

**CITY OF SAN DIEGO
CONSENT TO SUBLEASE AGREEMENT**

THIS CITY OF SAN DIEGO CONSENT TO SUBLEASE AGREEMENT ("Consent") is made by THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), to be effective as of February 10, 2011 (the "Effective Date"), as follows:

CITY, as lessor, and WESCO SALES CORPORATION, a California Corporation, d.b.a. DANA LANDING ("LESSEE"), as lessee, are parties to a certain percentage lease agreement (the "Master Lease") as amended and set forth in documents filed in the Office of the San Diego City Clerk as Document Nos. OO-18527 and OO-18192, and relating to certain CITY-owned real property (the "Premises") located in Mission Bay Park in San Diego, California.

LESSEE, and R&R YACHT SALES, Inc, d.b.a. SUNDANCE MARINE, ROB SANFORD, GEORGE PRCHAL, GREG HUKARI, ("Sundance"), have entered into a sublease of a portion of the Premises consisting of the showroom/store/office at 2590 Ingraham Street, Building 5 dated September 5, 2006, solely for sale and rental of boats and watercrafts on the Premises ("Sublease"), which is on file with the City's Real Estate Assets Department, and which is incorporated by reference into this Consent to Sublease in its entirety as if restated herein.

CITY hereby consents to Sublease, provided all of the following conditions are and remain true throughout the term of the Sublease:

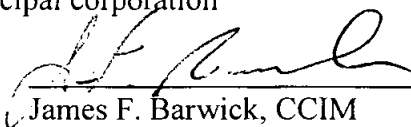
- (a) The Sublease is subject and subordinate to the Master Lease, as may be amended from time to time, and this Consent.
- (b) CITY is not bound by any term or condition in the Sublease which in any way conflicts with CITY'S rights or would otherwise result in increasing CITY'S obligations under the Master Lease.
- (c) LESSEE and Sundance shall not amend the Sublease to alter any provisions of Article 15 (Insurance) and Article 22 (Assignment and Subletting) of the Sublease in any way that reduces the insurance of CITY or permits further assignment or subleasing by Sundance without prior written consent by CITY.
- (d) LESSEE shall on its own, and shall also require Sundance to, assume the defense of, indemnify and hold harmless CITY, its elected officials, officers, representatives, agents and employees from all claims asserted or liability established for damages to or injuries to any person or property, including injury to LESSEE's or Sundance's employees, invitees, guests, agents, or officers, which arise out of or are in any manner directly or indirectly connected with the development or operation of the portion of the Premises that are the subject of the Sublease or the work to be performed under the Sublease, and all expenses of investigation and defense. However, LESSEE's and Sundance's duty to indemnify and hold harmless shall not

include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of CITY, its agents, officers or employees.

If at any time the foregoing provisions are not true, this Consent shall automatically and retroactively become null and void as of the Effective Date.

This Consent does not amend or otherwise modify the Master Lease.

THE CITY OF SAN DIEGO, a California
municipal corporation

BY: 

James F. Barwick, CCIM
Real Estate Assets Director

Date: 2/10/11

APPROVED AS TO FORM AND
LEGALITY:

JAN I. GOLDSMITH, City Attorney

BY: 

David L. Herman
Deputy City Attorney

Feb 16 11 12:12p

San Diego Boats, LLC

619-226-3333

p.1



CERTIFICATE OF LIABILITY INSURANCE

OP ID EC

DATE (MM/DD/YYYY)

08/26/11

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

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

PRODUCER Sawyer Cook Insurance 1200 California St., Ste 260 Redlands CA 92374 Phone: 909-435-0230 Fax: 909-798-7971		CONTACT NAME: _____ PHONE (A/C, No, Ext): _____ FAX (A/C, No): _____ E-MAIL: _____ ADDRESS: _____ PRODUCER: _____ CUSTOMER ID #: SANDI-8	
INSURED San Diego Boats, LLC Rob Sanford 2590 Ingraham St San Diego CA 92109		INSURER(S) AFFORDING COVERAGE INSURER A: International Marine U/W INSURER B: _____ INSURER C: _____ INSURER D: _____ INSURER E: _____ INSURER F: _____	

COVERAGES

CERTIFICATE NUMBER:

REVISION NUMBER:

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

INSR LTR	TYPE OF INSURANCE	ADDL SUBR (INSR) WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	☒ GENERAL LIABILITY		N5JH081410	08/13/10	08/13/11	EACH OCCURRENCE \$ 1,000,000
	☒ COMMERCIAL GENERAL LIABILITY					DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000
	☐ CLAIMS-MADE ☒ OCCUR					MED EXP (Any one person) \$ 5,000
						PERSONAL & ADV INJURY \$ 1,000,000
						GENERAL AGGREGATE \$ 2,000,000
						PRODUCTS - COMP/PROP AGG \$ 1,000,000
						P&I \$ 1,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER:					
	☐ POLICY	☐ PRO-JECT	☐ LOC			
	☐ AUTOMOBILE LIABILITY					COMBINED SINGLE LIMIT (Ea accident) \$
	☐ ANY AUTO					BODILY INJURY (Per person) \$
	☐ ALL OWNED AUTOS					BODILY INJURY (Per accident) \$
	☐ SCHEDULED AUTOS					PROPERTY DAMAGE (Per accident) \$
	☐ HIRED AUTOS					
	☐ NON-OWNED AUTOS					
	☐ UMBRELLA LIAB	☐ OCCUR				EACH OCCURRENCE \$
	☐ EXCESS LIAB	☐ CLAIMS-MADE				AGGREGATE \$
	☐ DEDUCTIBLE					\$
	☐ RETENTION \$					\$
	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY					WC STATUTORY LIMITS TO EMP
	ANY PROP/ETC/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	☐ Y ☒ N/A				E.L. EACH ACCIDENT \$
	If yes, describe above					E.L. DISEASE - EA EMPLOYEE \$
	DESCRIPTION OF OPERATIONS below					E.L. DISEASE - POLICY LIMIT \$
A	Property Section		N5JH081410	08/13/10	08/13/11	blkt bldg 950,000
A	Marine legal Liab		N5JH081410	08/13/10	08/13/11	each occ 1,000,000

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

*****Verification of Insurance*****

CERTIFICATE HOLDER

CANCELLATION

Verification of Insurance

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

AUTHORIZED REPRESENTATIVE

Bob Gentner

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WESCO SALES CORP. & R&R YACHT SALES, INC., dba SUNDANCE MARINE,
SUBLEASE OF SHOWROOM/STORE/OFFICES AT 2590 INGRAHAM STREET,
SAN DIEGO, CALIFORNIA

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SUBLEASE

By this Sublease dated September 1, 2006, for reference purposes only, Sublessor hereby Subleases to Sublessee the Premises, together with the non-exclusive right to use the Common Areas, upon and subject to the following terms, covenants and conditions:

ARTICLE 1 — BASIC SUBLEASE PROVISIONS

1.1 For purposes of this Sublease, certain provisions are defined as follows:

- (a) Sublessor: WESCO SALES CORP. a California corporation dba DANA LANDING
- (b) Sublessee: R & R Yacht Sales, Inc., dba Sundance Marine, Rob Sanford, George Prchal, Greg Hukari
- (c) Marina: DANA LANDING, 2590 Ingraham Street, San Diego, CA 92109
- (d) Premises: Building 5 as indicated on the location plan attached hereto as Exhibit "A."
(including upstairs office)
- (e) Anticipated Commencement Date: September 1, 2006
- (f) Anticipated Term: Ten (10) years.
- (g) Permitted Use: Sale and rental of Boats and watercraft. No
sale of food products, fuel, beer, wine, soft drinks, ice, cigarettes, bait, tackle,
candy, boating supplies, oil, sun glasses, sundries, clothing, rental of power and non power
watercraft, hikes, roller blades, fishing and ski equipment.
- (h) Basic Monthly Rent: \$6,378.79
- (i) Initial Security Deposit: \$6,378.79
- (j) Proportional Share: Approximately 20.4
- (k) Base Year: The calendar year 2002.
- (l) Procuring Broker: None
- (m) Parking Allotment: Rights to use of parking facilities in common with other tenants. All boats in parking
area are subject to City and Sublessor approval.
- (n) Business Hours: 6:00 AM to 6:00 PM 365 days a year.

1.2 For purposes of this Sublease, the "Land" shall be defined as the site upon which the Marina, Common Areas and other related improvements, facilities, service areas and equipment are located (as legally described in Exhibit "B" attached hereto).

1.3 For purposes of this Sublease, the "Common Areas" shall be defined as those interior and exterior portions of the Marina and such other areas, facilities and equipment serving the Marina, which are designated by Sublessor for the common use and benefit of Sublessees, Sublessees' employees, customers and invitees, and all members of the general public. Such areas, facilities and equipment shall include, without limitation: entrances: exits; lobbies; all water based facilities; stairways; corridors; passageways; public washrooms; parking facilities; loading areas; plazas; private sidewalks; landscaped areas; walkways; mechanical, electrical and telephone rooms; utilities and related facilities; electrical, mechanical, sprinkler, fire detection or prevention equipment, security equipment, and related facilities; duct shafts; operating, maintenance and storage areas; and service areas, equipment and facilities.

Initial Here: 
Sublessee: _____
Sublessor: _____

1.4 For purposes of this Sublease, the "Subleasehold Improvements" shall be defined as including, without limitation, partitions within the interior of the Premises and the interior one-half of partitioning demising the Premises from adjacent premises (whether slab-to-slab, ceiling-height or a lesser height), and the fixtures, doors, windows, openings and finishes installed therein or thereon; the interior drywall on exterior walls and partitions demising the Premises from Common Areas; cabinetry, railings, paneling, and woodwork; integrated ceiling systems (including grid, panels and lighting); carpeting and other floor finishes; kitchen facilities (including sinks, appliances and other fixtures) or other similar facilities; rest rooms intended to exclusively serve the Premises (including showers, toilets, basins and other fixtures); the components of the mechanical, heating, ventilation, air-conditioning, electrical, fire/life safety and mechanical systems (collectively "Mechanical Systems") from the common point of distribution on the floor for each such system to and throughout the Premises; any Mechanical Systems or intra-Marina telephone network cabling which are independent of the base-Marina Mechanical Systems and exclusively serve the Premises (whether or not such system is contained entirely within the Premises); and, Alterations which Sublessor has not required Sublessee to remove as a condition of making such Alterations. The Subleasehold Improvements shall include all of the foregoing improvements in or to the Premises regardless of whether such improvements either: existed in the Premises prior to Sublessee's having entered into this Sublease; were paid for by either Sublessor or Sublessee (or a prior Sublessee); were installed by either Sublessee or Sublessor as a condition of this Sublease; were installed by Sublessor during the Term of this Sublease to comply with the requirements or directives of a government, quasi-government or regulatory agency or authority; were installed by Sublessor during the Term of this Sublease with the intent of reducing Operating Expenses; were installed by Sublessor during the Term of this Sublease to maintain the quality, integrity and/or character of the Land, Marina, Common Areas and/or the machinery, equipment and facilities related thereto; or, were installed by Sublessee as an Alteration.

1.5 Notwithstanding the foregoing, those terms defined in Articles 1.1 through 1.4, above are subject to modification, revision or alteration by other terms and conditions of this Sublease, addenda, exhibits and other attachments hereto.

ARTICLE 2 — TERM

2.1 The Term of this Sublease shall commence on the Commencement Date, which shall be the earlier of:

- (a) the date upon which Sublessee occupies the Premises for the conduct of business; or
- (b) the later of:
 - (i) The Anticipated Commencement Date; or
 - (ii) The date, as reasonably determined by Sublessor, upon which the Sublessee Improvements are substantially complete and the Premises are available for the use and occupancy of Sublessee (or would have been so available, but for delay caused by Sublessee), and Sublessee has been provided the opportunity to move into the Premises over a weekend, regardless of Sublessee's completion of installation of Sublessee's trade fixtures, work stations, furnishings and telephone, communication or computer systems.

2.2 The "Initial Term" of this Sublease shall commence on the Commencement Date and continue for the Anticipated Term, plus so many additional days as are necessary such that the Sublease terminates on the last day of a calendar month (the "Termination Date"), unless sooner terminated as otherwise provided herein. The "Term" of this Sublease shall include the Initial Term and any other period of Sublessee's occupancy resulting either from Sublessee's holding over with Sublessor's consent (pursuant to Article 23), or from Sublessee's exercise of an express option to renew, re-Sublease or extend the Term, or other express agreement to extend the Term, all made in accordance with this Sublease (or a modification or addendum thereto made in accordance with this Sublease). Unless expressly stated to the contrary herein, any and all references herein to "months" during the Term shall be deemed to refer to full calendar months of the Term, beginning the Commencement Date (if the Commencement Date is the first day of a calendar month) or the first day of the first full calendar month after the Commencement Date (if the Commencement Date is not the first day of a calendar month).

2.3 Sublessor shall tender possession of the Premises to Sublessee and notify Sublessee of the Commencement Date by means of a Notice of Sublease Term Commencement Date ("NLT") indicating the basis for the Commencement Date. Within seven (7) days after receipt of the NLT, Sublessee shall either confirm the Commencement Date by executing and returning the NLT to Sublessor, or notify Sublessor in writing of any objection to the Commencement Date, or the Commencement Date specified in the NLT shall be deemed conclusive as between Sublessor and Sublessee.

Initial Here: 
 Sublessee: _____
 Sublessor: _____

ARTICLE 3 — BASIC MONTHLY RENT

3.1 The first installment of Basic Monthly Rent is due upon Sublessee's execution of this Sublease. All other installments of Basic Monthly Rent are payable in advance on the first day of each calendar month, together with any monthly installments of estimated Tax Rent, Operating Expense Rent and Capital Expense Rent (collectively "Total Monthly Rent"). If the Commencement Date is not the first day of the calendar month, Total Monthly Rent shall be prorated. All amounts due Sublessor relating to this tenancy other than Total Monthly Rent ("Additional Rent"), are due and payable within thirty (30) days after receipt of Sublessor's invoice. All amounts due Sublessor relating to this tenancy are rent, and subject to all remedies of Sublessor for nonpayment of rent. Sublessee's obligation to pay all amounts owing under this Sublease shall survive Sublessee's relinquishment of possession to Sublessor, or the expiration or early termination of this Sublease.

3.2 If Total Monthly Rent is not received by Sublessor by the fifth (5th) day of the month in which it is due, or Additional Rent is not received by Sublessor within thirty (30) days after receipt of Sublessor's invoice, then Sublessee shall pay Sublessor a "Late Charge" of ten percent (10%) of the unpaid amount. Sublessee agrees that Sublessee's late payment causes Sublessor to incur costs which are impracticable or extremely difficult to fix, and that the Late Charge is a fair and reasonable estimate of such costs. Sublessor's acceptance of a Late Charge shall not constitute a waiver of Sublessee's default or interest pursuant to Article 26.8, or prevent Sublessor from exercising any of the other rights and remedies of Sublessor under this Sublease.

3.3 All amounts due Sublessor shall be paid by Sublessee, without deduction or offset, in lawful money of the United States of America at the office of Sublessor or to such other person or at such other place as Sublessor notifies Sublessee. Sublessor reserves the right to require that payments be made by certified check when Sublessee is in default hereunder or if any payment by Sublessor has been returned unpaid.

ARTICLE 4 — TAX RENT

4.1 "Property Taxes" is all costs and expenses which Sublessor incurs for real and personal property taxes, or any other assessments upon Sublessor's legal or equitable interest in the Land, Marina or Common Areas and all or any related facilities and improvements (including, without limitation, Subleasehold taxes, any non-progressive tax on or measured with respect to gross receipts), whether imposed by a government authority or agency, or by a special assessment district (including districts established for transportation plans, funds or systems), and any reasonable expenses of Sublessor in successfully contesting any of the foregoing, excepting any net income, franchise, capital stock, estate or inheritance taxes. Any item of cost or expense included in Property Taxes shall not be included in either Operating Expenses or Capital Expenses.

4.2 Each year of the Term, Sublessee shall pay to Sublessor the Proportional Share of the amount of annual Property Taxes which exceed Base Year Property Taxes ("Tax Rent"), as follows. As soon as practical after the beginning of a Year, Sublessor shall estimate Tax Rent for the Year, which Sublessee shall pay in equal monthly installments (underpayment of estimates from the beginning of the Comparison Year to be retroactively due). As soon as practical after the end of a Year, Sublessor shall determine the actual Tax Rent for the Year and either invoice Sublessee for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Sublessee, if this Sublease has terminated). If this Sublease does not terminate on the last day of the last Comparison Year, Tax Rent shall be prorated.

4.3 Sublessee shall pay any taxes levied upon the personal property or trade fixtures of Sublessee. Sublessee shall directly and fully reimburse Sublessor for any Property Taxes assessed for Alterations made by Sublessee which are above-Marina standard.

ARTICLE 5 — OPERATING EXPENSE RENT

5.1 "Operating Expenses" is all costs and expenses which Sublessor incurs for operating, maintaining, repairing, improving, managing and administering the Land, Marina and Common Areas, including, without limitation costs of utilities and services provided pursuant to Article 9; costs of maintenance performed pursuant to Article 11; parking facility operation, maintenance and management (excluding Sublessor's on-site manager(s)/dock master); business licenses or similar licenses or taxes; insurance Sublessor provides pursuant to Article 15. Any item of cost or expense included in Operating Expenses shall not be included in either Property Taxes or Capital Expenses.

Initial Here: 
Sublessee: _____
Sublessor: _____

5.2 Any item of operation, maintenance, repair, improvement, management or administration of the Marina provided to or supplied from another Marina owned or operated by Sublessor shall be reasonably allocated between such other Marina and the Marina. Operating Expenses shall not be offset for any revenue derived from operation of the Marina or Common Areas, however, Operating Expenses shall exclude costs and expenses of: obtaining new Sublessees (including leasing commissions, attorneys' fees, and improvements to premises); items for which Sublessor is directly reimbursed pursuant to Sublessee Subleases or insurance policies of Sublessees or Sublessor; depreciation and amortization; special services or benefits provided to other Sublessees and not Sublessee; violations of this Sublease by Sublessor; violations by other Sublessees of their Subleases; overhead and profit paid to subsidiaries or affiliates of Sublessor, to the extent same exceeds same if such services were not rendered by a subsidiary or affiliate, principle or interest on debt, or any mortgage; and, ground Sublease rent (if any).

5.3 For each Year, Sublessee shall pay to Sublessor the Proportional Share of the amount, if any, of Operating Expenses for such Year ("Operating Expense Rent"), as follows. As soon as practical after the beginning of a Comparison Year, Sublessor shall estimate Operating Expense Rent for the Year, which Sublessee shall pay in equal monthly installments (underpayment of estimates from the beginning of the Comparison Year to be retroactively due). As soon as practical after the end of a Year, Sublessor shall determine the actual Operating Expense Rent for the Year and either invoice Sublessee for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Sublessee, if this Sublease has terminated). If this Sublease does not terminate on the last day of the Comparison Year, Operating Expense Rent shall be prorated.

ARTICLE 6 — CAPITAL EXPENSE RENT

6.1 "Capital Expenses" is defined as all costs and expenses Sublessor incurs (without offset for any revenue derived from any source whatsoever) for making or installing capital improvements, modifications or additions to the Land, Marina or Common Areas, which are either:

- (a) Required by directive of a government, quasi-government or regulatory agency or authority pursuant to either a law or statute (or interpretation of same) newly enacted or promulgated after the execution of this Sublease; or
- (b) Made after the execution of this Sublease with the intent of reducing Operating Expenses.

Any item of cost or expense included in Capital Expenses shall not be included in either Property Taxes or Operating Expenses.

6.2 For each calendar year during the Term, Sublessee shall pay to Sublessor the Proportional Share of any Capital Expenses which Sublessor amortizes (with interest pursuant to Article 27.8) in such calendar year ("Capital Expense Rent"), as follows. As soon as practical after the beginning of a calendar year (or the Term, if applicable), Sublessor shall estimate Capital Expense Rent for the calendar year, which Sublessee shall pay in equal monthly installments (underpayment of estimates from the beginning of the calendar year to be retroactively due). As soon as practical after the end of a calendar year, Sublessor shall determine the actual Capital Expense Rent for the calendar year and either invoice Sublessee for any underpayment, or credit any overpayment to Total Monthly Rent next due (or refund the overpayment to Sublessee, if this Sublease has terminated). If this Sublease does not terminate on the last day of the calendar year, Capital Expense Rent shall be prorated.

ARTICLE 7 — SECURITY DEPOSIT

7.1 The Initial Security Deposit is due upon Sublessee's execution of this Sublease. During the Term, Sublessee shall deposit additional amounts with Sublessor so that the total amount held by Sublessor ("Security Deposit") is not less than Sublessee's then current Total Monthly Rent. The Security Deposit shall be held by Sublessor as security for the faithful performance by Sublessee of all of the terms, covenants and conditions of this Sublease to be kept or performed by Sublessee. Sublessor shall not be required to segregate the Security Deposit from its general funds or pay Sublessee any interest thereon. The Security Deposit shall not be used by Sublessee for payment of last month's rent, Sublessor may use, apply or retain all or any part of the Security Deposit for the payment of rent or any other sum in default, or to compensate Sublessor for any loss or damage which Sublessor has suffered or may suffer due to Sublessee's default of this Sublease. If Sublessee fully and faithfully performs every provision of this Sublease to be performed by Sublessee, then Sublessor shall return to Sublessee any Security Deposit which has not been so used, applied or retained within sixty (60) days of the termination of this Sublease; however, Sublessor may retain such Security Deposit as reasonably necessary to secure any remaining obligations of Sublessee under Articles 4, 5 and 6, which Sublessee acknowledges cannot be fully ascertained until as soon as practical after the end of the Comparison Year (or calendar year). Sublessee waives application of the provisions of California Civil Code section 1950.7 to

Initial Here: 
 Sublessee: _____
 Sublessor: _____

the extent contrary to the foregoing.

ARTICLE 8 — USE

8.1 Sublessee shall use the Premises solely for the Permitted Use and shall not use or permit the Premises to be used for any other purpose without the prior written consent of Sublessor. Sublessee shall not use or occupy the Marina, Common Areas or Premises in a manner which is a violation of any law or certificate of occupancy, is a nuisance, obstructs, injures or interferes with the rights of other Sublessees or occupants of the Marina, invalidates or increases the cost of any insurance policy described in Article 15; or violates rules, orders, regulations and requirements of any insurance fire rating bureau. The Premises shall not be used for any lodging, sleeping or unlawful purpose. Sublessee shall, at Sublessee's sole cost and expense, comply with all directives, orders and regulations of any government authority which concern Sublessee's particular use, design, specification or construction of the Premises (as compared to compliance generally required throughout the Marina, in which case recovery of costs may be subject to Article 6).

ARTICLE 9 — UTILITIES AND SERVICES

9.1 Sublessee shall pay for all utilities furnished the Premises.

9.2 Sublessee shall pay Sublessor's reasonable charge for any Services required to be provided to the Premises. Modifications to Services or Sublessee Improvements (including metering) required due to concentration of personnel or office equipment, or the use of office equipment that generates unusual heat or consumes unusual amounts of electricity shall be made at Sublessee's sole cost and expense.

ARTICLE 10 — PARKING LICENSE

10.1 Sublessor grants Sublessee a revocable license to park, in common with other Sublessees, up to Sublessee's Parking Allotment of automobiles in the parking facilities of the Marina. Sublessee shall observe all rules and regulations for use of the parking facilities and otherwise use the parking facility in a safe and lawful manner. No estate is conveyed to Sublessee and no bailment is created hereunder. Sublessor is not responsible for theft, loss or damage to automobiles or other personal property in connection with Sublessee's use of the parking facility. Sublessor may revoke this license in its entirety if Sublessee is in default of this Sublease. Sublessor may revoke this license with respect to any individual using the parking facility through Sublessee that violates the terms of this Article. Sublessee's license shall otherwise expire upon the termination of this Sublease.

ARTICLE 11 — REPAIRS

11.1 Sublessee shall, at Sublessee's sole cost and expense, keep in good condition and repair the Premises (including, without limitation, the interior and exterior walls, roof and foundations, all equipment used in or by the Premises, interior partitions and glass panels, carpeting, wall coverings and kitchen facilities) and any Mechanical Systems which are above-Marina standard and installed or exist to exclusively serve the Premises. All work related to (including connections with) Mechanical Systems shall be performed by Sublessor's approved subcontractors. Upon termination of this Sublease, Sublessee shall relinquish possession of the Premises to Sublessor in the same condition as received, ordinary wear and tear excepted, free of all trash and rubbish, and in broom clean condition.

11.2 Sublessor shall repair and maintain the Common Areas, structural portions of the Marina, and Mechanical Systems generally serving the Marina. Provided Sublessor uses commercially reasonable efforts to minimize interference with Sublessee's use of the Premises, Sublessor may install, repair and maintain Mechanical Systems above the ceiling, below the floor, within the walls and central core, and temporarily restrict access to the Marina, Common Areas and Premises to do so. Sublessee waives any right to make repairs at Sublessor's expense pursuant to California Civil Code section 1942 or any similar law, statute or ordinance.

ARTICLE 12 — ENTRY BY SUBLESSOR

12.1 With reasonable prior notice, Sublessor shall have the right to inspect and show the Premises, and enter the Premises to perform Sublessor's duties pursuant to Article 11.2; however, no prior notice shall be required in an Emergency (which is any circumstance which threatens or endangers the Marina, or health or property of Sublessor or any occupant, or may result in a material liability or loss to Sublessor) for Sublessor to supply regular Services or to post legal notices. Sublessor shall have keys to all doors in the Premises, and Sublessee shall not change locks on any doors without Sublessor's prior written consent.

Initial Here:
Sublessee: 
Sublessor: _____

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ARTICLE 13 — ALTERATIONS

13.1 "Alterations" is defined as any alteration, addition, decoration or improvement to the Premises made by Sublessee (excepting Sublessee Improvements and hanging of artwork). Sublessor's prior written consent is required for all Alterations. Sublessee shall give Sublessor ten (10) days prior written notice of all proposed Alterations and provide Sublessor with any working drawings or specifications, estimated costs, the identity of the qualified, licensed contractor proposed to perform the work, and said contractor's certificates of insurance (including reasonable amounts of liability/property damage, product liability and Workers Compensation insurance). Sublessor shall, within said ten (10) day period, notify Sublessee if Sublessee will be required to either: remove the proposed Alterations at the end of the Term and restore the Premises; obtain the consent of any lender or ground lessor; provide Sublessor evidence of all required permits; obtain a lien and completion bond; name Sublessor as an additional insured; use another contractor reasonably acceptable to Sublessor (Sublessee to use Sublessor designated contractors for work relating to Mechanical Systems); perform the Alterations at particular times, in a particular manner or under Sublessor supervision; or provide additional information regarding same. All Alterations shall comply with all laws, rules and/or directives of any government or regulatory agency or authority; and, if any such government or regulatory agency or authority requires any improvements, modifications, additions or alterations to any part of the base Marina or Mechanical Systems as a result of the Alterations, then the same shall be made by Sublessee at Sublessee's sole cost and expense. Sublessee shall keep the Land, Marina and Premises free from any liens resulting from work performed, materials furnished or obligations incurred by, or on behalf of Sublessee.

13.2 Sublessor may require Sublessee to immediately remove any Alterations not made in accordance with this Article, and restore the Premises. Unless Sublessor requires Sublessee to do so in accordance with Article 13.1, Sublessee shall not be required to remove Alterations at the end of the Term. All permanent improvements to the Premises, excepting Alterations Sublessor requires Sublessee to remove at the end of the Term and trade fixtures, shall become the property of Sublessor upon the termination of this Sublease and shall be relinquished with the Premises. Sublessee shall reimburse Sublessor for all reasonable costs and expenses of reviewing and/or supervising Alterations (including, without limitation, review of plans or work by Sublessor architect, engineer or other consultant) or removing Alterations on behalf of Sublessee (if Sublessee is required to so remove the Alterations, and fails to do so), plus pay a supervision fee to Sublessor in the amount of ten percent (10%) of the cost of such work.

ARTICLE 14 — HAZARDOUS MATERIALS

14.1 "Hazardous Materials" is defined as any substance, material, emission, discharge or waste defined as "hazardous, toxic", or a "pollutant" or "contaminant" under any local, state or federal government law, statute, code, order or regulation for the protection of health, safety or the environment. Sublessor and Sublessee shall comply with all laws concerning Hazardous Materials and handling, storage and disposal thereof. Sublessee shall neither create, bring into nor store in the Marina, Common Areas or Premises any Hazardous Materials.

ARTICLE 15 — INSURANCE

15.1 Sublessor shall, throughout the Term, provide, maintain and keep in force: (a) commercial general liability insurance; (b) all risk insurance or fire insurance (with standard extended coverage endorsement perils, leakage from fire protection devices and water damage) covering the Marina and all fixed improvements therein, the Subleasehold Improvements and Marina standard Alterations (excepting those items Sublessee is required to insure pursuant to Article 15.2, subparagraphs [b] through [d]); (c) insurance for loss of rental income or insurable gross profits in such amounts as Sublessor prudently elects to maintain; and (d) such other insurance (including boiler and machinery insurance) as Sublessor prudently elects to maintain. Insurance under subparagraphs (a), (c) and (d) shall be in such amounts, with such deductibles and exclusions and/or such other terms and conditions as Sublessor prudently determines to be commercially reasonable and sufficient.

15.2 Sublessee shall, during the Term, provide, maintain and keep in force: (a) commercial general liability insurance with respect to Sublessee's use and occupancy of the Premises, Common Areas and Marina, and the business carried on by Sublessee therein, with limits of not less than One Million Dollars (\$1,000,000.00) for any one accident or occurrence, with Sublessor and the City of San Diego named as additional insureds; (b) all risk or fire insurance (with standard extended coverage endorsement perils, theft, vandalism, explosion, falling plaster, steam, gas, electricity, water, rain, elements of nature, water damage or dampness, and leakage from any part of the Marina or Land, including fire protection devices, pipes, appliances and other plumbing) covering the full replacement cost of Sublessee's trade fixtures, furnishings, equipment, inventory, stock-in-trade, personal property and above-Marina standard Alterations; (c) insurance for loss of income or insurable gross profits in such amounts as Sublessee prudently determines is commercially reasonable and sufficient; and (d) workers' compensation insurance.

15.3 With regards to insurance coverage required pursuant to Article 15.1(b), (c) and (d), and Article 15.2(b) and (c): each such policy of Sublessor or Sublessee shall include a clause or endorsement whereby the insurer waives its right of subrogation against the other party; and, Sublessor and Sublessee waive any rights of recovery against each other for injury or loss due to

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hazards required to be covered by such insurance. On or before use or occupancy of the Premises for any purpose, and from time to time during the Term, Sublessee shall provide Sublessor and the City of San Diego with certificates or other proof necessary to verify that all required insurance clauses and endorsements have been obtained and are in full force and effect. Each of Sublessee's policies shall contain an undertaking by the insurer to advise Sublessor and the City of San Diego prior to any material change, reduction or cancellation thereof.

ARTICLE 16 — INDEMNIFICATION

16.1 Subject to the waivers of subrogation and liability set forth in Article 15.3, Sublessee shall indemnify and hold Sublessor harmless from and against any and all liability, loss, claims, demands, damages or expenses, including attorneys' fees, whether for personal injury, theft, property damage or otherwise, due to or arising from: the negligence or willful misconduct of Sublessee, its servants, employees, agents, contractors, invitees, concessionaires or licensees, or those over whom Sublessee would normally be expected to exercise control, whether in or about the Land, Marina, Common Areas, Premises, or parking facility; any claim that may be asserted against Sublessor by any person or entity other than Procuring Broker who claims a right to compensation for brokerage services in regards to Sublessee; and Sublessee's breach or non-performance of any provision of this Sublease. If any action or proceeding is brought against Sublessor by reason of any such claim, Sublessee, upon notice from the Sublessor, shall defend the same at Sublessee's expense by counsel reasonably satisfactory to Sublessor.

16.2 Subject to the waivers of subrogation and liability set forth in Article 15.3, Sublessor shall indemnify and hold Sublessee harmless from and against any and all liability, loss, claims, demands, damages or expenses, including attorneys' fees, whether for personal injury, theft, property damage or otherwise, due to or arising from the negligence or willful misconduct of Sublessor, its servants, employees, agents, contractors, invitees, concessionaires or licensees, or those over whom Sublessor would normally be expected to exercise control, whether in or about the Land, Marina, Common Areas, Premises, or parking facility; or Sublessor's breach or non-performance of any provision of this Sublease. If any action or proceeding is brought against Sublessee by reason of any such claim, then Sublessor, upon notice from Sublessee, shall defend the same at Sublessor's expense by counsel reasonably satisfactory to Sublessee.

ARTICLE 17 — DAMAGE OR DESTRUCTION

17.1 If any portion of the Land, Marina, Common Areas or Premises reasonably necessary for Sublessee's access, use or occupancy of the Premises is damaged or destroyed by any cause (the "Damage Event"), then within thirty (30) days after the Damage Event, Sublessor shall reasonably estimate how long repairs will take and notify Sublessee of same. If in Sublessor's reasonable opinion repairs can be completed within one hundred twenty (120) days after the Damage Event and the Damage Event occurred prior to the last year of the Term, Sublessor shall repair same during which time this Sublease shall remain in full force and effect (subject to Article 19). If in Sublessor's reasonable opinion repairs cannot be completed within one hundred twenty (120) days after the Damage Event, the Damage Event occurred during the last year of the Term, or the Damage Event is not insured, Sublessor may either repair same during which time this Sublease shall remain in full force and effect (subject to Article 19) or terminate this Sublease upon at least thirty (30) days' prior written notice to Sublessee (subject to Article 19). Sublessor's obligation to repair the Premises shall only extend those items required to be insured by Sublessor pursuant to Article 15.1(b), unless Sublessee assigns to Sublessor the proceeds of any insurance required pursuant to Article 15.2(b) with respect to above-Marina standard Alterations and pays to Sublessor any deductible under such policy. Sublessee hereby waives application of California Civil Code sections 1932(2) and 1933(4).

ARTICLE 18 — EMINENT DOMAIN

18.1 If all or any portion of the Land, Marina, Common Areas or Premises is taken for any public or quasi-public purpose by any lawful power or authority by exercise of the right of appropriation, condemnation or eminent domain, or sold in lieu of such taking ("Taking"), then if the Taking substantially interferes with Sublessee's use and occupancy of the Premises, this Sublease shall terminate on the date of Taking. If the Taking does not substantially interfere with Sublessee's use and occupancy of the Premises, Sublessor may either terminate this Sublease or, after the Taking, restore the Premises to substantially the same condition prior thereto. Sublessee shall not assert any claim for any interest in this Sublease; however, Sublessee shall be entitled to bring a separate action for relocation expenses, and damages to Sublessee's personal property, trade fixtures and goodwill. Sublessee hereby waives application of California Code of Civil Procedure section 1265.130.

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ARTICLE 19 — INTERRUPTION OF USE

19.1 If a Damage Event (under Article 17), Taking (under Article 18), failure of Sublessor to provide Services (under Article 9), or failure of Sublessor to repair or maintain the Marina or Common Areas (under Article 11), or failure of Sublessor to comply with Article 14 (collectively "Interruption") substantially adversely affects Sublessee's use or prevents reasonable access to the Premises for a period greater than five (5) consecutive business days, then Sublessee's Total Monthly Rent shall be abated to the extent that the Premises is rendered unusable for the conduct of Sublessee's business therein, for the period of time so rendered unusable, unless the Premises has been rendered unusable due to Sublessee's failure to comply with this Sublease. If the Interruption is reasonably estimated by Sublessor to exceed one hundred eighty (180) days, then Sublessee may, within thirty (30) days after the Interruption, elect to terminate the Sublease upon thirty (30) days' prior written notice. Notwithstanding the foregoing, this Sublease shall not be terminated if Sublessor takes action within said thirty (30) days' notice period which will result in the restoration of Sublessee's reasonable access to, and use of the Premises within said one hundred eighty (180) days' period.

ARTICLE 20 — SUBORDINATION

20.1 Subject to the provisions of Article 23.2, this Sublease shall be subject and subordinate to all present and future ground or underlying leases of the Marina or Project and to the lien of any mortgage, trust deed or other encumbrances now or hereafter in force against the Marina or Project or any part thereof, and to any and all renewals, modifications, consolidations, replacements, substitutions and extensions thereof, as if the mortgage, trust deed or other encumbrance and all of its renewals, modifications, consolidations, replacements, substitutions and extensions had been executed, delivered and recorded prior to execution of this Sublease.

20.2 In the event of the termination of the Master Lease or the foreclosure of any mortgage, trust deed or other encumbrance, or upon a transferor conveyance in lieu of such foreclosure, then so long as the Sublease is then in full force and effect and Sublessee is not in default under any of the terms, covenants or conditions of the Sublease, Sublessee agrees to attorn to and accept any such successor owner as lessor under the Sublease and to be bound by and perform all of the obligations imposed by the Sublease, and successor owner will not disturb the possession of Sublessee and will be bound by and perform all of the obligations of Sublessor, except that successor owner will not be liable for: any act, omission or default of Sublessor, or be subject to any claims, offsets, defenses, credits or deductions which Sublessee might have against Sublessor, any rent, additional rent or other sum Sublessee paid to Sublessor more than one (1) month in advance, or by any security deposit, cleaning deposit or other prepaid charge Sublessee paid to Sublessor and not held by or paid over to successor owner; any conflict between the provisions of the Sublease and any other Sublease affecting the Marina or Project; or, constructing or completing any improvements to the Premises, Marina or Project required under this Sublease, whether prior to or during the Term, or in connection with any renewal, extension or expansion hereof.

20.3 Sublessee shall, within five (5) business days after receipt of Sublessor's written request, execute such further instruments or assurances as Sublessor may reasonably deem necessary to evidence or confirm the subordination, nondisturbance and attornment pursuant to this Article. Sublessee waives the provisions of any current or future statute, rule or law contrary to the provisions of this Article which may give Sublessee any right or election to terminate or otherwise adversely affect this Sublease and the obligations of the Sublessee hereunder in the event of any the foreclosure of any mortgage, trust deed or other encumbrance, or upon a transfer or conveyance in lieu of such foreclosure.

ARTICLE 21 — MARINA PLANNING

21.1 Intentionally omitted.

ARTICLE 22 — ASSIGNMENT AND SUBLETTING

22.1 Sublessee shall not Assign this Sublease without the prior written consent of Sublessor and the City of San Diego, which shall not be unreasonably withheld, conditioned or delayed. "Assign" or "Assignment" is defined to include: an assignment of the Sublease; a subSublease of all or any part of the Premises; any permitted occupancy or conduct of business in any or all of the Premises by anyone other than Sublessee; Sublessee's pledging, sale, transfer, hypothecation or encumbrance of the Sublease; Sublessee's change in business status or organization; Sublessee's dissolution, merger, consolidation or other reorganization; Sublessee's sale or other transfer of a controlling share of the voting capital stock of Sublessee; and, the sale of fifty-one percent (51%) or more of the interests of Sublessee. "Assignee" is defined to include: an assignee; subSublessee; or any other person or entity which may claim a right to possession of the Premises by or through Sublessee.

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22.2 Sublessee shall give Sublessor thirty (30) days' prior written notice of any proposed Assignment, including the proposed Assignee's name and address, the proposed terms, the proposed use, the proposed Assignee's financial statements, bank and credit references, and such additional information as Sublessor may reasonably require. Within said thirty (30) days, Sublessor shall notify Sublessee of Sublessor's approval or disapproval of the proposed Assignment. Sublessor shall also have the right to terminate this Sublease either in its entirety or with respect to only that portion of the Premises which Sublessee has proposed to Assign (the "Proposed Portion"). If Sublessor elects to terminate the Proposed Portion, then Sublessee's Total Monthly Rent and Proportional Share shall be reduced accordingly as of the proposed date of the Assignment. Sublessor shall make such permanent improvements as may be reasonably necessary to demise the Proposed Portion from the remaining Premises. Sublessee shall not be entitled to any portion of the profit which Sublessor may realize as a result of any such termination and reletting of the Proposed Portion or the Premises.

22.3 Sublessee may retain all rents and other consideration from any permitted Assignment, however, Sublessee or any subsequent assignor or Sublessor shall not be released from any liability under this Sublease as the result of any Assignment. Sublessee shall cause Assignee to execute an agreement with Sublessor upon a form furnished by Sublessor binding Assignee to all the non-monetary terms of this Sublease (excepting rights to extend this Sublease or expand the Premises, unless so granted by Sublessee), and as security for Sublessee's obligations under this Sublease, Sublessee assigns to Sublessor the right to collect all rent resulting from any Assignment in the event of Sublessee's default and apply such rent to the satisfaction of Sublessee's obligations under this Sublease. Sublessee shall pay a reasonable processing fee to Sublessor for each Assignment, not to exceed Five Hundred Dollars (\$500.00).

ARTICLE 23 — HOLDING OVER

23.1 Sublessee's failure to restore possession of the Premises to Sublessor at the end of the Term will cause damage to Sublessor which is impracticable or extremely difficult to ascertain. If Sublessee holds over after the Term without the prior written consent of Sublessor (which Sublessor may withhold in its sole discretion, without regard to Article 27.1), then Sublessee shall be a Sublessee-at-suffrance. Sublessee shall perform each and every term, condition and covenant of this Sublease during any such holding over except that: Sublessee shall not be entitled to any parking discounts or special modes of parking during such holding over, and, in lieu of Total Monthly Rent or Additional Rent due under the Sublease, for each month or portion thereof which Sublessee holds over Sublessee shall pay Sublessor liquidated damages of two hundred percent (200%) of the Total Monthly Rent payable by Sublessee to Sublessor in the last full month of the Term. Nothing herein shall prevent Sublessor from exercising any other rights under this Sublease or the law to regain possession of the Premises. Acceptance of any payment from Sublessee after expiration of this Sublease shall not constitute a renewal or extension thereof.

ARTICLE 24 — DEFAULTS

24.1 Sublessee shall be in default of this Sublease if Sublessee fails to pay, within three (3) business days after receipt of written notice from Sublessor, any Basic Monthly Rent or Additional Rent, or fails to cure, within thirty (30) days after receipt of notice from Sublessor, Sublessee's failure to observe any other term of this Sublease (however, Sublessee shall cure in such shorter time as reasonably necessary due to an Emergency, and if more than thirty [30] days are reasonably required to cure, then no default will have occurred if Sublessee commences to cure within the thirty [30] day period and diligently prosecutes same to completion). Sublessor may give Sublessee a single notice of default inclusive of the requirements of California Code of Civil Procedure section 1161, et. seq.

24.2 Sublessor shall not be in default or liable to Sublessee under this Sublease for any failure to observe any term of this Sublease, unless Sublessee notifies Sublessor of such default and Sublessor fails to cure same within thirty (30) days after receipt of Sublessee's notice (however, Sublessor shall cure in such shorter time as reasonably necessary due to an Emergency, and if more than thirty [30] days are reasonably required to cure, then no default will have occurred if Sublessor commences to cure within the thirty [30] day period and diligently prosecutes same to completion).

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ARTICLE 25 — REMEDIES, ATTORNEYS' FEES & WAIVER OF JURY TRIAL

25.1 If Sublessee defaults under this Sublease, Sublessor may avail itself of any remedy available under law in Sublessor's sole discretion (without obligation under Article 27.1). No remedy or election hereunder shall be deemed exclusive and, wherever possible, each remedy shall be cumulative with all other remedies. If Sublessee abandons the Premises, or Sublessee's right to possession is terminated by the Sublessor because of a default, and Sublessor proceeds under California Civil Code section 1951.2, this Sublease shall terminate, and Sublessor shall be entitled to recover from Sublessee, the worth at the time of award of the unpaid rent which had been earned at time of termination; the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Sublessee proves could have been reasonably avoided; the worth at the time of award of the amount by which the unpaid rent for the balance of the Term after the time of award exceeds the amount of such rental loss that Sublessee proves could be reasonably avoided; and any other amount necessary to compensate Sublessor for damage caused by Sublessee's failure to observe this Sublease (or which, in the ordinary course of things would be likely to result therefrom, including, without limitation, any costs of obtaining mitigating rental income, such as excused rent, brokerage commissions, Sublessee improvements, parking concessions, Sublease takeovers, cash payments, advertising, moving costs or any other cost or Sublessee concession related to the releasing of the Premises upon the default of Sublessee). The "worth at the time of award" shall be computed by allowing interest at ten percent (10%) per annum on amounts due prior to award, and discounting amounts due after award at the discount rate of the Federal Reserve Bank of San Francisco at the time of award, plus one percent (1%).

25.2 In any action brought by either Sublessor or Sublessee against the other to enforce or interpret any provision of this Sublease (including any claim in a bankruptcy or an assignment for the benefit of creditors), the prevailing party shall recover from the other party all reasonable costs and attorneys' fees of such action (including those incurred either prior to such action in the proposed resolution or contemplation of such action, in a prior unlawful defamer action rendered moot by Sublessee's vacancy, in the maintenance or enforcement of any judgment resulting from said action, or in the appeal from any such judgment), whether such costs were incurred or services were performed by in-house or outside counsel.

25.3 Sublessor and Sublessee each hereby waive their respective rights to trial by jury of any cause of action, claim, counterclaim or cross-complaint in any action, proceeding and/or hearing brought by either Sublessor against Sublessee, or Sublessee against Sublessor, as to any matter whatsoever arising out of or in any way connected with this Sublease, the relationship of Sublessor and Sublessee, Sublessee's use or occupancy of the Premises, any claim of injury or damage, or the enforcement of any remedy under any law, statute, or regulation, emergency or otherwise, now or hereafter in effect. Notwithstanding the foregoing, Sublessor and Sublessee agree that this waiver shall not be effective where the legal effect of such waiver would be to invalidate in whole or in part, or to limit or impair in any manner any policy of insurance in force for the benefit of Sublessor or Sublessee or to limit or impair any rights, remedies or coverage afforded thereunder.

ARTICLE 26 — NOTICE

26.1 Notice shall be given to Sublessee at the Premises. Notice shall be given to Sublessor at 21500 Nordoff Street, Chatsworth, CA 91311 Attention: Frank Butler with copy to The Law Offices of Shai Oved at 20700 Ventura Blvd., Suite 220, Woodland Hills, CA 91364. Either party may, by written notice to the other, specify a different address for notice purposes. Any requirement under this Sublease to give "notice" or "notify" shall require a writing, delivery thereof evidenced by signed receipt (whether personally delivered, or sent by certified mail or a nationally recognized overnight courier service). Notice given by facsimile transmission shall not be valid unless the party to whom the transmission is addressed acknowledges timely receipt of the transmission in writing. If either party refuses to sign a receipt acknowledging delivery, notice may be given by first-class mail and shall be deemed effective two (2) business days after mailing. Notice from or to any single person or entity executing this Sublease as Sublessor shall be deemed effective as to all persons or entities executing this Sublease as Sublessee.

ARTICLE 27 — GENERAL PROVISIONS

27.1 Reasonableness. Except as provided to the contrary herein, if Sublessor's or Sublessee's discretion or consent is required, such discretion will be reasonably exercised and such consent will not be unreasonably withheld, conditioned or delayed.

27.2 Rules and Regulations. Intentionally omitted.

27.3 Conflict of Laws; Venue. This Sublease shall be governed by and construed under the laws of the State of California. Any lawsuit brought by Sublessee against Sublessor shall be filed in a court of competent jurisdiction in the County of Los Angeles.

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27.4 Joint and Several Liability. If more than one person or entity executes this Sublease as Sublessee, each shall be jointly and severally liable for all obligations of Sublessee hereunder, any act or signature by one shall be binding upon all persons or entities constituting Sublessee; and, any refund or payment to one shall be effective as to all persons or entities constituting Sublessee.

27.5 Successors and Assigns. Except as provided to the contrary herein, each covenant, condition and provision of this Sublease shall be binding upon and shall inure to the benefit of the parties hereto, their respective heirs, personal representatives, successors and permissible assigns.

27.6 Definition of Sublessor. "Sublessor" is defined as and is limited to only the lessee at the time in question under the Master Lease of the Marina (whether pursuant to a fee interest or Subleasehold interest under a ground Sublease of the Land). If Sublessor transfers, assigns or conveys its interest, Sublessor shall be automatically freed and relieved of all liability with respect to the performance of any covenants or obligations in this Sublease to be performed from and after the date of such transfer, assignment or conveyance (including return of Security Deposit, provided Sublessor transfers all Security Deposit which has not been used, applied or retained prior to such conveyance to Sublessor's successor in interest).

27.7 Waiver Time of the Essence. A party's waiver of any breach of this Sublease shall not be deemed a waiver of any other breach. No custom or practice which develops between the parties shall be deemed a waiver of either party's right to require strict performance hereunder. Time is of the essence.

27.8 Interest. Wheresoever interest is required under this Sublease, and in lieu of the legal rate to be used in the computation of any interest owed Sublessor in any judgment or award of the court, interest shall be charged at the rate of ten percent (10%) per annum.

27.9 Entire Agreement; Severability. Except as expressly set forth herein, neither Sublessor nor its employees, agents or contractors have made any representation or warranty concerning the Land, Marina, Common Areas or Premises, or the suitability of either for the conduct of Sublessee's business. This Sublease contains the entire agreement of the parties hereto with respect to the tenancy created hereunder and no prior agreement or understanding (whether oral or written, expressed or implied) pertaining to same shall be effective, and this agreement shall be deemed integrated. This Sublease may only be modified, amended or added to by an agreement in writing executed by the parties hereto. The use of boldface, italics or underlining are for convenience only, and shall have no effect upon the construction or interpretation of this Sublease. If any part of this Sublease is declared invalid, void or illegal, the remaining portions of this Sublease shall not be impaired or invalidated, and this Sublease shall otherwise remain in full force and effect.

27.10 Marina Name; Advertising. Sublessor shall have the right to change the name or street address of the Marina upon reasonable prior notice to Sublessee. All advertisements or other public solicitations concerning the Premises shall require Sublessor's prior written approval.

27.11 Quiet Possession. Except as provided to the contrary herein, upon paying the rents reserved hereunder and otherwise observing this Sublease, Sublessee shall have quiet possession of the Premises for the Term.

27.12 Examination and Delivery by Sublessee. Submission of this Sublease for examination or signature by Sublessee does not constitute a reservation of or option to Sublease, and shall not be effective as a Sublease or binding legal document until execution and delivery by all parties hereto.

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Sublessor: _____

27.13 Confidentiality. Sublessee agrees to keep the terms of this Sublease confidential and shall not disclose same to any other person not a party hereto without the prior written consent of Sublessor. Sublessee shall not record this Sublease or a short form memorandum thereof.

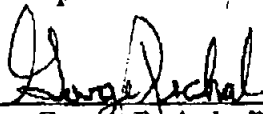
WHEREUPON, THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE
ON THE DATES INDICATED

SUBLESSEE

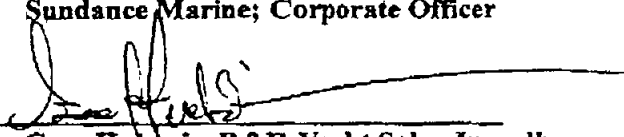
Dated Sept. 5, 2004 Sublessee

By 
Rob Sanford; R&R Yacht Sales, Inc., dba
Sundance Marine, General Manager /
Corporate Officer

Dated Sept. 5, 2004 Sublessee

By 
George Prchal - R&R Yacht Sales, Inc., dba
Sundance Marine; Corporate Officer

Dated Sept. 5, 2004 Sublessee

By 
Greg Hukari - R&R Yacht Sales, Inc., dba
Sundance Marine; Corporate Officer

Dated _____ Sublessor

By 
Wesco Sales Corp.
By: Frank Butler, its President

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Sublessor: _____

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Addendum No. 1 to Marina Sublease dated September 1, 2006, between Wesco Sales Corp. dba Dana Landing, Sublessor, and R & R Yacht Sales, Inc., Rob Sanford, George Prchal, Greg Hukari collectively as Sublessee, Regarding the portion of building 5 at Dana Marina, 2590 Ingraham Street, San Diego, CA 92109

Article 28

In addition to all other rent payable pursuant to this sublease (Basic Monthly Rent, tax rent, operating expense rent, percentage rent and capital expense rent) Sublessee shall pay Percentage Rent due the City of San Diego on Sublessee's Gross Sales pursuant to the schedule attached hereto, marked Exhibit "C" and by this reference and incorporated herein. The City percentage rent shall be paid on or before the 21st day of each month after the month in which this sublease commences. Sublessor and the City of San Diego shall have the right at any time to inspect and/or audit Sublessee's books and records. Should the results of any such audit reveal an underpayment of the percentage rent due for the audit period of 3% or more, Sublessee shall pay all sums found due immediately, together with all costs of the audit and legal fees and costs incurred by Sublessor and the City of San Diego.

Article 29

Sublessee acknowledge that Sublessor does not provide any security for the marina and, consequently, Sublessee assumes all responsibility for vandalism, damages to or theft from the subleased improvements and will hold Sublessor and the City of San Diego free and harmless from any claims in connection therewith.

Article 30

Cost of living adjustments ("COL"). On March 1 of each year commencing March 1, 2007, the Basic Monthly Rent shall be adjusted by the change, if any, in the Consumer Price Index of the Bureau of Labor Statistics of the US Department of Labor for Urban Wage Earners and Clerical Workers for San Diego, California. Irrespective of anything to the contrary herein contained annual increases shall be no less than 3% per year. The adjustments shall be made each 12 months of this Lease and any extensions. All items (1982-1984 = 100) herein referred to as the "CPI."

The Basic Monthly Rent payable in accordance with Article 1.1(h) shall be calculated as follows: the Basic Monthly Rent set forth in paragraph 1.1(h) of the attached Sublease, shall be multiplied by a fraction the numerator of which shall be the C.P.I. of the calendar month 2 (two) months prior to the month(s) specified above during which the adjustment is to take effect, and the denominator of which shall be the C.P.I. of the calendar month which is 2 (two) months prior to the first month of the term of this lease as set forth in paragraph 1.1(e) ("Base Month"). The sum so calculated or the sum arrived at as a result of the minimum annual increases set forth above, which ever is greater, shall constitute the new monthly rent hereunder.

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, then 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 equally by lessor and lessee.

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Sublessee: _____
Sublessor: _____

Article 31

This Sublease is subject and subordinate to the Master Lease with the City of San Diego.

Sublessee agrees to be bound by and to perform all acts required of Sublessee under the terms of said Master lease. Should the Master lease be terminated for any reason while this Sublease is in effect this Sublease shall terminate and Sublessor shall have no liability to Sublessee as a result of such termination.

Article 32

Except as modified by this Addendum, the parties reaffirm each and every provision of the Sublease. In the event of any conflict between the Sublease and this Addendum, the terms of this Addendum shall control.

Article 33

A default in any other obligation owed by Sublessee to Sublessor shall likewise constitute a default under the provisions of this Sublease and shall entitle Sublessor to avail itself at its option, of all remedies available under this Sublease in the event of default hereunder.

Article 34

On September 1, 2011, Basic Monthly Rent shall adjust to the Fair Market Value but in no event less than the Basic Monthly Rent which would otherwise be payable on said date.

Initial Here: 
Sublessee: _____
Sublessor: _____

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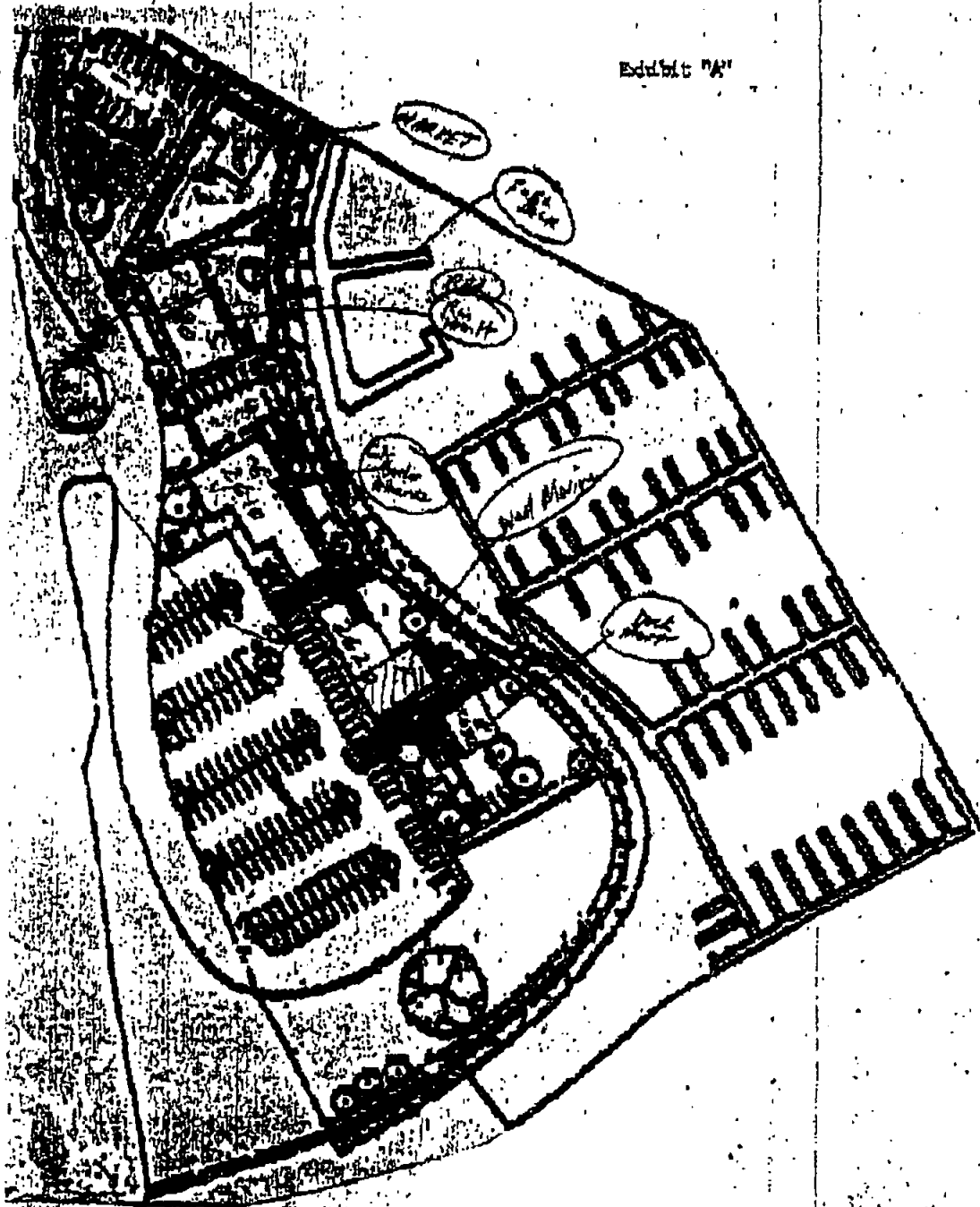


Exhibit "A"

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PAGE 27

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Legal Description - Exhibit "B"

That parcel of land in the City of San Diego, County of San Diego, State of California, being a portion of the Tidelands and submerged or filled lands of Mission Bay, also known as Mission Bay and that portion of the Pueblo Lands of San Diego, according to map thereof by James Pascoe; a copy of which is on file in the Office of the County Recorder of said San Diego County and is known as Miscellaneous Map No. 68, described as follows:

Beginning at the Southwest corner of Lot 24 of Block 10 in the Resubdivision of Blocks 7, 8, 10, and a portion of Block 9 and Lot "A" of Inspiration Heights, according to Map thereof No. 1700 filed in the Office of the County Recorder of San Diego County; thence along the Southerly line of said Lot, South $89^{\circ}59'56''$ West (Record North $89^{\circ}59'00''$ West) 20.00 feet to a point of tangent curve in the boundary of said Lot; thence South $00^{\circ}04'04''$ East, 2 feet to a line which is parallel with and 2.00 feet Southerly at right angles from the Southerly line of said Block 10; thence along said parallel line North $89^{\circ}58'58''$ East, 249.70 feet; thence North $08^{\circ}30'02''$ West, 104.06 feet to the United States Coast and Geodetic Survey, triangulation station "Old Town." (The Lambert Grid Coordinates California Zone 8 for said station "Old Town" are x equals 1,712,416.12 and y equals 213,818.22 and said triangulation station is located at latitude $32^{\circ}46'02.845''$ longitude $117^{\circ}11'07.200''$; said station "Old Town" being the point of origin for the San Diego City Engineer's Mission Bay Park Coordinate System; thence North 5,828.93 feet and West 14,884.48 feet to the TRUE POINT OF BEGINNING; the Mission Bay Park Coordinates of the TRUE POINT OF BEGINNING being North 5,826.93 feet and West 14,884.48 feet; thence North $83^{\circ}30'00''$ West, a distance of 587.10 feet to the coordinates North 6,074.98 and West 15,182.33; thence North $28^{\circ}30'02''$ West, a distance of 482.48 feet to coordinates North 6,558.45 and West 15,412.71; thence North $61^{\circ}29'58''$ East, a distance of 257.88 feet to the beginning of a non-tangent curve, concave Southeastery having a radius of 1,355.00 feet; thence Northeastery along the arc of said curve a distance of 178.55 feet to coordinates North 6,743.91 and West 15,014.72; thence South $88^{\circ}29'04''$ East, a distance of 78.00 feet to a point in a 1,280.00 foot radius curve, concave Southeastery; thence Northeastery along the arc of said curve a distance of 128.00 feet to coordinates North 6,762.91 and West 14,886.18; thence South $19^{\circ}51'24''$ East, a distance of 202.87 feet to coordinates North 6,468.04 and West 14,763.28; said point being also the beginning of a 478.00 foot radius curve, concave Westery; thence Southerly along the arc of said curve through a central angle of $08^{\circ}38'54''$ a distance of 78.88 feet to the beginning of a compound 185.00 foot radius curve, concave Westery; thence Southerly along the arc of said curve through a central angle of $18^{\circ}45'30''$, a distance of 57.04 feet to coordinates North 6,336.08 and West 14,740.74; thence South $06^{\circ}31'00''$ West, a distance of 132.02 feet to coordinates North 6,202.92 and West 14,755.80; said point being also the beginning of a 108.00 foot radius tangent curve, concave Eastery; thence Southerly and Southeastery along the arc of said curve through a central angle of $48^{\circ}55'50''$, a distance of 161.42 feet to the beginning of a 215.00 foot radius reverse curve, concave Westery; thence Southeastery and Southerly along the arc of said curve through a central angle of $85^{\circ}50'50''$, a distance of 250.84

feet to the TRUE POINT OF BEGINNING and containing 4.09 acres of land area and 4.67 acres of water area.

EXCEPTING that portion described as follows:

Beginning at a Northeastery angle point in the above described land, the Mission Bay Park coordinates of said point being North 6,782.81 and West 14,888.10; thence South $10^{\circ}51'24''$ East, 140.00 feet; thence South $80^{\circ}17'51''$ West, 347.81 feet to a point on a 181.21 foot radius curve, concave Eastery, the radius of which bears South $88^{\circ}34'22''$ West to said point; thence Northerly along said curve 74.30 feet through an angle of $32^{\circ}24'04''$ to a compound 100.04 foot radius curve; thence Northerly along said curve 81.08 feet through an angle of $34^{\circ}59'34''$; thence along the radius of a 1,358.00 foot radius curve, concave Southeastery; North $44^{\circ}02'17''$ West, 75.00 feet to a point on the arc of said curve; thence Northeastery along said curve through an angle of $07^{\circ}33'00''$, a distance of 178.55 feet to coordinates North 6,743.91 and West 15,014.72; thence South $36^{\circ}29'04''$ East, a distance of 78.00 feet to a point in a 1,280.00 foot radius curve, concave Southeastery; thence Northeastery along the arc of said curve, a distance of 128.00 feet to the TRUE POINT OF BEGINNING.

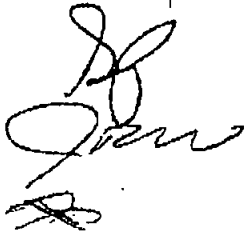


Exhibit "C"

<u>Percentages</u>	<u>Business Activities</u>
Three Percent (3%)	Of gross income from sales of petroleum products excepting diesel fuel.
One and One-Half Percent (1-1/2%)	Of gross income from sales of diesel fuel.
Five Percent (5%)	Of gross income from commissions paid to LESSEE on sales involving property sold by LESSEE in which LESSEE has no financial interest.
Three Quarters of One Percent (3/4%)	Of gross income from sales of boats and boat motors, and any boat trailers and other accessories included in the boat and motor sale.
Four Percent (4%)	Of gross income from servicing of boats and motors, sales of boat and motor parts, accessories to boats, and motors, and marine hardware.
Three Percent (3%)	Of gross income from sales of food and nonalcoholic beverages.
Six Percent (6%)	Of gross income from sales of alcoholic beverages.
Twenty-Five Percent (25%)	Of gross income from rentals of boat slips and related wet storage.
Twenty-Five Percent (25%)	Of gross income from commissions or any other compensation paid to LESSEE or sublessee for the right to install or operate coin-operated vending, game, or service machines or devices on the premises, including telephones, or 10% of the gross income from any such coin-operated machines or devices owned, rented, or leased by LESSEE or sublessee for use on the premises.
Twenty Percent (20%)	Of gross income from rentals for small boat storage.
Ten Percent (10%)	Of gross income from all other authorized activities.

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Exhibit "C"

<u>Percentages</u>	<u>Business Activities</u>
Three Percent (3%)	Of gross income from sales of petroleum products excepting diesel fuel.
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Twenty-Five Percent (25%)	Of gross income from rentals of boat slips and related wet storage.
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Twenty Percent (20%)	Of gross income from rentals for small boat storage.
Ten Percent (10%)	Of gross income from all other authorized activities.



CITY OF SAN DIEGO
CONSENT TO ASSIGNMENT OF SUBLEASE AGREEMENT

THIS CITY OF SAN DIEGO CONSENT TO ASSIGNMENT OF SUBLEASE AGREEMENT ("Consent") is made by THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), to be effective as of February 10, 2011 (the "Effective Date"), as follows:

CITY, as lessor, and WESCO SALES CORPORATION, a California Corporation, d.b.a. DANA LANDING ("LESSEE"), as lessee, are parties to a certain percentage lease agreement (the "Master Lease") as amended and set forth in documents filed in the Office of the San Diego City Clerk as Document Nos. OO-18527 and OO-18192, and relating to certain CITY-owned real property (the "Premises") located in Mission Bay Park in San Diego, California.

LESSEE, and R&R YACHT SALES, Inc, d.b.a. SUNDANCE MARINE, ROB SANFORD, GEORGE PRCHAL, GREG HUKARI, ("Assignor"), have entered into a sublease of a portion of the Premises consisting of the showroom/store/office at 2590 Ingraham Street dated September 5, 2006, ("Sublease"). CITY consented to Sublease on February 10, 2011.

Assignor desires to assign Sublease to Robert R. Sanford and San Diego Boats, LLC, a California limited liability company ("Assignees") pursuant to Consent to Assignment of Sublease between Assignor, Assignees and LESSEE dated August 11, 2010 ("Assignment").

CITY hereby consents to Assignment, provided all of the following conditions are and remain true throughout the term of the Sublease:

- (a) The Sublease shall remain subject and subordinate to the Master Lease, as may be amended from time to time, and this Consent; and
- (b) CITY is not bound by any term or condition in the Sublease which in any way conflicts with CITY'S rights or would otherwise result in increasing CITY'S obligations under the Master Lease.
- (c) Assignees shall not amend the Sublease to alter any provisions of Article 15 (Insurance) and Article 22 (Assignment and Subletting) of the Sublease in any way that reduces the insurance of CITY or permits further assignment or subleasing by Assignees without prior written consent by CITY.
- (d) Assignees shall assume the defense of, indemnify and hold harmless CITY, its elected officials, officers, representatives, agents and employees from all claims asserted or liability established for damages to or injuries to any person or property, including injury to Assignees' employees, invitees, guests, agents, or officers, which arise out of or are in any manner directly or indirectly connected with the development or

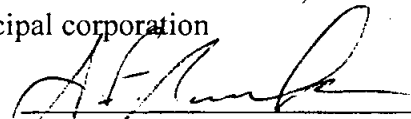
operation of the portion of the Premises that are the subject of the Sublease or the work to be performed under the Sublease, and all expenses of investigation and defense. However, Assignees' duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of CITY, its agents, officers or employees.

If at any time the foregoing provisions are not true, this Consent shall automatically and retroactively become null and void as of the Effective Date.

This Consent does not amend or otherwise modify the Master Lease.

THE CITY OF SAN DIEGO, a California
municipal corporation

BY:



James F. Barwick, CCIM
Real Estate Assets Director

Date: 2/10/11

APPROVED AS TO FORM AND
LEGALITY:

JAN I. GOLDSMITH, City Attorney

BY:



David L. Herman
Deputy City Attorney

CONSENT TO ASSIGNMENT OF SUBLEASE

THIS CONSENT TO ASSIGNMENT ("Consent") is dated for reference purposes only as of this 11th day of August, 2010, and is made by and among R & R Yacht Sales, Inc. dba Sundance Marine, Robert R. Sanford, ("Assignors"), Robert R. Sanford and San Diego Boats, LLC, a California limited liability company, ("Assignees") and Wesco Sales Corporation ("Lessor").

THIS AGREEMENT is made with reference to the following facts:

A. Lessor and Assignor are parties to that certain sublease (the "Sublease") dated September 5, 2006 for the premises commonly known as Building 5 located at Dana Landing, 2590, Ingraham, in San Diego, California 92109.

B. Pursuant to the Sublease, a copy of which is attached hereto, designated Exhibit "B" and incorporated by reference herein, Assignors have a limited right, subject to the consent of the Lessor and the City of San Diego, and conditioned upon such other consideration as is set forth therein, to assign all of Assignors' right, title, and interest in the Sublease.

C. Assignors desire to assign to Assignees all of Assignors' rights, title, and interest in the Sublease and Assignors and Assignees desire Lessor to consent to such assignment. Lessor is willing to grant such consent subject to and conditioned upon the consent of the City of San Diego if required, and conditioned upon the agreements, acknowledgments, and representations of Assignors and Assignees set forth below.

NOW THEREFORE, in consideration of the recitals, covenants, and conditions herein contained, the parties do hereby agree as follows:

1. Assignors agree that they shall not be released from their obligations under the Sublease, including all monetary obligations if Assignees fail to perform them.
2. Assignors agree to promptly cure any event of Default by Assignees under the Sublease.
3. Assignors shall not have any right to take possession of the premises without the prior written consent of the Lessor.
4. Assignors assign to Assignee all of Assignors' rights, title and interest in and obligations under the Sublease including any security deposit held by the Lessor.
5. Assignors represent and warrant to the Lessor that they have not failed to disclose to Lessor any information which, if known by Lessor, might provide grounds for Lessor to withhold its consent to the assignment described herein pursuant to any of the provisions set forth in the Sublease.
6. Assignees agree that they have accepted the assignment of the Sublease to them that is

made under this agreement.

7. Assignees agree to assume and perform all of the terms, conditions, obligations, and responsibilities of the Assignors under the Sublease and any amendments including the minimum standard Sublease conditions which are set forth in Addendum "A" which is attached hereto and incorporated by reference herein.

8. Assignees acknowledge that Lessor has not made any express or implied oral or written representations or promises that future assignments will be approved, Assignees will enjoy financial success in operating any business upon the premises or that it will grant any extension of the Term of the Sublease or enter into any modification of the Sublease. Assignees and the Lessor are not partners in any business ventures of any kind and in connection with the Sublease.

9. Assignees acknowledge that they have been provided with a copy of the Sublease together with all Addendums and amendments, if any, and that they have read the Sublease, all Addendums and amendments and fully understand their obligations as Sublessees under the Sublease.

10. Assignees represent and warrant to Lessor that all information which is provided to Assignors or Lessor which Lessor has reviewed in connection with its determination to consent to the assignment of the Sublease herein is true, correct, and accurate.

11. For valuable consideration, including the agreements, acknowledgments, and representations of Assignors and Assignees as set forth in this agreement in its entirety, Lessor consents to the Assignors' assignment to the Assignees of all of Assignors' rights, title, and interest in the Sublease and only subject to the consent of the City of San Diego which the Landlord will obtain after this agreement is signed by the parties to it and Lessor agrees to the following additional changes to the Sublease between it and the Assignees as follows:

A. The Assignees shall have an option to renew the Sublease if they are in full compliance with all of the terms and conditions of the Sublease at the time that it expires.

B. The Commencement date for the Sublease between the Lessor and the Sublessee and for the commencement of the payment of rent by the Assignees to the Lessor shall be September 1, 2010.

C. Assignees shall pay basic monthly rent to the Lessor in the sum of \$5,200.00 per month starting on September 1, 2010 and for each month thereafter and then starting on April 1, 2011 the Assignees shall pay basic monthly rent to the Lessor in the sum of \$6,378.79 for the remainder of the term of the Sublease.

D. The Assignees shall engage in the sale and rental of boats, boat motors, boat trailers, boat parts, boat equipment and marine boat items.

12. All of the terms and conditions of the Sublease are incorporated by reference into

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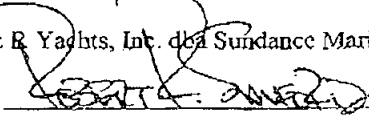
this agreement and the parties to this agreement agree that those terms and conditions are also applicable to this agreement.

13. This agreement is not binding upon the parties until it is signed by all of the parties to it. This agreement may be signed in counterparts and faxed signatures of the parties can be exchanged by them and shall have the same force and effect as if those signatures are original signatures.

IN WITNESS WHEREOF, the parties hereto have executed this Consent to Assignment as of the date and year first written above.

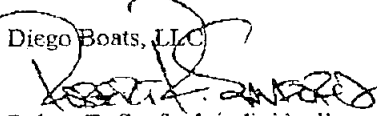
ASSIGNORS:

R & R Yachts, Inc. dba Sundance Marine

By: 
Robert R. Sanford, individually
and as Authorized Agent
for R & R Yachts, Inc. dba
Sundance Marine

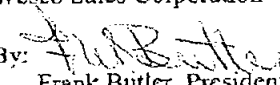
ASSIGNEES

San Diego Boats, LLC

By: 
Robert R. Sanford, individually
And as Managing Member of
San Diego Boats, LLC

LESSOR

Wesco Sales Corporation

By: 
Frank Butler, President

ADDENDUM A

MINIMUM STANDARD SUBLEASE CONDITIONS

ASSIGNMENT AND SUBLEASING: SUBLESSEE shall not assign the sublease or sublet the premises or any part thereof without the prior written consent of LESSEE and The City of San Diego, hereinafter, "CITY." An assignment by operation of law shall automatically terminate this lease.

HOLD HARMLESS: SUBLESSEE shall assume the defense of, indemnify and hold harmless LESSEE and CITY from all claims, expenses and liability of every nature, directly or indirectly arising from, or alleged to have arisen from the operations conducted on the leased premises, the condition of the premises or from any act or omission of SUBLESSEE, his agents and invitees; provided, however, SUBLESSEE'S duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of the CITY, its agents, officers, or employees.

INSURANCE: SUBLESSEE shall be insured by an insurance carrier acceptable to the LESSEE and CITY against loss from public liability arising from the use or condition of or operation conducted on the leased premises. Minimum coverage shall be \$1 million COMBINED SINGLE LIMIT LIABILITY. A copy of the policy of insurance shall be filed with CITY and shall name "The City of San Diego" as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without 30 days prior written notice to CITY by the insurance company.

LEGAL PROCEEDINGS: Should it become necessary for LESSEE or CITY to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this lease, the prevailing party shall be entitled to an award of reasonable legal costs, including court and attorneys' fees.

SUBORDINATION: This agreement is in effect a Sublease of a portion of the premises covered by that certain Lease Agreement dated February 9, 1987, as amended between the SUBLESSOR herein and the City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.