:00 p.m. on the fourth (4th) day of any calendar month or the full amount of the Percentage Rent at or before 5:00 p.m. on the eighteenth (18th) day of any calendar month, Subtenant shall

be able to cure its delinquency only upon the payment of the full amount of the delinquent Monthly Rent or Percentage Rent, as the case may be, plus a sum equal to ten percent (10%) of the Monthly Rent or Percentage Rent for each month that the Monthly Rent or Percentage Rent is delinquent commencing on the first (1st) month of delinquency. The parties acknowledge that the ten percent (10%) delinquency fee is based upon Marina's actual damages incurred in connection with its administration and collection of delinquent rent.

(d) Rent Escalations

On each yearly date of this sublease, beginning with July 1, 1989, the monthly rent payable under paragraph 6 of this sublease shall be adjusted by the increase, if any, from the date of this lease commenced, in the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Wage Earners and Clerical Workers, San Diego, California (1967=100), "All Items", herein referred to as "C.P.I.".

The monthly rent payable in accordance with paragraph (a) of this Addendum shall be calculated as follows: the rent payable for the first month of the term of this Lease, as set forth in paragraph 4 of the attached Lease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. for the calendar month during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. for the calendar month in which the original Lease term commences. The sum so calculated shall constitute the new monthly rent

hereunder, but in no event shall such new monthly rent be less than the rent payable for the month immediately preceding the date for rent adjustment.

Pending receipt of the required C.P.I. and determination of the actual adjustment, lessee shall pay an estimated adjusted rental, as reasonably determined by Lessor by reference to the then available C.P.I. information. Upon notification of the required C.P.I., any overpayment shall be against the next installment of rent due, and any underpayment shall be immediately due and payable by Lessee. Lessor's failure to request payment of an estimated or actual rent adjustment shall not constitute a waiver of the right to any adjustment provided for in the Lease or this addendum.

In the event the compilation and/or publication of the C.P.I. shall be transferred to any other governmental department or bureau or agency or shall be discontinued, then the index most nearly the same as the C.P.I. shall be used to make such calculation. In the event that Lessor and Lessee cannot agree on such alternative index, the matter shall be submitted for decision to the American Arbitration Association in accordance with the then rules of said association and the decision of the arbitrators shall be binding upon the parties. The cost of said Arbitrators shall be paid by Lessor and Lessee.

7. SECURITY & DAMAGE DEPOSIT.

Concurrently with the execution of this Sublease, Subtenant shall deposit with Marina in addition to the first full

month's rent, the sum of One Thousand Seven Hundred Dollars (\$1700.00) as a security deposit for the performance by Subtenant of all of Subtenant's obligations under this Sublease. One Thousand Two Hundred Dollars (\$1200.00) of the security deposit may be applied to Subtenant's last full month's rent. If Subtenant is in default of Subtenant's obligations, Marina shall have the right to use the security deposit, or any portion of the security deposit, to cure the default or to compensate Marina for any and all damage sustained resulting from Subtenant's default or use. Subtenant shall immediately upon demand pay to Marina a sum equal to the portion of the security deposit expended or applied by Marina as provided in this numbered paragraph so as to maintain the security deposit in the sum initially deposited with Marina. If Subtenant is not in default of Subtenant's obligation at the expiration or earlier termination of this Sublease, Marina shall return the deposit to Subtenant. Marina's obligations with respect to the security deposit are those of a debtor and not a trustee. Marina may either maintain the security deposit with Marina's general or other funds in it's sole and absolute discretion. Marina shall not be required to pay Subtenant any interest on the security deposit.

8. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements without the prior written consent of Marina.

9. REPAIRS AND MAINTENANCE.

(a) Marina's Responsibility.

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises except for structural defects in the walls, floor, ceiling, electrical facilities, or plumbing facilities of the Premises, which defects were not caused by acts or omissions by Subtenant, Subtenant's agents, or Subtenant's customers, Subtenant shall cause such defect to be remedied or repaired at Subtenant's sole cost and expense. Marina shall maintain the exterior walls, windows, roof, stairways, and common areas of the Building at Marina's sole cost and expense. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws.

10. USE OF THE PREMISES.

Subtenant shall operate its boat sale business within the Premises in such a manner to conform to and comply with each, every, and all of the ordinances or regulations of the City, the County of San Diego, the State of California, and the United States of America that are now in force or which may hereinafter

be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease. Subtenant acknowledges and agrees that the premises are located on tidelands in dedicated Mission Bay Park, a public park, and that all use of the premises shall be in compliance with the legal restrictions applicable to tidelands and public parks. Subtenant shall not compete directly with Marina or Knight & Carver Yachtcenter in the normal repair, maintenance, and commissioning of boats.

11. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall reimburse Marina it's share of charges for any utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire Building, including, but not limited to, water, gas and heat, Marina shall pay such utilities prior to delinquency.

12. TAXES AND ASSESSMENTS.

(a) Personal Property Tax.

Subtenant shall pay, prior to delinquency, all taxes, assessments, license fees, and other charges that are levied and assessed against Subtenant's personal property located in, on, or about the Premises, which taxes become payable during the term of this Sublease. Upon written demand by Marina, Subtenant shall furnish Marina and City with Satisfactory

evidence of such payments. If any taxes on Subtenant's personal property are levied against Marina or Marina's property and the assessed value of the Building is increased by the inclusion of a value placed upon subtenant's personal property, and if Marina pays the taxes or the increased assessment, Subtenant, on demand, shall immediately reimburse Marina for the sum of the taxes levied against Marina, or the portion of the taxes resulting from the increase in Marina's assessment. Marina shall have the right to pay such taxes regardless of the validity of the levy.

13. INDEMNITY AND INSURANCE.

(a) Indemnity.

Subtenant shall assume the defense of, indemnify and save harmless Marina, Knight & Carver Yachtcenter and the City of San Diego from all claims, demands, expenses, and liability of every nature, directly or indirectly arising from or alleged to have arisen from the operations conducted on the Premises or from any act or omission of Subtenant, his agents and invitee.

(b) General Public Liability Insurance.

Subtenant shall be insured by an insurance carrier acceptable to Marina and City against loss from public liability arising from the use or condition of or operations conducted on the Premises, along with products liability and completed operations insurance. Minimum coverage shall be One Million Dollars (\$1,000,000.00). A copy of the policy of insurance shall be filed with City and shall name City and Marina additional

insured. Said policy shall specify that the policy may not be terminated, altered or cancelled without prior written notice to City and Marina by the insurance company. The policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Prior to the commencement date of this Sublease, Subtenant shall deliver to Marina a certificate or certificates of insurance evidencing the existence of such policy or policies of insurance.

(c) Fire and Extended Coverage Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain a policy or policies of fire, extended coverage, and vandalism insurance on the Premises. Such policy or policies shall be issued by an insurance company or companies licensed to do business in the State of California. Such policy or policies shall be in an amount sufficient to cover at least eighty percent (80%) of the replacement costs of the Premises and all improvements and contents in, on, or about the Premises.

(d) Other Insurance.

Subtenant shall, at its sole cost and expense, during the term of this Sublease, pay for and maintain any other necessary policy or policies of insurance covering and insuring against risks which reasonably may be anticipated in a business such as the one in which Subtenant is engaged.

14. NO ASSIGNMENT OR SUBLETTING.

Subtenant shall not assign this Sublease or sublet the

Premises or any part thereof without the prior written consent of Marina and City. An assignment by operation of Law shall automatically terminate this Sublease.

15. ACCESS TO RESTROOMS.

(a) Marina shall provide Subtenant and Subtenant's agents, employees, and customers with access to the restrooms located at the rear of the first (1st) floor of the Building during all reasonable hours during which Subtenant's business is in operation. Subtenant acknowledges that Subtenant shall share the restrooms with other Subtenants in the Building and their agents and customers, and with users of boat slips.

(b) Marina will collect a Fifty Dollar (\$50.00) refundable deposit for each key issued for Marina/restroom access.

16. USE OF MARINA EQUIPMENT.

Subtenant shall have the right to rent from Marina Marina's equipment at standard rates charged by Marina from time to time.

17. PARKING.

Subtenant and all of Subtenant's employees shall park on the street outside the Premises. Subtenant's customers shall park on a space available basis, in the Marina parking lot or on the street.

18. EFFECTIVENESS OF PROVISIONS OF MASTER LEASE.

Except as the provisions of the Master Lease are varied by this Sublease, and except as the provisions of the Master

Lease are irrelevant to Subtenant, all the provisions of the Master Lease shall control as to Subtenant and shall remain in full force and effect for the entire term of this Sublease.

19. AMENDMENT.

This Sublease may be amended only by a writing signed by both parties.

20. NOTICES.

Any notice from one party to another shall be delivered either personally or via United States mail, postage fully prepaid, addressed to the parties as follows:

To Marina: Knight & Carver Yachtcenter, Inc.
1500 Quivira Way
San Diego, CA 92109

To Subtenant: At the Premises.

Any notice shall be deemed delivered at the time of personal service or forty-eight (48) hours after the time of deposit in the United States mail, as the case may be. In the event that either party changes its address, the change of address shall be communicated to the other party in the manner set forth in this numbered paragraph.

21. ATTORNEY'S FEES.

Should it become necessary for Marina or City to commence legal proceedings to collect rent, to recover possession or enforce any other problem of this Sublease, Subtenant shall pay all legal costs in connection therewith, including a reasonable sum as attorney's fee's.

22. HEADINGS AND CAPTIONS.

The headings and captions at the beginning of various paragraphs and subparagraphs of this Sublease shall not be construed to be a substantive part of this Sublease and shall not in any way define, limit, expand, or affect any provision of this Sublease.

23. COUNTERPARTS.

This Sublease may be signed in as many as three counterparts, each of which shall constitute an original, but all of which together shall be one (1) and the same document.

MARINA:

KNIGHT & CARVER YACHTCENTER, INC.

By: _____

John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Hans Christian Yachts, Inc.

By: _____

MEMORANDUM OF COMMENCEMENT DATE

This MEMORANDUM OF COMMENCEMENT DATE ("Memorandum") is made as of July 1, 1989, between Knight & Carver Yachtcenter, Inc. as Sublandlord, and Hans Christian Yachts, Inc., as Subtenant.

The parties acknowledge that the term of that certain written Sublease made as of _____ commenced on July 1, 1989. Pursuant to the provisions of the Sublease, the Initial Term of the Sublease shall expire at 11:59 p.m. on June 30, 1994.

SUBLANDLORD:

KNIGHT & CARVER YACHTCENTER, INC. _____

By: _____
John R. Knight, President
Knight & Carver Yachtcenter, Inc.

SUBTENANT:

Hans Christian Yachts, Inc.

By: _____

VIEW ↓

Hospitality
Point

HARBOR
PATROL

Police

PERMITTING GARAGE

PARKING

PARK AREA

KNIGHT
CARVER

PARKING (UPSTAIRS)

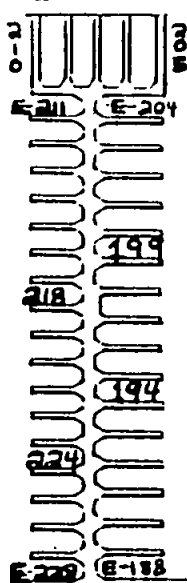
HANS CHRISTIAN (UPSTAIRS)

SAN DIEGO MYSA FLOOR PLAN

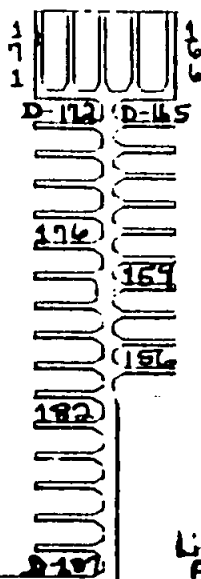
EXHIBIT "A"

BAIT
DOCK

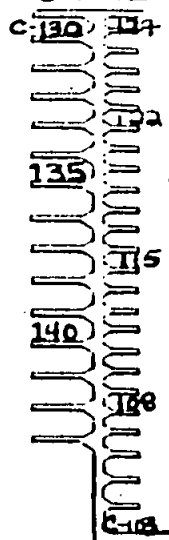
E-Dock



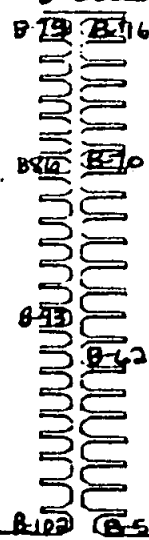
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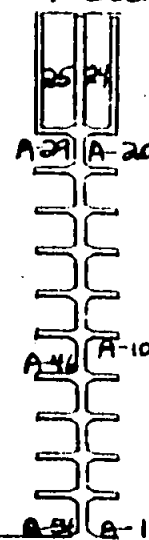
C-Dock



B-Dock



A-Dock



Lift
Area

Sales
Area

Sales Area

Sales Area

BAYLINER

Permit
PARKING

1500 Quivira Way

AMENDMENT TO SUBLEASE

BETWEEN MISSION BAY MARINA, A PROPRIETORSHIP, AS LESSEE

AND WILLIAM SHAW, DBA SHAW'S MARINE WELDING AS
SUBLESSEE.

COMMENCEMENT DATE OF MARCH 1, 1985

This amendment is solely to exercise ITEM 5. TERM, Paragraph

(c) Option to Extend.

Agreement is hereby made to extend the provisions and conditions of this Sublease for one (1) year immediately following the termination of the Initial Term subject to all existing terms and conditions of Original Lease. New term to be March 1, 1985 through 11:59 p.m. February 28, 1986.

MARINA:

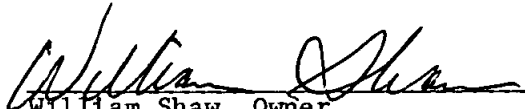
MISSION BAY MARINA
A Proprietorship

By: 

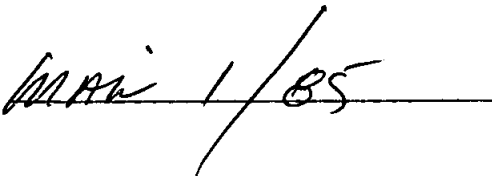
Charles P. Bluth, Owner

SUBTENANT:

SHAW'S MARINE WELDING

By: 

William Shaw, Owner

Date: 

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with

MISSION BAY MARINA

(LESSEE) and filed in the Office of the City Clerk as Document No. 766042, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and

JEFFERY WRIGHT and GRAHAM McQUEEN

(SUBLESSEE) dated April 1, 1982. Said Sublease shall be subordinate to the Master Lease in all respects. In addition, this consent is subject to the following conditions: (If None, write "None").

NONE

Dated

5-17-82

THE CITY OF SAN DIEGO

By:


City Manager

Dated

5/18/82

APPROVED AS TO FORM:
JOHN W. WITT, CITY ATTORNEY

By:


Deputy

SUBLEASE DATA SHEET

Submitted: (X) Proposed Sublease
(check one) () Proposed Sublease Assignment

1. Master Lessee: MISSION BAY MARINA
2. Sublessee: JEFFREY WRIGHT AND GRAHAM MC QUEEN
dba CREATIVE WELDING
3. Assignee: _____
dba _____
4. Name and qualifications of person (if not one of above) proposed to manage under sublease agreement. _____

5. Purpose of sublease and why you (Master Lessee) prefer to sublease rather than operate. Welding, is an internal part of what is needed here
Prior to this we had been sub-contracting welding work.
6. What are Sublessee's qualifications that will enable him to operate successfully under the agreement? They have been qualified welders
for seven years and they are very knowledgeable and experienced.
They are 'Certified Welders'
7. Have you checked proposed Sublessee's credit references and found them satisfactory? yes
8. What financial or other consideration was paid by Sublessee or Assignee other than payment of rent? none
9. How have the financial qualifications of the proposed Sublessee been established? Bank, personal and business references

500?

10. Synopsis of Sublease Terms:

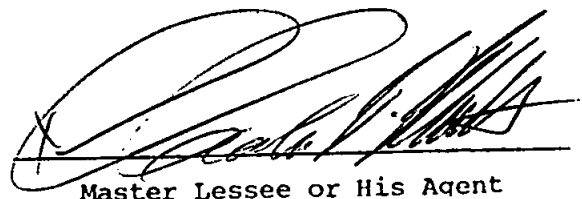
- a. Rent: Two hundred dollars (200.00) per month
- b. Additional rent to City: gross receipts per City Lease
- c. Term: _____
- d. Use - (Provide a detailed description of proposed sublease use and/or products to be sold): welding and metal favrication of custom marine products.
- e. List changes and/or additions to City - approved sublease form, if any: none

11. Miscellaneous information: _____

(Attach additional sheets as necessary)

Date: Nov. 6, 1981

By:


Master Lessee or His Agent

SUBLEASE

THIS SUBLEASE ("Sublease") is made as of April 1, 1982 between MISSION BAY MARINA, a general partnership ("MARINA") and JEFFREY WRIGHT and GRAHAM MCQUEEN, a partnership doing business as CREATIVE WELDING ("Subtenant"), who agree as follows:

1. FACT RECITALS.

This Sublease is made with reference to the following facts:

(a) Master Lease.

On or about March 5, 1979, THE CITY OF SAN DIEGO, a municipal corporation ("City"), as landlord, and Marina, as tenant, signed that certain written Percentage Lease ("Master Lease"). The Master Lease was approved by the City Council of City by resolution number 222988 dated March 5, 1979. The Master Lease provided, among other things, that Marina could construct upon the property that was the subject of the Master Lease certain improvements and then sublease space in those improvements to subtenants. Subtenant hereby acknowledges Subtenant's receipt of a true copy of the Master Lease.

(b) Sublease of Space and Building.

The subject of this Sublease is certain space known as the Welding Shop, on the plan attached hereto, marked Exhibit "A" and incorporated herein by reference.

(c) Intent of the Parties.

It is the intention of the parties to set forth in this Sublease their agreement concerning Subtenant's use and occupancy of the space delineated in Exhibit "A" attached hereto. It is the further intention of the parties that Subtenant's use and occupancy of such leased space shall be subject to each and every relevant provision of the Master Lease, and that this Sublease shall be approved by the appropriate authorities of City prior to the effective date of this Sublease.

2. SUBLEASE SUBJECT TO MASTER LEASE.

This Sublease is subject to the provisions of the Master Lease. The parties acknowledge that this Sublease does not violate any provision of the Master Lease and that no provisions of this Sublease are in conflict with any provisions of the Master Lease. If the Master Lease terminates and this Sublease terminates as a result of the termination of the Master Lease, the parties shall be released from all liabilities and obligations under this Sublease.

3. SUBLEASE OF THE PREMISES.

Marina sublets to Subtenant and Subtenant sublets from Marina, that certain space and Building, which comprises approximately 480 square feet and which space is delineated on the plan attached hereto as Exhibit "A". The space shall hereinafter be called the "Premises". The Premises shall include, but not necessarily be limited to, the structural improvements constituting the space.

4. ACCEPTANCE OF THE PREMISES.

On the commencement date of the term of this Sublease, the Premises shall be in good condition. Subtenant's taking possession of the Premises on the commencement date of the term of this Sublease shall constitute Subtenant's acknowledgement that the Premises are in good condition. Immediately after the commencement date of the term of this Sublease, Subtenant shall, at Subtenant's sole cost and expense, move into the Premises all the furnishings, equipment, and other items required by Subtenant to conduct Subtenant's business.

5. TERM; COMMENCEMENT DATE

(a) Term

The term ("Term") of this Sublease shall be for a period of five (5) years. The Term shall commence on the date set forth in subparagraph (b) below. Subtenant's rent shall commence to accrue and Subtenant shall be obligated to commence paying rent on the commencement date regardless of whether Subtenant has actually occupied the Premises on that date. The Term shall expire at 11:59 p.m. Pacific Time on the date five (5) years after the commencement date.

(b) Commencement Date

When the actual commencement date of the Term is determined, the parties shall execute a memorandum setting forth the actual date of commencement of the Term in the form and content of the memorandum attached hereto, marked Exhibit "B" and incorporated herein by reference.

6. RENT

(a) Base Monthly Rent

Subtenant shall pay to Marina, in advance, on the first (1st) day of the first calendar month during the term of this Sublease, the sum of Five Hundred (\$500.00) per month (the "Monthly Rent"). Subtenant shall pay the Monthly Rent to Marina without deduction, set off, prior notice, or demand.

(b) Annual Cost of Living Adjustment.

Commencing on the first (1st) day of the calendar month after the expiration of ten (10) months of the term of this Sublease and continuing on the corresponding day of each year thereafter during the Initial Term, the First Extended Term, or any other extended term of this Sublease, the Monthly Rent shall be subject to an increase based upon any cost of living increase as follows: The base for computing the adjustment shall be the Consumer Price Index for All Urban Consumers (All Items) for the San Diego Metropolitan Area (base year 1967=100) published by United States Department of Labor, Bureau of Labor Statistics (the "Index"), which Index is published next preceding the commencement date of the term of this Sublease. The Index published next preceding the commencement date of the term of this Sublease shall hereinafter be called the "Beginning Index." The date upon which an adjustment in Monthly Rent is made shall hereinafter be called the "Adjustment Date". At the time of the Adjustment Date, the parties shall examine the Index published next preceding the first Adjustment Date (the "Adjustment Index"). If the Adjustment Index has increased over the Beginning Index, the Monthly Rent for the following year (until the next annual cost of living rent adjustment) shall be set by multiplying the Monthly Rent payable during the immediately preceding year by a fraction, the numerator of which is the Adjustment Index and the denominator of which is the Beginning Index; provided, however, that in no event shall the Monthly Rent be less than the amount set forth in subparagraph (a) above.

In the event that the Bureau of Labor Statistics of the United States Department of Labor changes its method of computing the consumer price index or in the event that the Bureau of Labor Statistics discontinues the computation of the consumer price index, such other government index or computation with which the consumer price index is replaced shall be used to obtain substantially the same result as would have been obtained if the consumer price index had not been revised or discontinued. If there is no replacement index, the parties shall mutually agree in writing to use another similar consumer price index. In the event that the parties shall fail to agree upon a substitute consumer price index within sixty (60) days after the discontinuance of the consumer price index set forth above, the selection of a new consumer price index shall be submitted to one (1) arbitrator mutually acceptable to the parties. If both parties cannot agree upon one (1) arbitrator, Marina shall choose one (1) arbitrator and Subtenant shall choose one (1) arbitrator. The two (2) arbitrators shall choose one (1) arbitrator, other than themselves, to conduct the arbitration. The selection of arbitrators shall be made within seventy (70) days after the discontinuance of the consumer price index set forth above. The decision of the arbitrator shall be final and conclusive upon the parties and enforceable as provided by the laws of the State of California. The cost of any arbitration shall be divided equally between the parties.

(c) Percentage Rent

In addition to the Monthly Rent set forth in subparagraph (a) above, Subtenant shall pay to Marina, in arrears, on the fifteenth (15th) day of each and every calendar month during the term of this Sublease, beginning on the fifteenth (15th) day of the second (2nd) full calendar month of the Initial Term, a sum of money equal to:

(i) Four percent (4%) of gross revenue (as hereinafter defined) from the welding and metal fabrication of custom marine products.

The rent payable by Subtenant to Marina according to the provisions of subparagraph (i) shall be hereinafter be called the Percentage Rent. The Percentage Rent shall be due and payable from Subtenant to Marina on the fifteenth (15th) day of the calendar month following that month in which the revenue described in subpraragraph (i) above was earned by Subtenant.

For the purpose of this Sublease, the phrase "gross revenue" shall mean the gross selling price from the welding and or fabrication of custom marine products, whether for cash or on credit (whether collected or not), and whether made by Subtenant's personnel or others. Any transaction on an installment basis, including, but not limited to, any "lay away" or like transaction or otherwise involving the extension of credit, shall be treated as a sale for the full price at the time of the transaction, irrespective of the time of payment or the time of passage of title. Gross revenue shall not include, or if included there shall be deducted (but only to the extent they have been included) the following:

(1) The selling price of all merchandise returned by customers and accepted for full credit, or the amount of discounts, refunds, and allowances made on returned merchandise.

(2) Sums and credits received in the settlement of claims for loss or damage to merchandise.

(3) The price allowed on all merchandise traded in by customers for credit or the amount of credits, discounts, and allowances made instead of acceptance of merchandise.

(4) Sales and use taxes, so-called luxury taxes, consumer's excise taxes, gross receipts taxes, federal income taxes, state income taxes, and other similar taxes not or in the future imposed on the sale or cost of merchandise or services, but only if such taxes are added to the selling price, separately stated, collected separately, from the selling price of merchandise or services, and collected from Subtenant's customers.

(5) Sales of fixtures, trade fixtures, or personal property other than in the ordinary course of the business of Subtenant.

Subtenant shall keep accurate and complete records in a manner and in a form satisfactory to Marina from which Marina can at all time determine the nature and amount of revenue subject to Percentage Rent. Subtenant's books and records shall show all transactions relative to the conduct of Subtenant's business, and such transactions shall be supported by documents of original entry, including, but not limited to, sales slips, cash register tapes, purchase invoices, and tickets issued, or other means satisfactory to Marina. Together with each payment of Percentage Rent, Subtenant shall deliver to Marina in a written statement as to the source of the receipts showing all gross revenue of the preceding calendar month together with the amount payable to Marina as set forth above. Each monthly written statement shall be signed and certified to be correct by Subtenant or its authorized representative, and the written monthly statements shall be signed and certified to be correct by a partner of Subtenant. Subtenant shall also furnish to Marina copies of Subtenant's quarterly California Sales and Use Tax returns at the time each is filed with the State of California.

After the end of each twelve (12) month period after the commencement date of the term of this Sublease, Subtenant shall cause an audit of the business conducted on the Premises to be made by a certified public accountant. The audit shall be conducted at Subtenant's sole cost and expense. Within sixty (60) days after the end of each such year, Subtenant shall, at Subtenant's sole cost and expense, deliver to Marina a copy of the written audit. In the event that the audit discloses that the Percentage Rent for the audited period has been underpaid in excess of five percent (5%) of the total required Percentage Rent, then Subtenant shall pay to Marina ten (10%) percent of the amount by which the Percentage Rent was underpaid in addition to the unpaid Percentage Rent so shown to be due to Marina, as compensation to Marina for administrative costs, loss of interest, and other charges and damages.

(d) Delinquent Rent

The Monthly Rent is due and payable on the first (1st) day of each calendar month. The Percentage Rent is due and payable after the calendar month in which the relevant revenue is received by Subtenant. In the event that Marina does not receive in its office the full payment of the Monthly Rent from Subtenant at or before 5:00 p.m. on the sixth (6th) day of any calendar month or the full payment of the Percentage Rent at or before 5:00 p.m. on the twenty-first (21st) day of any calendar month, Marina shall have the right to terminate this Sublease or otherwise exercise any of the rights of a landlord available to Marina at law or in equity. In the event that Marina does not receive in its office the full amount of the Monthly Rent at or before 5:00 p.m. on the sixth (6th) day of any calendar month or the full amount of the Percentage Rent at or before 5:00 p.m., on the twenty-first (21st) day of any calendar month, Subtenant shall be able to cure its delinquency only upon the payment of the full amount of the delinquent Monthly Rent or Percentage Rent, as the case may be, plus a sum equal to ten percent (10%) of the Monthly Rent or Percentage Rent for each month that the Monthly Rent or Percentage Rent is delinquent commencing on the first (1st) month of delinquency. The parties acknowledge that the ten percent (10%) delinquency fee is based upon Marina's actual damages incurred in connection with its administration and collection of delinquent rent.



7. SECURITY DEPOSITS.

Subtenant shall deposit with Marina, in addition to the first full month's rent, the sum of Two Hundred Dollars (\$200.00) as a security deposit for the performance by Subtenant of all of Subtenant's obligations under this Sublease. If Subtenant is in default of Subtenant's obligations, Marina shall have the right to use the security deposit, or any portion of the security deposit expended or applied by Marina as provided in this numbered paragraph so as to maintain the security deposit in the sum initiall deposited with Marina. If Subtenant is not in default of Subtenant's obligation at the expiration or earlier termination of this Sublease, Marina shall return the security deposit to Subtenant. Marina's obligations with respect to the security deposit are those of a debtor and not a trustee. Marina may either maintian the security deposit separate and apart from Marina's general funds or commingle the security deposit with Marina's general or other funds in Marina's sole and absolute descretion. Marina shall not be required to pay Subtenant any interest on the security deposit.

8. IMPROVEMENTS.

Subtenant shall construct on the Premises no improvements without the prior written consent of Marina.

9. REPAIRS AND MAINTENANCE.

(a) Marina's Non-responsibility

Marina shall not be required to maintain or make any repairs or replacements of any nature or description whatsoever to the Premises, except defects which were not caused by acts or omissions by Subtenant, Subtenant's agents, or Subtenant's customers. In the event of a defect caused by Subtenant, Subtenant's agents, or Subtenant's customers, Subtenant shall cause such defect to be remedied or repaired at Subtenant's sole cost and expense. Marina shall maintain the common areas of the Premises at Marina's sole cost and expense. Subtenant hereby expressly waives the right to make repairs at the expense of Marina as provided for in any statute or law in effect at the time of the execution of this Sublease, or in any other statute or law which may hereafter be enacted.

(b) Subtenant's Duty to Maintain the Premises.

Subtenant shall, at Subtenant's sole cost and expense, maintain the Premises in good condition and repair and in accordance with all applicable laws, and shall make whatever repairs and replacements are required by such laws.

10. MAINTENANCE OF CLEAN WORK AREAS.

The parties acknowledge that a significant portion of Subtenant's business will involve work on boats moored and stored at the marina complex delineated on the map attached hereto, marked Exhibit "A" and incorporated herein by reference. The marina complex shall sometimes hereinafter be called "Mission Bay Marina." In the event that Subtenant, with the permission of Marina, does any work on boats moored in the slips or located in any boatyard at Mission Bay Marina, including, but not limited to, the main boatyard and the do-it-yourself boatyard, the Subtenant shall keep Subtenant's work areas

throughout Mission Bay Marina neat and broom clean at all times, and Subtenant shall always clean up Subtenant's equipment, debris, and other items at the end of each business day and at the completion of Subtenant's work on each boat.

11. USE OF THE PREMISES.

Subtenant shall operate its business within the Premises in such a manner to conform to and comply with each, every and all of the ordinances or regulations of City, the County of San Diego, the State of California, and the United States of America that are now in force or that may hereinafter be enacted with reference to the use or contemplated use of the Premises. Subtenant's use of the Premises shall at all times be consistent with the uses permitted under the Master Lease.

12. UTILITIES.

Subtenant shall pay, before delinquency, any and all charges for electricity which are separately metered to the Premises. Subtenant shall pay, before delinquency, any and all charges for telephone and any other utilities which are separately billed to the Premises. As to utilities which are not separately billed or metered to the Premises but which are billed or metered for the entire marina including, but not limited to, water, gas, and heat, Marina shall pay such utilities prior to delinquency.

13. JANITORIAL AND MAINTENANCE FEES.

As part of Subtenant's obligation to maintain the Premises in good condition and repair, Subtenant shall, at Subtenant's sole cost and expense, regularly clean and maintain or arrange for regular, periodic cleaning and maintenance for the Premises. In the event that Marina engages a janitorial service for the building, for the entire Mission Bay Marina, or for any part of Mission Bay Marina, Subtenant may, in Subtenant's discretion, elect to participate in such janitorial service and share in the cost thereof. If a janitorial service is made available and if Subtenant elects to participate in it, Subtenant shall notify Marina of Subtenant's election to participate by delivering to Marina a written notice. The written notice shall become effective no earlier than fifteen (15) days after its receipt by Marina. If and when Subtenant elects to participate in the janitorial service, Marina shall cause Subtenant to be billed on a regular basis for Subtenant's share of the cost of the janitorial service. Subtenant's share of the cost of the janitorial service shall be based upon the percentage of square feet in the building occupied by Subtenant as compared to the total number of square feet in the building or the total number of leasable square feet in the entire Mission Bay Marina, and on the basis of Subtenant's particular use of the Premises. Subtenant shall pay to Marina, Subtenant's share of the cost of