

Balotsky, Vladimir

From: Balotsky, Vladimir
Sent: Wednesday, July 16, 2014 8:26 AM
To: 'Frank Butler'
Subject: Coyote Logistics - Option to Extend

Hi Martha,

Your option to extend the Coyote Logistics sublease for additional 12 months has been approved.

Let me know if you have any questions.

Thank you,

Vladimir Balotsky / Supervising Property Agent
City of San Diego / Real Estate Assets Department
1200 Third Avenue, Suite 1700, San Diego, CA 92101
(619) 235-5248 (Voice); (619) 236-6706 (FAX)

7/16/2014
Per Jeremy Fonseca, DGA
no consent is necessary
Section 1. of the original
consent dated 6/10/10
approved subleasing a
portion of the leasehold.

Balotsky, Vladimir

From: Bevier, Debra
Sent: Friday, June 13, 2014 11:09 AM
To: Balotsky, Vladimir
Cc: Bevier, Debra
Subject: ATTY/CLIENT PRIV. COMM. - LSR re Wesco Sales - Consent to Option

Follow Up Flag: Follow up
Flag Status: Flagged

Vladimir,

Concerning the above-referenced LSR:

- 1) Where in the Sublease is the sublessee granted any options to extend?
- 2) The sublease commenced June 2010 for a stated term of two (2) years -- what happened with the sublease during the time period between 2012 and now (2014)?
- 3) The "Option" document given READ portends to extend the sublease from June 2014 through end of May 2015 -- and includes the grant of a possible further option for the period of June 2015 through end of May 2016. If the sublease is even still valid, would the termination date of that sublease if extended to end of May 2016 still be within the termination date of the Master Lease (i.e., what is the termination date for the Master Lease)?

After you respond to the above questions, I can complete my review of the documents and respond to your LSR.
Thanks, Deb

Debra J. Bevier

Deputy City Attorney
Office of the City Attorney
[Tel] (619) 533-5826
[Fax] (619) 533-5856
dbevier@sandiego.gov

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**OPTION TO EXTEND LEASE
STANDARD INDUSTRIAL/COMMERCIAL LEASE
SINGLE-TENANT LEASE-GROSS
WESCO SALES CORPORATION (LESSOR)
&
COYOTE LOGISTICS (LESSEE)**

OPTION TO EXTEND

Lessor hereby grants to Lessee the option to extend the term of the Lease dated June 8, 2010 for twelve (12) additional months commencing June 1, 2014. At the end of the term the Lessee has the option to renew for an additional twelve (12) months commencing June 1, 2015.

The Rent shall be \$2,428.80 per month. Total rent is due on the first day of each month commencing June 1, 2014.

All of the terms and conditions of the Lease except where specifically Modified by this option shall apply.

Accepted and Agreed

Lessor: Wesco Sales Corporation

Signed: _____

Frank Butler

Date: _____

5/12/14

Accepted and Agreed

Lessee: Coyote Logistics

Signed: _____

Date: _____

5/16/14

Wesco

**OPTION TO EXTEND LEASE
STANDARD INDUSTRIAL/COMMERCIAL LEASE
SINGLE-TENANT LEASE-GROSS
WESCO SALES CORPORATION (LESSOR)
&
COYOTE LOGISTICS (LESSEE)**

OPTION TO EXTEND:

Lessor hereby grants to Lessee the option to extend the term of this Lease dated June 1, 2010 for twenty-four (24) additional months commencing June 1, 2012 and ending May 31, 2014, as the term may be extended by Lessee until May 31, 2016 in accordance with the immediately following paragraph.

Lessor hereby grants to Lessee the option to extend the term of this Lease for one (1) additional Twenty-four (24) month period commencing when the prior term expires. All of the terms and conditions as set forth in the lease dated June 1, 2010 remain the same.

The Base Rent shall be \$2428.80 per month. Total rent of \$2,428.00 is due on the first day of each month commencing June 1, 2012. A 10% late charge will be added to the rent payment received after the 10th of each month.

All of the terms and conditions of the Lease except where specifically Modified by this option shall apply.

Accepted and Agreed

Accepted and Agreed

Lessor: Wesco Sales Corporation

Lessee: Coyote Logistics

Signed: [Signature]

Signed: [Signature]

Date: 12-12-11

Date: 12/12/11

CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT (Consent) is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation (CITY) and WESCO SALES CORPORATION, a California Corporation, doing business as Dana Landings Marina (WESCO), to be effective upon execution by CITY and approval by the San Diego City Attorney (the Effective Date), as follows:

RECITALS

- A. WESCO is the LESSEE, under that certain PERCENTAGE LEASE dated July, 17, 1995, as amended by and between CITY, as lessor and WESCO SALES CORPORATION, as lessee (Master Lease), relating to certain real property (Master Lease Property) located at 2580, 2590, 2610, 2620, 2630 Ingraham Street, San Diego, California 92109, and more particularly described in the Master Lease.
- B. The Master Lease requires CITY'S consent to any sublease of the Master Lease Property.
- C. WESCO desires to enter into a sublease with COYOTE LOGISTICS, L.L.C. (COYOTE), attached as Exhibit A hereto, whereby WESCO subleases to COYOTE and COYOTE subleases from WESCO a portion of the Master Lease Property (Sublease Premises) located on the Master Lease Property.

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

- 1. CITY'S Consent. Subject to the following terms and conditions, CITY hereby consents to WESCO subleasing a portion of the Master Lease Property.
- 2. Subordination. The COYOTE Sublease (Sublease) is and shall be subordinate to the Master Lease. CITY shall not be bound by any term or condition in the Sublease which in any way conflicts with CITY'S rights or increases CITY'S obligations under the Master Lease. Any conflict between the Master Lease and the Sublease shall be construed or resolved in favor of the Master Lease. WESCO shall ensure through its Sublease that COYOTE acknowledges and agrees that its rights and obligations as Lessee under the Sublease are subject and subordinate to the terms and conditions of this Consent and the Master Lease.
- 3. Use. The Subleased Premises shall be used for the sole purpose of for maritime and multi-mode transportation purposes and shall comply at all times to the Master Lease.
- 4. Rent. WESCO shall pay the following rent as set forth in the Master Lease, to the CITY resulting from use of the Subleased Premises by COYOTE:

Percentages

Ten Percent (10%)

Business Activities

Gross income from all other
authorized activities

5. Indemnification. Through its Sublease, WESCO shall ensure that COYOTE shall defend, indemnify, protect, and hold CITY, its elected officials, officers, representatives, agents and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including without limitation any injury to WESCO'S or COYOTE'S officers, employees, agents, invitees, guests, subtenants or licensees, which arise out of or are in any manner directly or indirectly connected with the Sublease, COYOTE'S use of or operations on the Master Lease Property, the condition of the Sublease Premises, or from any act or omission of COYOTE or any of his employees, agents, invitees, guests, subtenants or licensees; provided, however, this duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence, or sole willful misconduct of CITY, its elected officials, officers, representatives, agents or employees.
6. Subsequent Sublease. This Consent does not constitute consent to any subsequent subletting of any portion of the Master Lease Property, and does not relieve WESCO, or any person claiming under or through WESCO of the obligation to obtain CITY'S consent to any future sublease.
7. Brokerage Commission. CITY shall not be liable for any brokerage commission or finder's fee in connection with the consummation of the Sublease or this Consent. WESCO shall protect, defend, indemnify, and hold CITY harmless from and against any claim for any brokerage commission or finder's fee related to the consummation of the Sublease or this Consent, and from and against any cost or expense (including without limitation attorney fees) incurred by CITY in resisting any claim for any such brokerage commission or finder's fee.
8. San Diego's Strong Mayor Form of Governance. The Master Lease shall be amended by adding the following section:

All references to "City Manager" in this lease and all subsequent amendments to this lease shall be deemed to refer to "Mayor." This section became effective on January 1, 2006, and shall remain in effect for the duration the City operates under the mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the City of San Diego City Charter.

9. Water Quality – Best Management Practices. The CITY and WESCO are committed to the implementation of controls (best management practices, or BMP) to manage activities on the entire Master Lease Property in a manner which aids to the protection of the City of San Diego's precious water resources. It is the WESCO'S responsibility to identify and implement an effective combination of BMPs so as not to cause pollutant discharges to the storm drain system in violation of Section 43.03, San Diego Stormwater Management and Discharge Control Ordinance (Stormwater Ordinance).

Therefore, WESCO shall, at minimum, implement and comply, as applicable, with the BMPs for industrial and commercial facilities adopted under the San Diego Municipal Code Section 43.0307(a).

It is ultimately WESCO'S responsibility to prevent pollutant discharge to the storm drain system. Therefore, the WESCO will identify and implement any additional BMPs that may be required to avoid the discharge of pollutants to the storm drain system.

10. No Further Modification of Master Lease or Sublease. Except as provided herein, this Consent shall not be deemed or construed to modify, waive, impair, or affect any of the terms or conditions of the Master Lease or the Sublease.
11. Controlling Law. The terms and conditions of this Consent shall be construed in accordance with the laws of the State of California.
12. Captions. Captions to the sections of this Consent are included for convenience only and do not modify any of the terms of this Consent.
13. Entire Agreement. This Consent constitutes the entire statement of the agreement of the parties pertaining to the amendment of the Master Lease and CITY'S consent to the Sublease, and is binding on and inures to the benefit of the parties' respective heirs, representatives, successors and assigns. No party has been induced to enter into this Consent by, nor is any party relying on, any representation or warranty outside those expressly set forth in this Consent. No modification of the terms or conditions of this Consent shall be effective unless made in a writing that expressly states that it modifies this Consent, and signed by the parties hereto.
14. Attorney Fees. If any party commences litigation against any other party for the specific performance of this Consent, for damages for the breach of the terms and conditions of this Consent, or otherwise for any remedy and the enforcement thereof, the prevailing party shall be entitled to recover from the non-prevailing party its costs and reasonable attorney fees incurred.
15. Authority. Each individual executing this Consent on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and

deliver this Consent on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Consent is binding upon such person or entity in accordance with its terms.

THE CITY OF SAN DIEGO
A California Municipal Corporation

Date 6/8/10

By: 

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

Title: _____

WESCO SALES CORPORATION

Date JUNE 2, 2010

By: 

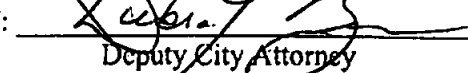
Name: FRANK BUTLER

Title: PRESIDENT

APPROVED AS TO FORM AND LEGALITY:

JAN L. GOLDSMITH, City Attorney

Date: 6/10/10

BY: 
Deputy City Attorney

VER/cb
06-01-10

I: SUPPORT STAFF GROUP\W\PO\2009\BALOTSKY\CONSENT TO SUBLEASE-WESCO - COYOTE

EXHIBIT A

SUBLEASE

["Sublease" dated JUNE 2, 2010, by and between WESCO SALES CORPORATION. and COYOTE, LOGISTICS L.L.C.]

WESCO SALES CORP. & COYOTE LOGISTICS, LLC
SUBLEASE OF SHOWROOM/STORE AT 2620 INGRAHAM STREET,
SAN DIEGO, CALIFORNIA

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SUBLEASE

.... By this Sublease dated _____, 2010, 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 I - 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: COYOTE LOGISTICS, LLC, a Delaware limited liability company
- (c) Marina: DANA LANDING, 2610 Ingraham Street, San Diego, CA 92109
- (d) Premises: Building (portion) as indicated on the location plan attached hereto as Exhibit "A."
- (e) Anticipated Commencement Date: June 1, 2010
- (f) Anticipated Term: 2 years.
- (g) Permitted Use: Maritime and multi-mode transportation purposes only. No sale of food products, fuel, beer, wine, soft drinks, ice, cigarettes, bait, tackle, candy, oil, bikes, roller blades, fishing and ski equipment.
- (h) Basic Monthly Rent: \$ 2,428.80
- (i) Initial Security Deposit: \$ 2,428.80
- (j) Proportional Share: Approximately % 8.60
- (k) Base Year: The calendar year 2010.
- (l) Procuring Broker: None
- (m) Parking Allotment: Rights to use of parking facilities in common with other tenants (and boats on display subject to Sublessor approval).
- (n) Business Hours: 6:00 AM to 6:00 PM. 365 days a year except Christmas, Easter, or Thanksgiving.

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 Sublessee, Sublessee's 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.

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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, furnishing 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

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Sublessee:

Sublessor:

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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 in writing.

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, Sublessee's 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 Commencing on January 1, 2011 and continuing thereafter for the duration 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 g; costs of maintenance performed pursuant to Article II; parking facility operation, maintenance and management; 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:

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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 Sub lessees 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 Commencing on January 1, 2011 and continuing thereafter for the duration of the Term, 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 37.8) 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 thirty (30) 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 the extent contrary to the foregoing.

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Here:
Sublessee:
Sublessor:

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 reasonable 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 not required to be provided to the Premises. Modifications to Services or Sublessee's 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 beyond applicable notice and cure period. 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. Sublessee shall, at Sublessee's sole cost and expense, keep in good condition and repair the Premises (including without limitation, the interior walls, 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 reasonably 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, Mechanical Systems generally serving the Marina and the exterior walls, roof, and foundation of the premises. 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 written 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.

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Sublessee
Sublessor

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).

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. If the Marina contains asbestos containing materials, a notice is attached hereto as Exhibit "O" in compliance with California Health and Safety Code sections 25315, et seq., which require Sublessee to provide a copy of said notice to Sublessee's employees, contractors, subSublessees or assignees within fifteen (15) days of the earlier of (a) commencing work in the Marina, or (b) contracting with Sublessee to subSublease or assign all or a portion of the Premises.

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.

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Sublessor:

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 of 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 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 claims and endorsements have been obtained and are in full force and effect. Each of Sublessor's policies shall contain an endorsement by the insurer to advise Sublessor and the City of San Diego prior to any material change, reduction or cancellation thereof.

ARTICLE 16 - INDEMNIFICATION

Article 16 - Indemnification, has been removed. Please see Addendum 3.

~~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 attorney's fees, whether for personal injury, death, 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 claims that may be asserted against Sublessor by any person or entity other than a Provider who claims a right to compensation for brokerage services in respect to Sublessee; and Sublessor'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, Sublessor, upon notice from the Sublessee, shall defend the same at Sublessor'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 attorney's fees, whether for personal injury, death, 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, Sublessor, upon notice from Sublessee, shall defend the same at Sublessor's expense by counsel reasonably satisfactory to Sublessor.~~

ARTICLE 17 - DAMAGE OR DESTRUCTION

17.1 If any portion of the Land, Marina, Common Areas or Premises reasonably necessary for Sublessor's secure 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(h), unless Sublessee assigns to Sublessor the proceeds of any insurance required pursuant to Article 15.2(h) with respect to above-described standard Alterations and pays to Sublessor any deductible under such policy. Sublessee hereby waives application of California Civil Code sections 1912(2) and 1913(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 Sublessor's use and occupancy of the Premises, this Sublease shall terminate on the date of Taking. If the Taking does not substantially interfere with Sublessor'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 Sublessor's personal property, trade fixtures and goodwill. Sublessee hereby waives application of California Code of Civil Procedure section 1265.10.

Witness My Hand:
Sublessor
Sublessee

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.

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 twenty (20) 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-sufferance. 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 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 and at 4400 Alexander Drive, Alpharetta, GA 30022. 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 Sublessee 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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Sublessor:

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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.

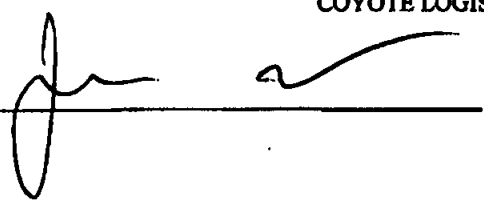
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Sublessor

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, provided Sublessee may disclose the terms of the sublease (i) if required by law, (ii) Sublessee's accountants, attorneys and/or other representatives, and/or (iii) any other third party with a reasonable need to know. 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

COYOTE LOGISTICS, LLC

By: 

SUBLESSOR

WESCO SALES CORP., DBA DANA LANDING

By: 

FRANK BUTLER, ITS PRESIDENT

In (ital) Here:
Sublessee: 
Sublessor: 

Addendum No. 1 to Marina Sublease dated _____, 2010, between Wesco Sales Corp. dba Dana Landing, Sublessor, and Coyote Logistics, LLC, Sublessee, regarding the portions of Building 7 at Dana Marina, 2620 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 21 st 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 August 1 of each year commencing August 1, 2010, the Basic Monthly Rent payable in accordance with Article 1.1(h) 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 or 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.

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.

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 00 liability to Sublessee as a result of such termination.

Sign here

Sublessee: Coyote Logistics, LLC

By

Date

Sublessor: Wesco Sales dba Dana Landing By

Date

4-7-10

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

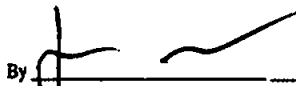
~~Sublessee acknowledges possession of the premises in their present condition and confirms that Sublessee previously occupied said premises pursuant to a substantially similar Sublease agreement which was thereafter extended for a month-to-month term pending the approval of the present Sublease.~~

Article 35

~~Provided Sublessee has not defaulted on any terms of the lease herein beyond any applicable notice and cure period, Sublessor grants to Sublessee a two consecutive options to extend the Term for an additional period of five (5) years each on the same terms and conditions as set forth herein except that Basic Monthly Rent shall be at the then prevailing market rate but in no event less than the current rate. Said option shall be deemed exercised by Sublessee if Sublessee shall give notice to Landlord at least three (3) months before the expiration of the term or renewal period then in effect of Sublessee's desire to terminate said Sublease. In the event of a default in any term of the Sublease beyond applicable notice and cure period, these options will be cancelled.~~

Sign here

Sublessee: Coyote Logistics, LLC

By 

Date _____

Sublessor: Wesco Sales dba Dana Landing By 

Date 4-7-10

Addendum No.2 to Marina Sublease dated _____, 2010 between Wesco Sales Corp. dba Dana Landing ("Sublessor") and Coyote Logistics, LLC ("Sublessee"), regarding the portions of Building 7 at Dana Marina, 2620 Ingraham Street, San Diego, California 92109.

Article 36

Sublessor warrants that the HV AC, plumbing and electrical systems exclusively serving the Premises shall be in good working order as of the date Sublessor delivers possession of the Premise to Sublessee.

Article 37

~~Subject to the terms and conditions set forth herein, Sublessor shall provide to Sublessee a construction allowance in the amount of equal to Seven Thousand Five Hundred and 00/100 Dollars (\$7,500.00) (the "Construction Allowance") to be used by Sublessee for the construction of the Subleasehold Improvements. Sublessee shall perform, or cause to be performed, such Subleasehold Improvements in accordance with the terms and conditions of this lease. Within thirty (30) days following Sublessor's receipt of paid invoices from Sublessee, Sublessor shall reimburse Sublessee the Construction Allowance.~~

Article 38

The Sublease hereby shall and does incorporate in all respects the terms and conditions of the Master Lease, and except as otherwise expressly provided in the Sublease, all of the terms and conditions of the Master Lease are incorporated in the Sublease by reference and made a part hereof, and shall, as between Sublessor and Sublessee, constitute the terms of the Sublease, except for Section 2.1, Section 3, Section 4.4, Section 4.5, Section 6.4, Section 6.6, Section 6.12, Section 6.14, Section 6.15, Section 6.16, Section 7.14, Section 7.18, Section 7.19, Section 7.20, Section 7.22, Section 7.23, and Section 7.24, as well as such other terms of the Master Lease as do relate to the Premises or are inapplicable.

Article 39

Except as modified by this Addendum No.2, the parties reaffirm each and every provision of the Sublease and Addendum No.1. In the event of any conflict between the Sublease, Addendum No.1 and this Addendum No.2, the terms of this Addendum No.2 shall control.

Sign here

Sublessee: Coyote Logistics, LLC

By

Date

Sublessor: Wesco Sales dba Dana Landing By

Date

4-7-10

Addendum No. 3 to Marina Sublease dated May 27, 2010, 2010 between Wesco Sales Corp. dba Dana Landing ("Sublessor") and Coyote Logistics, LLC ("Sublessee"), regarding the portions of Building 7 at Dana Marina, 2620 Ingraham Street, San Diego, California 92109.

Article 40

Subject to the waivers of subrogation and liability set forth in Article 15.3, Sublessee shall indemnify and hold Sublessor and City of San Diego, its elected officials, officers, representatives, agents and employees 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 Area, Premises or parking facility and/or any claim that may be asserted against the Sublessor and the City of San Diego, its elected officials, officers, representatives, agents and employees by any person, entity, other than Procuring Broker who claims a right to compensation for brokerage services in regards to sublessee and/or sublessee's breach or non-performance of any provision of the Sublease. If any action or proceeding is brought against Sublessor and City of San Diego, its elected officials, officers, representatives, agents, and employees by reason of any such claim, Sublessee upon notice from the Sublessor and City of San Diego (as applicable) shall defend the same at Sublessee's expense by counsel reasonably satisfactory to Sublessee and the City of San Diego (as applicable).

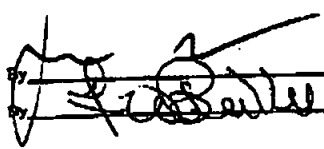
Article 41

Subject to the waivers of subrogation and liability set forth in Article 15.3, Sublessor shall indemnify and hold Sublessee and the City of San Diego, its elected officials, officers, representatives, agents and employees 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 Area, Premises, or parking facility, and/or Sublessor's breach or non-performance of any provisions of this Sublease. If any action or proceeding is brought against Sublessee or the City of San Diego, its elected officials, officers, representatives, agents and employees by reason of any such claim, then Sublessor upon notice from Sublessee and/or the City of San Diego (as applicable) shall defend the same at Sublessor's expense by counsel reasonably satisfactory to Sublessee and the City of San Diego (as applicable).

Sign here

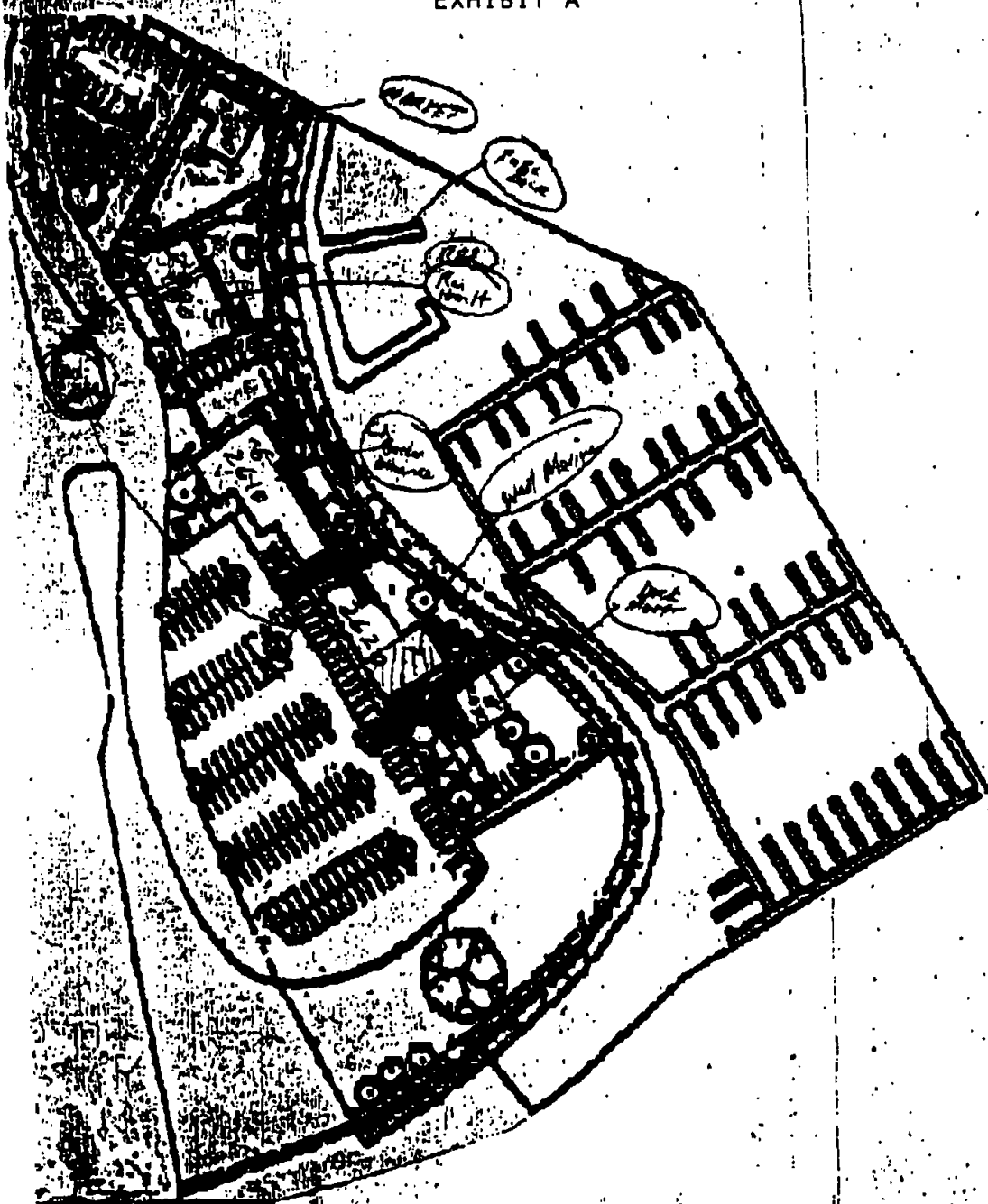
Sublessor: Coyote Logistics, LLC

Sublessor: Wesco Sales dba Dana Landing



Date 6/1/10
Date 6/1/10

EXHIBIT A



CITY OF SAN DIEGO CONSENT TO SUBLEASE

THIS CONSENT TO SUBLEASE ("Consent") is made by the City of San Diego, a California municipal corporation ("CITY"), to be effective when signed by CITY (the "Effective Date") and approved by the San Diego City Attorney, as follows:

RECITALS

This Consent is made with regard to the following facts:

- A. CITY, as lessor, and WESCO SALES CORPORATION, a California Corporation, d.b.a. Dana Landing, as lessee ("SUBLESSOR") are parties to that certain THE CITY OF SAN DIEGO PERCENTAGE LEASE filed in the Office of the City Clerk on July 17, 1995 as Document No. OO-18192, as amended by that certain FIRST AMENDMENT TO LEASE filed on June 8, 1998 as Document No. OO-18527 in the Office of the City Clerk ("Master Lease"), and relating to certain CITY-owned real property in Mission Bay Park, consisting of approximately 3.467 acres of land and 4.127 acres of water ("Premises"), as further identified in the Master Lease.
- B. SUBLESSOR and GOLDEN STATE BOATS, INC., a California Corporation d.b.a. "Freedom Boat Club of San Diego" ("SUBLESSEE"), have entered into a certain Sublease, dated June 3, 2014, ("Sublease") for a portion of the Premises more particularly described in the Sublease. A copy of the Sublease is attached as Exhibit A.
- C. Pursuant to Section 4.2 of the Master Lease, SUBLESSOR has requested CITY's consent to sublease a portion of the Premises to SUBLESSEE.

CONSENT

1. CITY's Consent. CITY consents to SUBLESSOR subleasing to SUBLESSEE. This consent is granted only on the terms and conditions stated in this Consent. CITY is not bound by any of the terms, covenants, or conditions of the Sublease. The Sublease is and shall remain subject and subordinate to the Master Lease, as may be amended from time to time. If there is a conflict between the Sublease and either the Master Lease or this Consent, the terms, conditions, and obligations of this Consent and the Master Lease shall control. If there is a conflict between this Consent and the Master Lease, the terms, conditions, and obligations of this Consent shall control.
2. Limits of CITY's Consent. As a condition of CITY's consent, neither the Sublease nor this Consent will:
 - (a) release SUBLESSOR from any liability, whether past, present, or future, under the Master Lease as to the Premises or any portion thereof;

- (b) alter the primary liability of SUBLESSOR to pay all rents, consideration, and charges, and to perform all SUBLESSOR's obligations, under the Master Lease;
- (c) be construed as a waiver of CITY's right to consent to any proposed sublease or assignment after the date hereof by SUBLESSOR under the Master Lease or by SUBLESSEE under the Sublease, or as a consent to any portion of the Premises being used or occupied by any other party;
- (d) grant any rights to SUBLESSEE greater than those rights granted to SUBLESSOR under the Master Lease;
- (e) be deemed CITY consent to any other assignment or sublease;
- (f) require CITY to recognize SUBLESSEE in the event of a default in the Master Lease by SUBLESSOR;
- (g) enlarge or in any manner increase CITY's obligations or duties under the Master Lease;
- (h) create obligations or costs to CITY with regard to the Sublease;
- (i) modify, waive, amend, or otherwise affect any provision of the Master Lease other than as set forth in this Consent;
- (j) be deemed to be any type of obligation by CITY to SUBLESSOR, SUBLESSEE or to any governmental agent, board, commission, or agency with regard to any other action relating to SUBLESSEE's occupancy, use, or maintenance of any portion of the Premises or improvements thereon.
- (k) be deemed approval of CITY as required by any other provision of the Master Lease or Sublease.

3. Required Insurance. Prior to the Effective Date of this Consent, SUBLESSEE shall file with CITY a copy of the policy of insurance which shall name the "City of San Diego, its elected officials, officers, representatives, agents and employees" as additional insureds for the entire term of the Sublease. SUBLESSEE shall be insured by an insurance carrier acceptable to the CITY against loss from public liability and property damage arising from the use of or the conduct of any operation conducted on the Premises. SUBLESSEE shall maintain minimum coverage in the amount of Four Million Dollars (\$4,000,000) Combined Single Limit Liability. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by insurance company. Prior to each insurance renewal period, SUBLESSEE shall submit to CITY a copy of the new policy of insurance.

4. Controlling Law. The terms and provisions of this Consent will be construed in accordance with, and will be governed by, the laws of the State of California.
5. CITY's Consent Null and Void. If at any time, either SUBLESSOR or SUBLESSEE fails to comply with any of the terms and conditions set forth in this Consent, this Consent shall automatically and retroactively become null and void as of the date of any such failure to comply. Any such failure to comply with any term or condition of this Consent shall constitute a default under the Master Lease and the CITY may avail itself of any rights and remedies available under the Master Lease and at law and in equity.

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

THE CITY OF SAN DIEGO, a California municipal corporation

Date: 6/12/14

BY: [Signature]
Name: Kristin Gerte
Title: Interim Director Real Estate Assets

Acknowledged and Accepted:

WESCO SALES CORP,
a California Corporation, d.b.a. Dana Landing

Date: 6/9/14

BY: [Signature]
Name: FRANK BUTLER
Title: PRESIDENT

APPROVED AS TO FORM AND LEGALITY:

JAN GOLDSMITH, City Attorney

Date: 6/16/14

By: [Signature]
Jeremy Fonseca
Deputy City Attorney

CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
5/20/2014

PRODUCER TCA, Inc. 10188 Big Canoe Jasper, GA 30143	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED Golden State Boats, Inc. dba Freedom Boat Club 3191 Noreen Way Oceanside, CA 92054	INSURERS AFFORDING COVERAGE INSURER A: Federal Insurance Company INSURER B: INSURER C: INSURER D:	NAIC # 20281

COVERAGES

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. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	ADD'L INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A	☒	GENERAL LIABILITY ☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS MADE ☒ OCCUR ☐ _____ ☐ _____ GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY [] PROJECT [] LOC	79938662	5/20/2014	1/1/2015	EACH OCCURRENCE	\$2,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$1,000,000
						MED EXP (Any one person)	\$10,000
						PERSONAL & ADV INJURY	\$1,000,000
						GENERAL AGGREGATE	\$2,000,000
						PRODUCTS - COMP/OP AGG	\$1,000,000
	☐	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ SCHEDULED AUTOS ☐ HIRED AUTOS ☐ NON-OWNED AUTOS ☐ _____ ☐ _____				COMBINED SINGLE LIMIT (Each Occurrence)	\$
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
	☐	GARAGE LIABILITY ☐ ANY AUTO ☐ _____				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN EA ACC	\$
						AUTO ONLY: AGG	\$
A	☒	EXCESS/UMBRELLA LIABILITY ☒ OCCUR ☐ CLAIMS MADE ☐ DEDUCTIBLE ☐ RETENTION \$	79938664	5/20/2014	1/1/2015	EACH OCCURRENCE	\$2,000,000
						AGGREGATE	\$2,000,000
							\$
							\$
							\$
		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below				☐ WC STATUTORY LIMITS ☐ OTH-ER	
						E.L. EACH ACCIDENT	\$
						E.L. DISEASE - EA EMPLOYEE	\$
						E.L. DISEASE - POLICY LIMIT	\$
	☐	OTHER					

DESCRIPTION OF OPERATIONS / SPECIAL PROVISIONS

As required by written contract, Westco Sales Corp and the City of San Diego are named as Additional Insureds, with a Waiver of Subrogation, under the above referenced policy with regard to the Insured's tenant lease at Dana Landing. Note the \$1,000,000 Damage to Rented Premises limit on the policy.

CERTIFICATE HOLDER

Wesco Sales Corp dba Dana Landing
 2630 Ingraham Street
 San Diego, CA 92109

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE INSURER AFFORDING COVERAGE WILL ENDEAVOR TO MAIL xx DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

Carl H. Peterson

Exhibit A
Sublease
[To Follow Behind this Page]

WESCO SALES CORP. & Golden State Boats Inc.

SUBLEASE OF SHOWROOM/STORE AT 2630 INGRAHAM STREET,

SAN DIEGO, CALIFORNIA

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SUBLEASE

By this Sublease dated June 3 2014, 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 I - BASIC SUBLEASE PROVISIONS

I.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: Golden State Boats Inc, dba FREEDOM BOAT CLUB
- (c) Marina: DANA LANDING, 2630 Ingraham Street, San Diego, CA 92109
- (d) Premises: Building (portion) as indicated on the location plan attached hereto as Exhibit "A."
- (e) Anticipated Commencement Date: JULY 1, 2014
- (f) Anticipated Term: 2 years.
- (g) Permitted Use: Rental of Boats to Club Members
- (h) Basic Monthly Rent: \$ 350.00
- (i) Initial Security Deposit: \$ 350.00
- (j) Proportional Share: Approximately 1%
- (k) Base Year: The calendar year 2014.
- (l) Procuring Broker: None
- (m) Parking Allotment: Rights to use of parking facilities in common with other tenants
- (n) Business Hours: 6:00 AM to 6:00 PM, 365 days a year except Christmas, Easter, or Thanksgiving.

I.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).

I.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 ("NL T") indicating the basis for the Commencement Date. Within seven (7) days after receipt of the NL T, Sublessee shall either confirm the Commencement Date by executing and returning the NL T to Sublessor, or notify Sublessor in writing of any objection to the Commencement Date, or the Commencement Date specified in the NL T 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

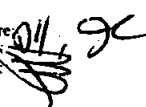
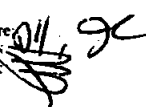
4.1 "Property Taxes" is all costs and expenses which Sublessor incurs for real and personal property taxes, or any other assessments upon Sublessor's legal or equitable interest in the Land, Marina or Common Areas and all or any related facilities and improvements (including, without limitation, Subleasehold 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 g; costs of maintenance performed pursuant to Article II; parking facility operation, maintenance and management; 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 the extent contrary to the foregoing.

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Sublessee: 
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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 not required to be provided to the Premises. Modifications to Services or Subleasehold 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.

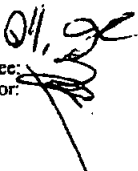
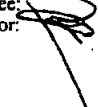
ARTICLE 11-REPAIRS

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.

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Sublessee: 
Sublessor: 

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. If the Marina contains asbestos containing materials, a notice is attached hereto as Exhibit "0" in compliance with California Health and Safety Code sections 25g15, et seq., which require Sublessee to provide a copy of said notice to Sublessee's employees, contractors, subSublessees or assignees within fifteen (15) days of the earlier of (a) commencing work in the Marina, or (b) contracting with Sublessee to subSublease or assign all or a portion of the Premises.

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] 1 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 anyone 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.

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Sublessee:
Sublessor:

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[Signature]

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 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, invites, 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.

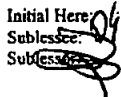
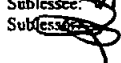
16.2 Subject to the waivers of subrogation and liability set forth in Article 15.3, Sublessor shall indemnify and hold Sublessee harmless from and against any and all liability, loss, claims, demands, damages or expenses, including attorneys' fees, whether for personal injury, theft, property damage or otherwise, due to or arising from the negligence or willful misconduct of Sublessor, its servants, employees, agents, contractors, invites, 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 ("Faking"), 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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Sublessor: 
Sublessee: 

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.

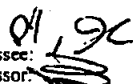
20.3 Sublessee shall, within five (5) business days after receipt of Sublessor's written request, execute such further instruments or assurances as Sublessor may reasonably deem necessary to evidence or confirm the subordination, nondisturbance and attornment pursuant to this Article. Sublessee waives 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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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-sufferance. 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 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).

Initial
Here: 
Sublessee: 
Sublessor: 

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 or at 1536 Bunena Vista, San Clemente, CA 92672. 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 Sublessee 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.

Initial Here:
Sublessee: *SH*
Sublessor: *DC*

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.

Initial Here: 04 9X
Sublessee: 
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

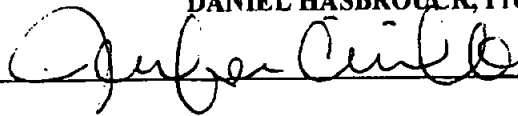
Golden State Boats Inc. dba FREEDOM BOAT CLUB

By: _____



DANIEL HASBROUCK, President

By: _____



JENNIFER CIRILLO, VP Secretary

SUBLESSOR

WESCO SALES CORP., DBA DANA LANDING

By: _____



FRANK BUTLER, ITS PRESIDENT

Initial Here:
Sublessee: _____
Sublessor: _____

Addendum No.1 to Marina Sublease dated June 3, 2014 , between Wesco Sales Corp. dba Dana Landing, Sublessor, and Golden State Boats Inc. dba Freedom Boat Club , Sublessee, regarding the portions of Building 2630 at Dana Landing Marina, 2630 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 August 1 of each year commencing August 1, 2009, the Basic Monthly Rent payable in accordance with Article 1.1(h) 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 of 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.

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.

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.

Initial Here:
Sublessee: 
Sublessor: 

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.

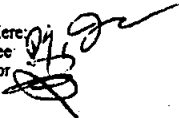
Article 34

Sublessee acknowledges possession of the premises in their present condition and confirms that Sublessee previously occupied said premises pursuant to a substantially similar Sublease agreement which was thereafter extended for a month-to-month term pending the approval of the present Sublease.

Article 35

Provided Sublessee has not defaulted on any terms of the lease herein, Sublessor grants to Sublessee a single option to extend the Term for an additional period of four (4) years each on the same terms and conditions as set forth herein except that Basic Monthly Rent shall be at the then prevailing market rate but in no event less than the current rate. Said option shall be deemed automatically exercised by Sublessee unless Sublessee shall give notice to Landlord at least three (3) months before the expiration of the term or renewal period then in effect of Sublessee's desire to terminate said Sublease. In the event of a default in any term of the Sublease, these options will be cancelled.

Initial Here:
Sublessee
Sublessor



CITY OF SAN DIEGO

LESSEE'S AND SUBLESSEE'S QUESTIONNAIRE FOR ALL LEASES, ASSIGNMENTS AND SUBLEASES

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

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

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

Exact name of existing Lessee (always complete): _____

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

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

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

FREEDOM BOAT CLUB OF SAN DIEGO

Date this Questionnaire completed: _____

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

Signature: _____

Title: _____

PRESIDENT

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

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

This Questionnaire contains 15 pages.

PROPOSED (SUB)LESSEE

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

GOLDEN STATE BOATS INC

DBA "FREEDOM BOAT CLUB & SAN DIEGO

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

3191 NOREEN WAY

OCEANSIDE CA 92054

Telephone No.: 619-981-2628

Fax. No.: _____

E-mail Address: DHAS322UC12@freedomboatclub.com

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

Telephone No.: _____

Fax. No.: _____

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

Sole Proprietorship ();

Partnership ();

Corporation (X);

Limited Liability Company (); Other _____

Explain if necessary:

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

PARTNERSHIP STATEMENT

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

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

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

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

General/Limited	Name	Address	Share %

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

CORPORATION STATEMENT

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

1. Type of corporation: C () Subchapter S (X)
2. When incorporated? JAN 2014
3. Where incorporated? CA
4. Is the corporation authorized to do business in California? Yes (X) No ()
If so, as of what date? JAN 31 2014
5. The corporation is held:
 - a. Publicly () Privately (X)
 - b. If publicly held, how and where is the stock traded?

- | | | | |
|-------------------------------------|-------------------|-----------------------------|--------------------|
| 6. Please list the following: | <u>Authorized</u> | <u>Issued</u> | <u>Outstanding</u> |
| a. Number of voting shares: | <u>1000</u> | <u>500</u> | <u>500</u> |
| b. Number of nonvoting shares: | <u> </u> | <u> </u> | <u> </u> |
| c. Number of shareholders: | <u>2</u> | | |
| d. Value per share of Common Stock: | | Par. \$ <u>0.01</u> | |
| | | Book \$ <u> </u> | |
| | | Market \$ <u> </u> | |

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

Name: DANIEL DEAN HASBROUCK
Title: President
Address: 3191 Noreen Way
Oceanside CA 92054
No. of Shares: ~~250~~ 250

Name: JENNIFER N. CIRILLO
Title: Vice President / Secretary CFO
Address: 3191 Noreen Way
Oceanside CA 92054
No. of Shares: ~~250~~ 250

Name: _____
Title: _____
Address: _____

No. of Shares: _____

Name: _____
Title: _____
Address: _____

No. of Shares: _____

Name: _____
Title: _____
Address: _____

No. of Shares: _____

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

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

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

To form a general stock corporation in California, you can fill out this form or prepare your own document, and submit for filing along with:

- A \$100 filing fee.
- A separate, non-refundable \$15 service fee also must be included, if you drop off the completed form or document.

Important! Corporations in California may have to pay a minimum \$800 yearly tax to the California Franchise Tax Board. For more information, go to <https://www.ftb.ca.gov>.

Note: Before submitting the completed form, you should consult with a private attorney for advice about your specific business needs.

FILED
Secretary of State
State of California

1PC JAN 02 2014

5
TWS

This Space For Office Use Only

For questions about this form, go to www.sos.ca.gov/business/be/filing-tips.htm.

Corporate Name (List the proposed corporate name. Go to www.sos.ca.gov/business/be/name-availability.htm for general corporate name requirements and restrictions.)

① The name of the corporation is Golden State Boats Inc

Corporate Purpose

② The purpose of the corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of California other than the banking business, the trust company business or the practice of a profession permitted to be incorporated by the California Corporations Code.

Service of Process (List a California resident or an active 1505 corporation in California that agrees to be your initial agent to accept service of process in case your corporation is sued. You may list any adult who lives in California. You may not list your own corporation as the agent. Do not list an address if the agent is a 1505 corporation.)

③ a. Daniel Hasbrouck

Agent's Name

b. 3191 Noreen Way, Oceanside

Agent's Street Address (if agent is not a corporation)

City (no abbreviations)

CA 92054

State Zip

Corporate Addresses

④ a. 3191 Noreen Way Oceanside California 92054

Initial Street Address of Corporation

City (no abbreviations)

State Zip

b.

Initial Mailing Address of Corporation, if different from 4a

City (no abbreviations)

State Zip

Shares (List the number of shares the corporation is authorized to issue. Note: Before shares of stock are sold or issued, the corporation must comply with the Corporate Securities Law of 1968 administered by the California Department of Corporations. For more information, go to www.corp.ca.gov or call the California Department of Corporations at (213) 576-7500.)

⑤ This corporation is authorized to issue only one class of shares of stock.

The total number of shares which this corporation is authorized to issue is 1,000

This form must be signed by each incorporator. If you need more space, attach extra pages that are 1-sided and on standard letter-sized paper (8 1/2" x 11"). All attachments are made part of these articles of incorporation.



Incorporator - Sign here

LegalZoom.com, Inc. by Cheyenne Moseley, Assistant Secretary

Print your name here

Make check/money order payable to: **Secretary of State**

Upon filing, we will return one (1) uncertified copy of your filed document for free, and will certify the copy upon request and payment of a \$5 certification fee.

By Mail

Secretary of State
Business Entities, P.O. Box 944260
Sacramento, CA 94244-2600

Drop-Off

Secretary of State
1500 11th Street, 3rd Floor
Sacramento, CA 95814

EXHIBIT B
FORM OF SHARE CERTIFICATE

CERTIFICATE OF SECRETARY OF

Golden State Boats Inc

The undersigned, Jennifer Nicole Cirillo, as Secretary of Golden State Boats Inc, a California corporation (the "Corporation"), hereby certifies the attached document is a true and complete copy of the bylaws of the Corporation and that such bylaws were duly adopted by the Board of Directors of the Corporation on the date set forth below.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of _____, 20____.

Jennifer Nicole Cirillo
Secretary

BYLAWS
OF
Golden State Boats Inc,
a California Corporation

ARTICLE I

Shareholders

Section 1.1. Annual Meetings. An annual meeting of shareholders of Golden State Boats Inc (the "Corporation") shall be held on a date and at a time and place, either within or without the state of California, as determined by resolution of the Corporation's Board of Directors.

Section 1.2. Special Meetings. Special meetings of the shareholders may be called at any time by the Board of Directors, the Chairperson of the Board of Directors, or the holders of shares entitled to cast not less than ten percent of the votes at the meeting. Special meetings will be held on a date and at a time and place, either within or without the state of California, as may be stated in the notice of the meeting.

Section 1.3. Notice of Meetings.

a) **General; Delivery.** Written notice of each annual or special shareholder meeting shall be delivered to each shareholder entitled to vote at the meeting at least 10 (or, if sent by third-class mail, 30) but no more than 60 days before the date of the meeting. All written notices and reports of any such meeting shall be delivered either personally, by first-class mail (unless the Corporation has 500 or more shareholders determined as provided by the California Corporations Code on the record date for the meeting, in which case notice may be sent by third-class mail), by electronic transmission by the corporation (including email) pursuant to Section 20 of the California Corporations Code, or by other means of written communication to each shareholder at the address of such shareholder that appears on the Corporation's books or that was provided by such shareholder to the Corporation for the purpose of notice. Except as otherwise prescribed by the Board of Directors in particular instances or as otherwise provided by Section 601(c) of the California Corporations Code, the Secretary shall prepare and deliver, or cause to be prepared and delivered, the notice of meetings of shareholders.

b) **Notice Content.** Each notice shall state the following:

- (i) the place, date and time of the meeting, and
- (ii) in the case of a special meeting, the general nature of the business to be transacted, and that no other business may be transacted, or (B) in the case of an annual meeting, those matters which the Board of Directors, at the time of the delivery of the notice, intends to present for action by the shareholders; provided, however that, any proper matter may be presented for action at an annual meeting subject to provisions of Section 601(f) of the California Corporations Code that require certain matters be stated in the notice in order to be presented at a meeting. The notice of any meeting during which directors are to be elected including, but not limited to, any annual meeting notice, shall include a list of the names of the nominees intended, at the time of the mailing of the notice, to be presented by the Board of Directors for election.

Section 1.4. Adjournments. Except as otherwise provided in this Section 1.1, when a shareholders meeting is adjourned to another time or place, notice need not be given of such adjourned meeting if the time and place are announced at the meeting at which the adjournment is taken. If the adjournment is for more than 45 days or, if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record entitled to vote at the meeting. The Corporation may transact any business at the adjourned meeting which might have been transacted at the original meeting.

Section 1.5. Validating Meeting of Shareholders; Waiver of Notice. The transactions of any meeting of shareholders, however called and noticed and wherever held, are as valid as though such transaction had taken place at a meeting duly held after regular call and notice if (a) a quorum is present either in person or by proxy and (b) if, either before or after the meeting, each of the persons entitled to vote but not present in person or by proxy signs a written waiver of notice or a consent to the holding of the meeting or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A person's attendance at a meeting shall constitute a waiver of notice of and presence at such meeting except when the person objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened and except that attendance at a meeting is not a waiver of any right to object to the consideration of matters that the law requires to be included in the notice of the meeting but was not so included if such objection is expressly made at the meeting. Except as required by Section 601(f) of the California Corporations Code, neither the business to be transacted at nor the purpose of any regular or special meeting of shareholders need be specified in any written waiver of notice, consent to the holding of the meeting or approval of the minutes thereof.

Section 1.6. Quorum. A majority of the shares entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the shareholders, except as otherwise provided by the Articles of Incorporation. The shareholders present at a duly called and held meeting with a quorum present may continue to transact business until it is adjourned even if shareholders withdraw from the meeting and leave less than a quorum provided that any action taken (other than adjournment) is approved by at least a majority of the shares required to constitute a quorum. In the absence of a quorum, any meeting of shareholders may be adjourned by the vote of a majority of the shares, represented either in person or by proxy, but no other business may be transacted, except as provided in this Section 1.3.

Section 1.7. Organization. Meetings of shareholders shall be presided over by the Chairperson of the Board of Directors, if any, or in the absence of the Chairperson of the Board of Directors by a chairperson designated by the Board of Directors or by a chairperson chosen at the meeting. The Secretary or a secretary appointed by the chairperson of the meeting shall act as secretary of the meeting.

Section 1.8. Voting.

a) Unless otherwise provided in the articles of incorporation of the Corporation, as may be amended from time to time (the "Articles of Incorporation"), each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote of shareholders. Except as otherwise provided by the California Corporations Code, the Articles of Incorporation, or the bylaws of the Corporation, as may be amended from time to time (the "Bylaws"), the affirmative vote of the holders of a majority of the shares entitled to vote on the subject matter at a meeting in which a quorum is present shall be the act of the shareholders.

b) Any holder of multiple shares entitled to vote on any matter may vote part of his, her or its shares in favor of the proposal and refrain from voting the remaining shares or vote them against the proposal other than elections to office. If the shareholder fails to specify the number of shares such shareholder is voting affirmatively, it will be conclusively presumed that the shareholder's approving vote is with respect to all shares such shareholder is entitled to vote.

c) Except as otherwise provided in the Articles of Incorporation and subject to the requirements of this Section 1.5, every shareholder entitled to vote at any election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which the shareholder's shares are normally entitled, or distribute the shareholder's votes on the same principle among as many candidates as the shareholder thinks fit. No shareholder shall be entitled to cumulate votes unless such candidate or candidates' names have been placed in nomination prior to the voting and the shareholder gives notice at the meeting prior to the voting of the his, her or its intention to cumulate his, her or its votes. If any one shareholder has given such notice, all shareholders may cumulate their votes for candidates in nomination. In any election of directors, the candidates receiving the highest number of votes of the shares entitled to be voted for them, up to the number of directors to be elected by such shares, are elected. Elections for directors need not be by ballot unless a shareholder demands election by ballot at the meeting and before the voting begins.

Section 1.9. Shareholder's Proxies. Every shareholder entitled to vote shares may authorize another person or persons to act by proxy with respect to such shares. Any proxy purporting to be executed in accordance with the provisions of Section 705 of the California Corporations Code shall be presumptively valid. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy. Except as otherwise provided in this section, every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto. Such revocation may be effected by (a) delivering to the Corporation a written document stating that the proxy is revoked, (b) presenting to the meeting a subsequent proxy executed by the person executing the prior proxy, or (c) attending and voting in person at the meeting by the person executing the proxy. A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of such death or incapacity is received by the Corporation. A proxy may be made irrevocable as provided under the California Corporations Code. If the Corporation has 100 or more shareholders, any form of proxy distributed to 10 or more shareholders shall conform to the requirements of Section 604 of the California Corporations Code.

Section 1.10. Inspectors. Inspectors of election may be appointed by the Board of Directors as provided under the California Corporations Code.

Section 1.11. Fixing Date for Determination of Shareholders of Record.

a) In order that the Corporation may determine the shareholders entitled to notice of any meeting; vote; express consent to corporate action in writing without a meeting; receive payment of any dividend, other distribution or allotment of any rights; or exercise any rights with respect to any other lawful action, the Board of Directors may fix a record date in advance which shall be, as applicable, at least 10 but no more than 60 days prior to the date of the meeting and no more than 60 days prior to any other action.

b) If no record date is fixed: (1) the record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the business day immediately preceding the day on which notice is given or, if notice is waived, at the close of business on the business day immediately preceding the day on which the meeting is held; (2) the record date for determining shareholders entitled to give consent to corporate action in writing without a meeting, when no prior action by the Board of Directors has been taken, shall be the day on which the first written consent is given; and (3) the record date for determining shareholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto or the 60th day prior to the date of such other action, whichever is later. A determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders shall apply to any adjournment of a meeting unless the Board of Directors fixes a new record date for the adjourned meeting, but the Board of Directors shall fix a new record date if the meeting is adjourned for more than 45 days after the date set for the original meeting.

Section 1.12. Consent of Shareholders in Lieu of Meeting.

a) Except as otherwise provided in the Articles of Incorporation or in this Section 1.9, any action which may be taken at any annual or special meeting of the shareholders may be taken without a meeting and without prior notice if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

b) Directors may not be elected by written consent except by unanimous consent of all shares entitled to vote for the election of directors. Notwithstanding the foregoing sentence, except for vacancies created by removal, shareholders may fill any vacancy in the Board of Directors that are not filled by the Board of Directors by electing a director through written consent of a majority of outstanding shares entitled to vote.

c) Any shareholder giving a written consent or such shareholder's proxyholder or a transferee of the shares or a personal representative of such shareholder or its respective proxyholder may revoke the consent by a writing received by the Corporation prior to the time that written consents of the number of shares required to authorize the proposed action have been filed with the Secretary of the Corporation, but may not do so thereafter. Such revocation is effective upon its receipt by the Secretary of the Corporation.

d) Unless all shareholders entitled to vote consent in writing, notice of any shareholder approval without a meeting shall be provided to the shareholders as required under the California Corporations Code.

e) If the Corporation has 100 or more shareholders, any form of written consent distributed to 10 or more shareholders shall conform to the requirements of Section 604 of the California Corporations Code.

ARTICLE II

Board of Directors of Directors

Section 2.1. Powers; Number. The business and affairs of the Corporation shall be managed by and all corporate powers shall be exercised by or under the direction of the Board of Directors except as otherwise provided in the Articles of Incorporation or Bylaws. The number of directors comprising the Board of Directors shall be 2 until changed by amendment of this bylaw.

Section 2.2. Election; Term of Office. At each annual meeting of shareholders, directors shall be elected to hold office until the next annual meeting. Each director, including a director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

Section 2.3. Removal. Subject to Section 303 of the California Corporations Code, any or all of the directors may be removed without cause if such removal is approved by a majority of the outstanding shares then entitled to vote on the election of directors. Any reduction in the authorized number of directors does not itself automatically remove any director prior to the expiration of such director's term in office.

Section 2.4. Vacancies; Resignation.

a) A vacancy in the Board of Directors is deemed to exist (a) if a director dies, resigns, or is removed by the shareholders or an appropriate court, as provided in Sections 303 or 304 of the California Corporations Code; (b) if the Board of Directors declares vacant the office of a director who has been convicted of a felony or declared of unsound mind by an order of court; (c) if the authorized number of directors is increased; or (d) if at any shareholders meeting at which one or more directors are elected, the shareholders fail to elect the full authorized number of directors to be elected for at such meeting. Unless otherwise provided in the Articles of Incorporation or the Bylaws and except for a vacancy caused by the removal of a director, vacancies on the Board of Directors may be filled by appointment by the Board of Directors. A vacancy on the Board of Directors caused by the removal of a director may be filled only by the shareholders, except that a vacancy created by the Board of Directors declaring an office of a director vacant because a director has been convicted of a felony or declared of unsound mind by an order of court may be filled by the Board of Directors.

b) The shareholders may elect a director at any time to fill a vacancy not filled by the Board of Directors.

c) If the number of directors then in office is less than a quorum, vacancies on the Board of Directors may be filled by the unanimous written consent of the directors then in office, the affirmative vote of a majority of the directors then in office, or the sole remaining director.

d) Any director may resign effective upon giving written notice to the Chairperson of the Board of Directors, the Secretary, or the Board of Directors unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 2.5. Meetings; General. Meetings of the Board of Directors may be held at such places, within or without the state of California, and at such times as the Board of Directors may from time to time determine. Annual meetings shall be held without notice immediately thereafter and at the same place as the annual meeting of shareholders unless the Board of Directors determines otherwise by resolution. Special meetings may be held at any time or place whenever called by the Chairperson of the Board of Directors or by any two directors.

Section 2.6. Notice of Meetings; Waiver of Notice.

a) Notice of special meetings shall be provided four days prior to the date of the meeting by mail or 48 hours prior to the date of the meeting if delivered personally, by telephone, by electronic transmission (including email) or by any other means permitted under Section 307 of the California Corporations Code. All such notices shall comply with requirements under the California Corporations Code.

b) Notice of a meeting need not be given to any director who signs a waiver of notice or a consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting the lack of notice to such director prior thereto or at its commencement. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meeting. A notice or waiver of notice need not specify the purpose of any regular or special meeting of the Board of Directors.

Section 2.7. Participation in Meetings by Conference Telephone Permitted.
Members of the Board of Directors, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or of such committee, as the case may be, through the use of conference telephone or any other means permitted under the California Corporations Code provided that all members participating in such meeting can hear one another. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

Section 2.8. Quorum; Adjournment; Vote Required for Action.

a) At all meetings of the Board of Directors, a majority of the authorized number of directors shall constitute a quorum for the transaction of business. Subject to the provisions and requirements of the California Corporations Code, every act or decision done or made by a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors unless the Articles of Incorporation or the Bylaws require a vote of a greater number.

b) A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another time or place shall be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 2.9. Organization. Meetings of the Board of Directors shall be presided over by the Chairperson of the Board of Directors or in the absence of the Chairperson of the Board of Directors, by a chairperson chosen at the meeting. The Secretary or in the absence of the Secretary, any person appointed by the chairperson, shall act as secretary of the meeting.

Section 2.10. Action by Directors Without a Meeting. Any action required or permitted to be taken by the Board of Directors, or any committee thereof, may be taken without a meeting if all members of the Board of Directors or of such committee, as the case may be, individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of such directors.

Section 2.11. Compensation of Directors. The Board of Directors shall have the authority to fix the compensation of directors for services in any capacity.

Section 2.12. Interested Directors; Quorum. No contract or transaction between the Corporation and one or more of its directors or between the Corporation and any other corporation, firm or association in which one or more of the Corporation's directors are directors or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or directors are present at the meeting during which the Board of Directors or committee thereof authorizes, approves or ratifies the contract or transaction, or solely because his or her or their votes are counted for such purpose if: (1) the material facts as to his or her relationship or interest and as to the contract or transaction are fully disclosed or are known to the shareholders and such contract or transaction is approved by the shareholders in good faith with the shares owned by the interested director or directors not being entitled to vote thereon; (2) the material facts as to his, her or their relationship or interest and as to the contract or transaction are fully disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee authorizes, approves, or ratifies the contract or transaction in good faith by a vote sufficient without counting the vote of the interested director or directors and the contract or transaction is just and reasonable as to the Corporation at the time it is authorized, approved or ratified; or (3) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the shareholders, as applicable. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

Section 2.13. Indemnification. To the maximum extent permitted under the California Corporations Code, the Corporation shall have the right and power to indemnify any person who was a party, is a party, or is threatened to be made a party to any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative, because such person is or was an "agent" (as defined in Section 317 of the California Corporations Code) of the Corporation against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such action or proceeding. To the extent permitted under the California Corporations Code, the Corporation may advance expenses incurred in defending any such action or proceeding prior to final disposition after the Corporation has received an undertaking required by Section 317(f) of the California Corporations Code by or on behalf of the agent to repay the Corporation if it is determined ultimately that the agent is not entitled to be indemnified.

ARTICLE III

Executive and Other Committees

Section 3.1. Executive and Other Committees of Directors.

a) By resolution adopted by a majority of the authorized number of directors, the Board of Directors may designate an executive committee and other committees, each of which shall serve at the pleasure of the Board of Directors; consist of two or more directors; and, to the extent provided in the resolution, have all the authority of the Board of Directors except that no such committee shall have power or authority with respect to the following matters:

- (i) Approve any action for which the approval of the shareholders or of the outstanding shares is also required under the California Corporations Code;
- (ii) Fill vacancies in the Board of Directors or in any committee thereof;
- (iii) Fix compensation of the directors for serving on the Board of Directors or on any committee thereof;
- (iv) Amend or repeal the Bylaws or adopt new bylaws;
- (v) Amend or repeal any resolution of the Board of Directors which, by its terms, is so amendable or repealable;
- (vi) Make distributions to shareholders, except at a rate or in a periodic amount or within a price range set forth in the Articles of Incorporation or as determined by the Board of Directors;
- (vii) Appoint other committees of the Board of Directors or the members thereof;
- (viii) Remove or indemnify any director; or
- (ix) Change the number of authorized directors on the Board of Directors.

b) The Board of Directors may designate one or more directors as alternate members of any such committee who may replace any absent member or members at any meeting of such committee.

c) Unless the Board of Directors otherwise provides, each committee designated by the Board of Directors may adopt, amend and repeal rules for the conduct of its business. In the absence of a provision by the Board of Directors or a provision in the rules of such committee to the contrary, each committee shall conduct its business in the same manner as the Board of Directors conducts its business pursuant to Article II of the Bylaws.

ARTICLE IV

Officers

Section 4.1. **Officers; Election.** As soon as practicable after the annual meeting of shareholders in each year, the Board of Directors shall elect a President, Chief Financial Officer, and Secretary. The Board of Directors may also elect such other officers with such duties as the Board of Directors may deem desirable or appropriate. Any number of offices may be held by the same person.

Section 4.2. **Term of Office; Resignation; Removal; Vacancies.** Except as otherwise provided in the resolution of the Board of Directors electing any officer, each officer shall hold office until the first meeting of the Board of Directors after the annual meeting of shareholders next succeeding his or her election, and until his or her successor is elected and qualified or until his or her earlier resignation or removal. Any officer may resign at any time upon written notice to the Board of Directors or to the Chairperson of the Board of Directors or the Secretary of the Corporation. Such resignation shall take effect at the time specified therein and, unless otherwise specified therein, no acceptance of such resignation shall be necessary to make it effective. The Board of Directors may remove any officer with or without cause at any time. Any such removal shall be without prejudice to the contractual rights of such officer, if any, with the Corporation, but the election of an officer shall not of itself create contractual rights. Any vacancy occurring in any office of the Corporation by death, resignation, removal or otherwise may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

Section 4.3. Powers and Duties. The officers of the Corporation shall have such powers and duties in the management of the Corporation as shall be stated in the Bylaws or in a resolution of the Board of Directors which is not inconsistent with the Bylaws and, to the extent not so stated, as generally pertain to their respective offices, subject to the control of the Board of Directors. The Secretary shall have the duty to record the proceedings of the meetings of the shareholders, the Board of Directors and any committees of the Board of Directors in a book to be kept for that purpose. The Board of Directors may require any officer, agent or employee to give security for the faithful performance of his or her duties.

ARTICLE V

Shares and Certificates

Section 5.1. Certificates. Every holder of shares in the Corporation shall be entitled to have a certificate signed in the name of the Corporation by the (1) the President, any Vice President, or Chairperson of the Board of Directors, and (2) Chief Financial Officer, or Secretary of the Corporation. Each certificate shall be issued in numerical order, and state the shareholder's name, the number of shares and the class, designation or series, if any, of shares owned by such shareholder, and contain any statement or legend required by any applicable law.

Section 5.2. Lost, Stolen or Destroyed Stock Certificates; Issuance of New Certificates. The Corporation may issue a new share certificate or a new certificate for any other security in the place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed, and the Corporation may require the owner of the lost, stolen or destroyed certificate, or such owner's legal representative, to give the Corporation a bond sufficient to indemnify it against any claim that may be made against it (including any expense or liability) on account of the alleged loss, theft or destruction of any such certificate or the issuance of such new certificate.

ARTICLE VI

Records and Reports

Section 6.1. **Records and Minutes.** The Corporation shall keep at its principal executive office (or, with respect to Corporation's shareholder records, at the office of its transfer agent or registrar) the following corporate records: (i) a record of the names and addresses of all shareholders and the number and class of shares held by each shareholder, (ii) minutes of proceedings of the shareholders, the Board of Directors, and committees of the Board of Directors, and (iii) accounting records. All records shall be kept either in written form or in a form capable of being converted into a clearly legible form within a reasonable time. The Corporation shall so convert any such records upon the request of any person entitled to inspect the same at the Corporation's principal executive office.

Section 6.2. **Inspection by Shareholders.** The share register, minutes, and accounting books and records shall be open to inspection upon the written demand of any shareholder or holder of a voting trust certificate at any reasonable time during usual business hours for a purpose reasonably related to the holder's interests as a shareholder or holder of a voting trust certificate. The inspection may be made in person or by an agent or attorney, and shall include the right to copy and make extracts. These rights of inspection shall extend to the records of each subsidiary of the Corporation. Shareholders shall also have the right to inspect the original or copy of the Bylaws at all reasonable times during business hours.

Section 6.3. **Inspection by Directors.** Every director shall have the absolute right at any reasonable time to inspect all books, records, and documents of every kind and the physical properties of the Corporation and each of its subsidiary corporations. This inspection by a director may be made in person or by an agent or attorney and the right of inspection includes the right to copy and make extracts of documents.

Section 6.4. Annual Report to Shareholders. For as long as there are fewer than 100 shareholders of the Corporation, the requirement of an annual report to shareholders referred to in Section 1501 of the California Corporations Code is expressly waived. However, nothing in this provision shall be interpreted as prohibiting the Board of Directors from issuing annual or other periodic reports to the shareholders, as the Board of Directors considers appropriate. If at any time and for as long as, the number of shareholders of the Corporation shall exceeds 100, the Board of Directors shall cause an annual report to be sent to the shareholders not later than 120 days after the close of the fiscal year adopted by the Corporation. This report shall be sent at least 15 days (if third-class mail is used, 35 days) before the annual meeting of shareholders to be held during the next fiscal year and in the manner specified for giving notice to shareholders in the Bylaws. The annual report shall contain a balance sheet as of the end of the fiscal year and an income statement and a statement of changes in financial position for the fiscal year prepared in accordance with generally accepted accounting principles applied on a consistent basis and accompanied by any report of independent accountants, or, if there is no such report, the certificate of an authorized officer of the Corporation that the statements were prepared without audit from the Corporation's books and records.

Section 6.5. Financial Statements. The Corporation shall keep a copy of each annual financial statement, quarterly or other periodic income statement, and accompanying balance sheets prepared by the Corporation on file in the Corporation's principal office for 12 months. These documents shall be exhibited at all reasonable times, or copies provided, to any shareholder on demand.

ARTICLE VII

Miscellaneous

Section 7.1. Principal Executive or Business Offices. The Board of Directors shall fix the location of the principal executive office of the Corporation at any place either within or without the state of California. The Corporation may also have additional offices in other places as the Corporation's business may require, and as the Board of Directors may determine from time to time. If the principal executive office is located outside California and the Corporation has one or more business offices in California, the Board of Directors shall designate one of these offices as the Corporation's principal business office in California.

Section 7.2. Fiscal Year. The fiscal year of the Corporation shall be determined by the Board of Directors.

Section 7.3. Amendment of Bylaws. To the extent permitted by law, the Bylaws may be amended or repealed, and new bylaws adopted, by the Board of Directors. The shareholders entitled to vote, however, retain the right to adopt additional bylaws and may amend or repeal any by-law whether or not adopted by them.

[Remainder Intentionally Left Blank.]

EXHIBIT A
BYLAWS OF
Golden State Boats Inc

LIMITED LIABILITY COMPANY STATEMENT

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

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

Manager/Officer/ Member	Name	Address	Share %

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

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

To Whom it May Concern,

Golden State Boats Inc has not sold any product or made any income to date. The company was established in January of 2014 to purchase a franchise, Freedom Boat Club. There is a tentative opening date for April 2014. We also have no balance sheet because the company is not operational yet.

Sincerely,

President

Daniel Hasbrouck

619-981-2628

dhasbrouck@freedomboatclub.com

FINANCIAL AND OTHER BACKGROUND INFORMATION

FINANCIAL STATEMENT

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

- See Letter & Proposed Financial Analysis Attached

OTHER INFORMATION

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

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

REFERENCES FOR PROPOSED (SUB)LESSEE

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

REFERENCE NO. 1

Name: John Gigilio
Firm: FREEDOM FRANCHISE SYSTEMS, LLC
Title: PRESIDENT & CEO
Address: 990 LAGUNA DR VENICE FL 34285
Telephone: 941-451-8756

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

GOLDEN STATE BOATS INC PURCHASED THE
FREEDOM BOAT CLUB FRANCHISE FROM JOHN GIGILIO'S COMPANY.

REFERENCE NO. 2

Name: RYAN SMITH
Firm: US BANK
Title: BUSINESS BANKING OFFICER
Address: _____
Telephone: 760-450-6676

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

OUR BANK REPRESENTATIVE FOR AN SBA LOAN.

REFERENCE NO. 3

Name: PIERRE DION

Firm: PADGETT BUSINESS SERVICES

Title: _____

Address: 332 VIA VERA CRUZ St 260 San Marcos CA 92078

Telephone: 760-591-9717

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

This is GOLDEN STATE BOATS INC Accountant Firm.

REFERENCE NO. 4

Name: JEREMY N. JUNGREIS

Firm: RUTAN & TUCKER, LLP

Title: ATTORNEY

Address: 611 Anton Blvd. Suite 1400 COSTA MESA CA

Telephone: 714-641-6100

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

Golden State Boats Inc USED Jeremy's Services
for the Franchise Purchase Process

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

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

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

First, Middle, & Last Name DANIEL ROBERT DEAN HASZCROUCH
Date of Birth 9/3/82
Place of Birth LINDSEY CA
Social Security Number 297-20-6904
Driver's License Number/State F5652329
Home Address 3191 NOREEN WAY
Oceanside CA 92054
Previous Address 1405 N. VULCAN AVE #5
ENCINITAS CA 92024
Home Telephone No. 941-650-6076
Employer ARCTIC AIR SERVICE *
Occupation HELICOPTER PILOT (Quitting Job in March)
Business Address _____
Business Telephone No. 805-938-5500
Business Fax No. _____

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

- SALES
- MARKETING

Date 2/19/2014 Signed [Signature]

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

FREEDOM BOAT CLUB & SAN DIEGO (GOLDEN STATE BOATS INC)

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

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

First, Middle, & Last Name	Jennifer Nicole Cirillo
Date of Birth	10/28/1983
Place of Birth	Sarasota, Florida
Social Security Number	589-64-6262
Driver's License Number/State	C640-434-83-888-0/Florida
Home Address	3191 Noreen Way Oceanside, CA 92054
Previous Address	1405 N. Vulcan Ave #5 Encinitas, CA 92024
Home Telephone No.	941-685-5366
Employer	San Diego Spine & Rehab
Occupation	Chiropractor
Business Address	3772 Mission Ave, Ste 122, Oceanside, CA 92058
Business Telephone No.	760-630-8400
Business Fax No.	760-630-8594

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

Date 2/19/14 Signed [Signature]

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

METHOD OF OPERATION

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

See Business Plan Attached

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

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

Financing will be through US BANK and the SBA.
Improvements are planned for ^{MARCH} April of 2014.

Improvements Include

- PAINT
- CARPETING
- FURNITURE

ESTIMATE OF GROSS RECEIPTS

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

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

Year of Operation	Uses (Identify Each Use)			
	Membership's			
1	\$ 424 214,200	\$	\$	\$
2	\$ 472,950			
3	\$ 596,850			
4	\$ 702,550			
5	\$ 792,150			

* See Also Financial Analysis Booklet

EXPERIENCE STATEMENT

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

See Business Plan Attached

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

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

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

GOLDEN STATE BOATS INC.

DOING BUSINESS AS



INFO

The name of the business: Golden State Boats Inc

Doing Business as: Freedom Boat Club of San Diego

Month and year the plan is being completed: February 2014

Name of the chief executive officer: Daniel Robert Dean Hasbrouck

Exact title of the chief executive: President

Name of Vice President: Jennifer Nicole Cirillo

Address of the company: Dana Landing Marina San Diego, CA

Company's Website address: www.freedomboatclub.com

Phone number with area code: 619-981-BOAT(2628)

E-Mail address: DHasbrouck@freedomboatclub.com

JHasbrouck@freedomboatclub.com

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I. Executive Summary

Freedom Boat Club of San Diego will revolutionize boating in San Diego. Feeding off the excitement from all of the Franchisees and the Franchisor, Golden State Boats Inc hopes to take Freedom Boat Club of San Diego to the next level. With more than 50 separate owners and over 25 years of experience, the support for this new Franchise is positive and reinforced.

The President and Vice President of this company are fully committed to the success of this business. Having worked for other employers for most of their lives, a new step towards creation and success drives this married team to have something to call their own. These two individuals understand what it takes to succeed, through hard work and sacrifice they have already accomplished so much for a young couple.

The bottom line is that this company will bring joy and happiness to people's lives. That look on a child's face when a father's son pulls up his first fish, or when you finally master getting up on a wakeboard, these are the reason for this business. Creating memories for people, who otherwise would not have even considered boating as part of their lives, will be one of the goals of this company.

II. Company Description

INTRODUCTION TO COMPANY

Golden State Boats Inc. has been established to be the owner and operator of the first West Coast Freedom Boat Club franchise. Freedom Boat Club is a membership based club that offers a hassle free alternative to boat ownership.

Freedom Boat Club was founded in Sarasota Florida in 1989. Since then Freedom Boat Club has become the largest members-only boat club in the United States, with over 76 locations and over 800 boats. They are also the largest fleet of boats outside of the U.S. Government and continue to grow every year. Freedom Boat Club invented the members-only boat club concept, and there is almost no competition from other clubs that have followed. Golden State Boats Inc. will be doing business as Freedom Boat Club.

Freedom Boat Club is a members-only boating club. It is a simple alternative to boat ownership. Members will have access to the boats in their club, as well as to all 72 locations throughout the United States. With Freedom Boat Club, you don't need a lot of time to enjoy boating. Just arrive at the dock, and we'll have a boat waiting for you, fueled up and ready to go. We clean, maintain, store, and do all the prep work for your enjoyment. There are no hassles like dock fees, insurance or trailers. Instead, you spend your time having fun on the water. Freedom Boat Club provides all this for less than owning your own boat.

Golden State Boats Inc. is owned and operated by Daniel Hasbrouck and Jennifer Cirillo Hasbrouck. Dan and Jennifer have been married for 2 ½ years and are both from Sarasota Florida. Both are avid boaters who have experienced the ease and success of Freedom Boat Club first hand. This happily married couple have owned and been around boats their entire lives. Having experienced the cost and headache of owning multiple boats, Dan and Jennifer promote the Boat Club concept with genuine life experience. This will not only be a new successful company, it will also be their passion. Freedom Boat Club will train Dan and Jennifer on every aspect of the business. Freedom Boat Club wants to see this new Franchise succeed just as much as this enthusiastic couple. The Training breakdown is listed in the Franchise paragraph of this section.

Dan was raised in an entrepreneurial family. From a very young age he was introduced to how a business is run and what it takes to make that business succeed. His parents currently own 3 companies with over 50 employees. While growing up and before becoming a Commercial Pilot, Dan was involved in

every aspect of these companies. From marketing and sales to safety and human resources, Dan has experienced all levels of small business ownership.

Jennifer was also brought up in a entrepreneurial family that has successfully owned and operated two insurance agencies in Sarasota, Florida over the last 25 years. She is a licensed chiropractic physician and secured her degree of doctor of chiropractic from Palmer College of Chiropractic Florida in 2010. She has been working within her field since 2010. At this juncture in her career it is her intention to collaborate with her husband, Daniel, in this entrepreneurial adventure, which will involve owning and operating a boat membership club.

As is the case in any business, the first step is to assess the viability of a given product or service in the area in which the business will be situated. Jennifer and her husband come from a family of boaters where their knowledge, experience and excitement about the joys of boating can be put into practical application in this entrepreneurial opportunity. Having identified a need in the San Diego area for an affordable boat membership, they believe Freedom boat club offers outstanding opportunity for boat enthusiasts to participate in all boating type activities for an affordable cost not presently available to the typical boat enthusiast. Her skills in patient interaction are the same skills to be utilized with their company's prospects and customers. As a chiropractor, she is involved in extensive dialogue with her patients to identify their concerns and their goals. Determining what is important to a prospect and how their company can meet and exceed the potential customer's intentions and needs are the strengths that Jennifer possesses.

As an entrepreneur, Jennifer believes that identifying prospective customer's goals, needs, and their financial resources enable Freedom Boat Club to offer a solution to their desires, goals and financial resources in the boating industry.

Jennifer and Dan want to bring the joy and the memories of boating to people without all any of the headache. Seeing the smiles from their members will be a driving factor for this young entrepreneurial couple.

LEGAL FORM OF OWNERSHIP

Golden State Boats Inc. has been established as a Sub Chapter S Corporation to provide Daniel Hasbrouck and Jennifer Cirillo Hasbrouck the most protection in personal liability. The Freedom Boat Club Franchise has been purchased and will be operated by Golden State Boat Inc. under the fictitious name of Freedom Boat Club of San Diego. All of the proper forms have been filed with San Diego County to use Freedom Boat Club of San Diego has the business name.

THE FRANCHISE

Golden State Boats Inc has purchased a Freedom Boat Club Franchise for \$34,200. The Franchise package comes with many benefits to Golden State Boats Inc. By purchasing this franchise Golden State Boats Inc will be allowed to use the successful and proven model of Freedom Boat Club. Other benefits include national recognition, an established website, a marketing portal (more information in the market section), training for up to 4 people, and operating manuals. The training is conducted in Venice Florida and on location in San Diego. The 4 day training provided by Freedom Boat Club to the franchisee will include:

1. Marketing
2. Sales
3. Operations
4. Accounting and Administration
5. Grand Opening Do's and Don'ts
6. San Diego specific operation training (In San Diego)

The training will be conducted in Venice Florida and in San Diego. The protected area for this franchise is San Diego County. There are also many other benefits that are discussed in further detail throughout this document.

THE PRODUCT/SERVICE

Freedom Boat Club of San Diego will offer an exclusive hassle free alternative to boat ownership. Members will be given access to every boat in their club as well as reciprocity in the rest of the clubs throughout the country. As a member, people will be able to make 4 reservations at any given time with no limit on how many days they can boat. These reservations are made on the Freedom Boat Club national website. www.freedomboatclub.com. When a member makes a reservation during weekdays, that reservation is for all day, from sunrise until sunset. The reservations during the weekends are for half days. The member also has the option of making 2 reservations on a Saturday or Sunday to equal a full day of boating. Members are not obligated to use the boats for the full reservation time; again it will be as if the boat is the member's own personal boat. If a member has booked 4 reservations, that member can make another reservation once the first one has been used.

Through the Franchises Reciprocity Agreement each member is also allowed 4 reservations per year while on vacation at different clubs. This is at no extra charge to the members; it is simply part of the membership. All a member has to do is go onto the www.freedomboatclub.com and make a reservation in the location they will travel to.

The boats, in San Diego, will range from Offshore Center Consoles to Deck boats with Wakeboard/Ski Towers. Please see the Appendix for pictures of each boat. All boats will be new and retail between \$40,000 and \$65,000. As the company grows so will the diversity of the boats; the members will be allowed to make suggestion on what type of boats they would like. Members can fish, scuba dive, ski, or just pleasure cruise. Boats will not be in short supply due to the 10:1 member to boat ratio. Freedom Boat Club of San Diego will start with 3 boats which will handle up to 30 members, and then purchase a new boat for every 10 additional members. These boats will range in size from 18' to over 25'.

Not only do the members get the use of every boat as if it were their own, they get none of the hassles. The company will clean and maintain all the boats. All a member needs to do is show up use the boat and top of the fuel upon return. All boats will be prepped and ready before a member shows up for His/her reservation.

Each member will be given comprehensive training. This includes hands on training, a new member orientation and a local area orientation. It also includes the basics of boating and boating safely. The training is unlimited; members will be able to ask the dock master for any assistance and additional training.

New Members will be charged a onetime initiation fee of \$6000.00, and \$350.00/month thereafter for their membership. This allows them complete access to all the boats in their club and they will be able to take whomever they want on to the boats. There is no contract. If a member where to move from another club to San Diego a \$500 transfer fee would be used.

FIRST YEAR GOALS

The projected opening date of Freedom Boat Club of San Diego is April 1, 2014. The company projects signing 40 new members per 12 months. By signing up an average of 3.5 members per month, the company will meet the 40 new member first year goal. The Club will be starting with 3 boats which will handle up to 30 members. So the company will be purchasing a 4th boat to accommodate the next 10 members.

LONG TERM GOALS

Freedom Boat Club of San Diego will continue to use 40 new members per year as a long term goal. Over a 5 year period Freedom Boat Club of San Diego hopes to have a club of at least 200 members. Keeping with the 10 to 1 boat member ratio, 200 members would have access to 20 new boats. Adding additional satellite location is also a goal for the club. Places like Coronado, Shelter Island and Oceanside have been considered.

While Freedom Boat Club of San Diego is growing, Daniel Hasbrouck and Jennifer Cirillo would like to take Golden State Boats Inc. to the next level. Based on the success of the San Diego Franchise, Golden State Boats Inc. would like to open New Freedom Boat Club Franchises in places like San Francisco, Santa Barbara, Orange County, and Lake Havasu.

III. Operating Procedures

LOCATION

Freedom Boat Club will be located at Dana Landing Marina on Mission Bay in San Diego, Ca. 2580 Ingraham St, San Diego, CA 92109. Mission Bay appeals to all types of boaters, as you have access to the bay as well easy navigation to the Pacific Ocean. The fully secured marina has fuel service, tackle bait shop, and restaurant for all of the members' convenience and needs. The Marina offers lease space which will be used by Freedom Boat Club. There will be nautical themed office with good signage and access to a major road. The lease agreement is pending the approval of the SBA loan. There has been a gentleman's agreement to hold the slips and office until the funds have been acquired. The estimated office lease with utilities is \$1000 per month.

EQUIPMENT

The company will lease 3 boats for members. These boats will be on a 48 month lease. The boats costs will be as follows: (see also the Projection Booklet)

Kew West 239 CC with Yamaha 250hp.....\$954 per month lease

Hurricane SD 187 OB.....\$536 per month lease

Hurricane SD 217 OB.....\$806 per month lease

Scheduled Boat maintenance will be handled on a quarterly basis; while unanticipated maintenance problems will be handled as needed. Freedom Boat Club has given Golden State Boats Inc an established maintenance cost of 3% of gross sales which is represented in the Financial Analysis Booklet. This is also corroborated by the other Franchisees throughout the country.

PERSONNEL

Golden State Boats Inc. will employ a Dock Master, Dock helpers, a salaried manager, and commissioned based sales persons. The Dock Master will be paid \$15 an hour and be in charge of daily dock duties as well as managing the Dock Helpers. These duties include:

1. Prepping the boats for members
2. Cleaning boats
3. Helping members load and unload the boats
4. Light maintenance on boats

5. Daily weather check

The Dock Helpers will be paid \$10 an hour and will typically be on part time status for busy weekends and week days as needed to help the Dock Master. Dock Helpers duties:

1. Clean Boats
2. Helping members load and unload boats
3. Prepping Boats
4. Daily weather check

The only salaried full-time employee will be Daniel Hasbrouck. His salary will be \$40,000 and the responsibilities include:

1. All the tasks listed above
2. Sales
3. Marketing
4. Managing all employees
5. Setting up the schedule
6. Customer relations

The sales persons will be commission based. This will be based on 10% of their sales. Responsibilities include:

1. Sales
2. Setting up and attending marketing events.

SUPPLIERS

The Freedom Boat Club Franchise comes with a West Marine Port Supply membership. West Marine is a marine supply chain that sells amongst many things dock line, tackle, navigation equipment (GPS), life jackets, emergency equipment, and cleaning supplies. This membership is called the Gold Level Pricing, which offers the lowest cost of all West Marine's memberships. Saving will range from 5% to 70% off, with an average savings of 50% off all necessary supplies and equipment.

The Freedom Boat Club Franchise also offers the Franchisee the opportunity to purchase brand new boats at dealer costs. The boat brands include Hurricane Boats, Key West Boats, and Cobia Boats. The following is an example of the saving that Golden State Boats Inc. will receive.

BOAT MANUFACTURER	Dealer Cost	MSRP
Cobia Boats 217 CC	\$36,800	\$58,000
Key West 239 CC	\$41,583	\$60,000+
Hurricane SD 217 OB	\$32,586	\$58,800

ACCOUNTING

Freedom Boat Club of San Diego has hired Padgett Business Services of San Marcos, CA to do all of their accounting services. Pierre Dion will be the main person that will be handling the accounting. Pierre has already helped with the Projection Booklet. Padgett Business Services charges a \$195 set up fee and \$245 monthly for their services. These services include a Profit and Loss Statement, Balance Sheet, and unlimited support as related to monthly business. They also offer payroll for an additional \$60 per month. Pierre Dion has prepared a Financial Projection Workbook that accompanies this business plan.

INSURANCE

Freedom Boat Club of San Diego will be using TCA, Inc with Carl Peterson as its insurance carrier. TCA, Inc is the insurance provider for all Freedom Boat Club Franchises. TCA, Inc has set up the insurance to be an umbrella over all the Franchises. This allows for lower rates on each boat. The boats are on a policy that mirrors a personal boat policy. Every boat has all employees and all members as listed insured. The Boat Insurance premium includes insurance on the boat as well as slip and fall and negligence. TCA, Inc has quoted Freedom Boat Club of San Diego \$2350 per year for a \$60,000 boat. This has been added to the projections in the Projection Booklet.

IV. Marketing Plan

THE MARKET

According to the NMMA (National Marine Manufacturers Association) 32% of the Nations population participated in recreational boating last year. This is up from 23% in 2011. This is a trend in the right direction for the boating industry. Out of the 523 Billion spent on outdoor recreation by the consumer, \$86 Billion went towards Boating and \$35 Billion went towards fishing. That equates to almost \$1 out of every \$5 being spent on boating and fishing. Also according to the NMMA from 2005-2011 outdoor recreation grew 5% annually, even though there was a major recession. During the time Outdoor Recreation was growing other sectors of consumer spending were contracting. The NRBS (National Recreational Boating Survey) said "Regardless of the lingering troubles with the economy and continuing fluctuations in energy prices, recreational boating continued to be one of the nation's most popular outdoor activities as well as an important generator of income and employment."

Not only has there been an overall improvement in the National boating industry, California is showing signs of improvement. Boat Shows throughout California have seen better attendance. The 2013 Lido Boat Show in Newport Beach had 75% more exhibits and 30% increase in attendance from the previous year. The 2013 LA Boat Show saw a 10% increase in attendance as well. New boaters as well as previous boat owners are exploring the idea of getting back into boating. The NRBS reported that California has 755,000 registered vessels and Florida has 986,000; the two highest in the country. This looks like a good thing for California; however it only represents 9% of the California's population while 23% of Florida's population has registered vessels. There are a couple of factors to look at as to why this is, geography, accessibility and affordability. One, Florida has more coastline than California, which cannot be changed. Two, based on storage fees, used boat sales, and fuel prices it is much more affordable to own your own boat in Florida vs. California. Three, It is also easier to access the water in Florida; they have more boat ramps and more homes with access to the water than California. With that being said, BOATING Magazine still rated San Diego in the top ten cities to live and boat in. This is where Freedom Boat Club of San Diego comes in; to bridge the gap between accessible, affordability and being one of the best places to boat in the nation. Freedom Boat Club of San Diego wants to revolutionize boating in San Diego and hopefully the rest of the state. By making boating more affordable and more accessible, Freedom Boat Club hopes to increase the boating community in San Diego.

THE CUSTOMER

Freedom Boat Club of San Diego will offer a high diversity in its boats. This will lead to a higher diversity in the customer base. The Promotional Goal will focus on 3 different groups of people: Current Boaters, Ex-boaters, and New Boaters. The one thing that all of these potential members have in common is the desire to participate in outdoor recreation. This diversity is recognized in what each member will use the boat for. These groups will be targeted through sub categories based on demographics like income, home ownership, outdoor recreation participation, club affiliations, and current boat owners.

A new report from the Outdoor Industry Association found the state's outdoor recreation generates more than \$85 billion in consumer spending each year and creates 732,000 jobs. The report found that nearly two-thirds of California residents participate in some type of outdoor recreation every year. People who recreate in California will be one of the top customer bases for Freedom Boat Club of San Diego. These recreation activities include fishing, scuba diving, free diving, skiing/wakeboarding, and boating.

Freedom Boat Club of San Diego's customers are those individuals who love boating, and desire to own their own boat but do not want the stress and price tag that often comes with owning a boat. Freedom boat club takes out all the hassles of boating including cleaning, maintaining, storing and all other prep work. The customer does not have to worry about dock fees, insurance or trailer. Instead, FBC removes all those common hassles to boating so that the customer can spend more time relaxing and enjoying the water.

Freedom boat club will cater to a specific demographic and market. Freedom Boat Club's ideal customer is the following:

- Married couples/Families between the ages 25-65
- Retirees
- Men and Women with annual income greater than \$50,000.00
- Past and Current boat owners
- Fisherman
- Scuba divers
- Wake boarders/Water skiers
- Outdoor enthusiasts

According to the National Recreational Boating survey taken in 2011, young to middle-age adults were a significant part of the boating community; nearly 30% of boaters were ages 25-44 and over a quarter (27.5%) of recreational boaters were between 45-65 years old.

Data from the County of San Diego reported that 48.02% (15+ years old) of the population was married and 53.16% (65+ years old) was a married-couple family. These statistics support our two target demographics of families between the ages of 25-44 and 45-65. 65% of San Diego County is family households with children.

Another target group Freedom Boat Club of San Diego will be marketing towards is based on income level. According to the 2010 United States Census, median household income in San Diego is \$63,300.00. Median income between the ages of 35-65 is \$75,000. 60.25% of household incomes in San Diego County make over \$50,000. Some other statistics that back up Freedom Boat Club of San Diego's target marketing are:

1. 67.5% of people who saltwater fish are males.
2. 67% of people who saltwater fish are over the age of 25.
3. 47% of people who saltwater fish make over \$75,000.00.
4. 18% of people who saltwater fish make between \$50,000-\$75,000.

These statistics show a couple of things. First, that the 18 and under group, which represents 17% of people who fish, can be added to the 25 and older group as children fishing with their families. This statistic represents the family who like to fish together. Second the vast majority of people who saltwater fish make over \$50,000. A conclusion can be drawn by looking at these two factors; Freedom Boat Club of San Diego will be targeting families with and without children with incomes over \$50,000.

On January 16, 2014 Freedom Boat Club of San Diego attended its first boat show. The Big Bay Boat Show lasted 4 days at the Sunroad Marina in San Diego. Freedom Boat Club of San Diego was a vendor for all 4 days. This was the first exposure of the Freedom Boat Club product to the consumers of San Diego. Overall the response was great. Freedom Boat Club of San Diego distributed hundreds of pamphlets, folders, and flyers to the boat show attendees. Also the company collected 15 personal contacts that will be used to set up appointments for a free boat ride and Freedom Boat Club orientation. The enthusiasm from the attendees was matched by that of the industry. All of the local vendors were excited about this new product.



Jennifer Cirillo Hasbrouck giving out free drink koozies at the Bigbay Boat Show. There was over 300 koozies given away at the show.

THE COMPETITION

Freedom Boat Club has the leading position in the market. Its closest competitor, Carefree Boat Club has fewer than half of the locations that Freedom Boat Club. While they have been reasonably successful in certain markets, their overall growth has been slow. Carefree started with 11 locations in the Mid-Atlantic region and they have added an additional 17 locations in the last 6 years. Over that same period of time Freedom Boat Club has added 38 club locations. It must be noted, that many of their current locations are being run by former Freedom Boat Club staff members. Carefree Boat Club is based on the Freedom Boat Club model and is being run by ex-Freedom Boat Club owners. The only big difference between Freedom and Carefree is that they offer memberships at 1 to 5 year contracts, while Freedom has a onetime lifetime initial membership fee. There was a contractual disagreement between the previous Freedom Boat Club owners and the current owners of Carefree Boat Club. This is Freedom Boat Clubs only real National competitor, all other

competition is at the State and Local level. The closest Carefree Boat Club to San Diego is Houston, Texas.

Throughout San Diego there are many boat rental businesses as well as one boat club. Most of these boat rental establishments are catering to the tourist or once/twice a year boat enthusiast. The largest rental companies are Seaforth Boat Rental, Action Sport Rental, and Mission Bay Sport Center. All of these businesses share the same business model which is based solely on rentals and is heavily driven by tourism. Freedom Boat Club will be selling memberships to year round residence and corporations in San Diego. This is the major difference between the rental companies and Freedom Boat Club. This gives the members of Freedom Boat Club some advantages. The boats are treated better because all of the members are trained to operate the boats. Each member will have a sense of ownership because each member has invested into the club. The boats will be turned around for new boats every three years. The members will be polled to find out what types of boats better serve their needs when Freedom Boat Club expands its fleet. Also every member is granted reciprocity with every Freedom Boat Club in the Nation. These are benefits not offered by a rental company.

Seaforth Boat Rental has four locations, Mission Bay, Harbor Island, Coronado, and the Coronado Marriot. They offer boat rentals, yacht charters, fishing charters, adventure tours, and a sailing club. This is the largest of the three local competitors. The main competition from Seaforth will be their boat rentals. The rest of their products except fishing charters are not in competition with Freedom Boat Club. Their fishing charter is \$750 for a half day and \$1050 for a full day. It includes a boat for up to 4 anglers, with a Captain, bait, fish cleaning, fuel, sodas and water. While Freedom Boat Club is not offering fishing charters, members are welcome to bring any fishing guide that they choose. The boat is included in their membership, so they are only responsible for the fuel and the guide, which fish guides averages \$300. Please see chart below for rental comparison.

Action Sport Rental has three locations in Mission Bay and one on Coronado. Action Sport Rental offers rentals of boats, sail boats, water sports equipment, and segways. One of Actions better offers is the skiing/wakeboard package. It includes a driver and up to 4 people in a ski boat with basic instruction if desired. This costs \$595 for 4 hours.

Mission Bay Sports Center main location is at the Santa Clara Point on Mission bay, with a small location at the Hyatt Mission Bay. Mission Bay Sports Center offers boat rentals, youth camps, water sports equipment rental, sailboats, and charters. Mission Bay Sports Center does offer one thing that is not offered by Seaforth or Action, a membership. Membership includes 50% off all non-power rentals and 20% off all power rentals. Action charges \$105.00

initiation fee and \$40.00 in monthly dues. An additional four members may be added to your existing contract for \$40.00 each. Please see chart below for rental comparison.

San Diego Boat Club offers boat rentals and memberships. They have 2 Parker Boats, a 23 foot and an 18 foot. Both boats are offshore fishing boats that San Diego Boat Club allows to travel as far south as Ensenada Mexico to Fish. This is a feature that Freedom Boat Club of San Diego is not offering. Freedom Boat Club of San Diego is going to see what the demand from members is to fish offshore in Mexican waters before considering offering this feature. This would change the insurance policy for Golden State Boats Inc. and increase the cost. San Diego Boat Club offers memberships, however after numerous emails and phone calls, Dan Hasbrouck has not received any information about the membership. San Diego Boat Clubs website is available online and the phone number is in service but they do not seem to be doing business.

Competition Comparison Chart

Based on a Comparable Boat	1 Hour	4 Hours	8 Hours	3 - 8 hour days per month
Seaforth Boat Rentals	\$170	\$545	\$900	\$2,700
Action Sports Rental	\$185	\$650	\$1,230	\$3,690
Mission Bay Sports Center*	\$120	\$416	\$520	\$1560+\$40
San Diego Boat Club	\$85	\$340	\$525	\$1,575
Freedom Boat Club				\$350 (unlimited monthly use)

*Mission Bay Sports Center offers 20% off all power boat rentals with a \$40 per month membership fee.

PROMOTION

Marketing in this company will primarily be done face to face and by word of mouth. By attending Boat shows, Home and Garden shows, farmers markets, and networking events, Freedom Boat Club hopes to paint the enter experience for the customer. This is not just about the boats it's about the convenience, the life style, and the experience. By creating an amazing product and service, the good reviews and word of mouth will spread. Freedom Boat Club has a national website that is easy to navigate and promotes the product well www.freedomboatclub.com. In addition to the website Facebook will be used to set up a Freedom Boat Club of San Diego page.

In addition to shows and events, San Diego recreational clubs will be targeted. Clubs like fishing clubs and diving clubs have a heavy presence on the internet and allow Freedom Boat Club of San Diego access to individuals interested in boating. Yacht and Boat clubs will also be a part of this focus. On average only 30% of yacht club members are actual boat owners. That leaves 70% of the members with an interest in boating. The individuals that participate in these clubs will be reached by Freedom Boat Club of San Diego with Club specific advertising, sponsored events, and website banners.

As mentioned earlier one of the benefits of being a Franchise with Freedom Boat Club is the access to the Marketing Portal. Rooks Advertising are the main advertising materials supplier for all of the franchises. Rooks Advertising provides a Freedom Boat Club specific website portal that is password secured. This portal gives all Franchisees including Golden State Boats Inc access to hundreds of flyers, postcards, website banners, newspaper ad templates, and digital media. The art work and portal is at no charge to the franchisee, there is only a charge for the printing of the product.

Here are some specifics on the marketing plan.

A. Events: average cost for show including advertising materials \$1500

1. Boat Shows
2. Home and Garden Shows
3. RV Shows
4. Recreational Shows

Freedom Boat Club of San Diego has already attended one event and will attend 4 more events before July of this year. These shows will be an annual occurrence and have been factored into the budget. Shows will be judged on effectiveness and then discussions will be made on whether to keep attending that show or not. Each show shall have advertising materials and a show price special, typically 20%-25% off of the initiation fee.

B. Internet

1. Website: www.freedomboatclub.com : free
2. Facebook Page:
www.facebook.com/#!/FreedomBoatClubSanDiego

With the purchase of the franchise, Freedom Boat Club of San Diego receives full access to the national website. Every member from all 73 locations has access to the website to make reservations. This website is also easily accessible to potential members. By conducting a search on the internet of "boat memberships" or "boat clubs" the first result is Freedom Boat Club. In addition to the national website, Freedom Boat

club of San Diego will have its own Facebook Page. By posting updates about new members and encouraging current members to post their experiences on the page, this company will start to feel more like a boating family.

C. Direct Mailing

1. Select Mailing of San Diego

- a. Mailing lists: single use list of 10,000 boat owners \$3756
- b. Email lists:

Direct mailing will be utilized 2 to 3 times per year. The frequency may change after finding out the effectiveness of the Post Card. Advertising materials will be purchased through the Marketing Portal that is offered to all Franchisee from the Franchisor at no cost. Postcards will be purchased from this portal and then sent out using lists from Select Mailing of San Diego. Mailing lists will be based on demographics in the Marketing and Customer section. The first list will be Boat Owners in San Diego County.

D. West Marine

1. 4 Locations in San Diego

In addition to the discounts offered to Freedom Boat Club Franchisees, West Marine allows any Franchisee to display a booth in their stores. Freedom Boat Club of San Diego will be at each location at least once a month. By displaying this business in an establishment like West Marine, Freedom Boat Club of San Diego will be able to expand product knowledge and name recognition to current boaters and marine enthusiasts.

E. Chamber of Commerce \$300 per year

- 1. Networking Events
- 2. Grand Opening Ribbon Cutting
- 3. Website promotion
- 4. Free press release

The San Diego Chamber of Commerce is the largest business organization in San Diego and the largest on the west coast, which offers unique and substantial benefits and resources that will help Freedom Boat Club grow. It will offer targeted benefits; valuable resources and unparalleled support that will help Freedom Boat Club gain a competitive advantage and become more successful.

F. BNI, Business Networking International – San Diego \$600

- 1. Networking event
- 2. Referral Promotion

BNi is a business networking group that provides an environment in which you develop personal relationships with dozens of other qualified business professionals. By establishing a "formal" relationship with other people, BNi provides the opportunity to substantially increase our business. The mission of BNi is to help members increase their business through a structured, positive, and professional "word-of-mouth" program that enables them to develop long-term, meaningful relationships with quality business professionals.

V. Financial Data

Freedom Boat Club has supplied Golden State Boats Inc a 5 year pro Forma to calculate possible projections. Also they have given start up averages from previous franchise openings. This information was taken and used to calculate this franchises startup costs for San Diego. It was then given to Pierre Dion at Padgett Business Services to create a Start up Cost, 5 year projection and 1st year monthly projection booklet. This booklet has been attached to this business plan. The startup costs are based on leasing three boats up front. Golden State Boats Inc is responsible for a 6% royalty fee. This is due to Freedom Boat Club Franchisor on the 10th day of every month. The royalty fee is based on gross revenues. The royalty fee does not go in to effect until month 7 of operation. Please see the Financial Booklet attached for the projection break down. Please contact Pierre Dion at Padgett Business Solutions for any questions.

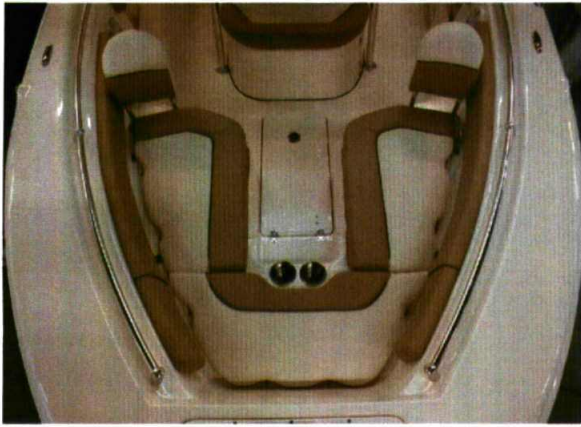
Pierre Dion

760-591-9712

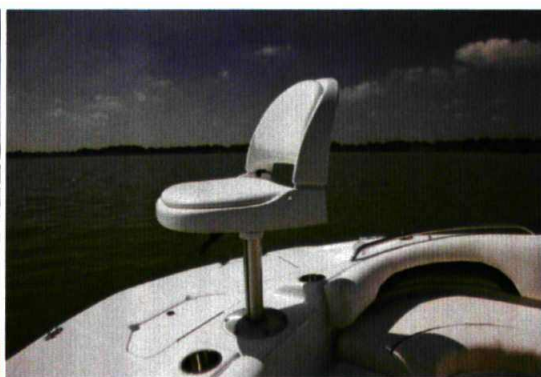
pierre@padgettbusiness.net

VI. Attachments

Key West 239 FS



Hurricane 187 OB



Hurricane 217 OB



Pre-Open Expenses

Expenses to date

Golden State Boats Inc

Dan Hasbrouck

Attorney	\$2,000.00	
Legal Zoom		\$721.66
Staples	\$102.44	\$162.82
Office Depot	\$51.03	
Gas	\$83.43	
Shows:		
Home and Garden	\$1,250.00	
Fred Hall	\$1,150.00	
Franchise Fee	\$34,200.00	
Misc	\$44.50	
Entertainment	\$99.86	
San Diego DBA	\$44.50	
Phone 1st month	\$129.00	
Bank Checks/Book	\$72.36	
Accountant	\$500.00	
Total	\$39,727.12	\$884.48
<u>TOTAL</u>	\$40,611.60	

Annual Marketing Costs

Marketing Costs

10,000 Post Cards

Mailing list	\$952
Post Cards	\$800
Postage	\$2,400
Mailing Service	\$440
Total	\$4,592
Total Annual (x 4)	\$18,368

Boat Shows

Sunroad Boat Show SD	\$975
Del Mar H&G Show Spring	\$1,250
Del Mar H&G Show Fall	\$1,250
Fred Hall Boat Show	\$1,150
SD International Boat Show	\$600
Total	\$5,225

Networking

Chamber of Commerce	\$300
BNI Business Networking Int	\$600
Total	\$900

Farmers Markets

UTC La Jolla	\$30
Point Loma	\$30
Golden Hill	\$30
Total	\$90
X 12 months	\$1,080

General Ad Materials

Flyers	\$500
Cuzzies	\$800
Folders	\$1,500
Banners	\$1,000
Total	\$3,800

TOTAL Annual Cost

\$29,373

Golden State Boat, Inc.
Db
Freedom Boat Club



Financial Analysis
2014 - 2018

Golden State Boat Inc dba Freedom Boat Club

Start-Up Costs

Legal and Accounting	\$3,000	
Travel	\$1,250	
Boat Lease - Prepayment	\$2,296	\$6,546
Franchise Fee	\$34,200	
Franchise Equipment Package	\$3,500	
Signage	\$2,500	
Total Long-Term Assets		\$40,200
Office Furniture		\$2,000
Total		\$48,746

180 Day Operating Cost

30- Day Operating Cost - 3 Boats		
Boat Lease	\$2,296	
Insurance	\$705	
Maintenance	\$762	
Rent - Slips	\$840	
Rent - Office	\$1,000	
Wages - Dock	\$2,000	
Payroll Taxes	\$153	
Telephone	\$150	
Auto	\$250	
Marketing	\$2,500	
Accountant	\$305	
Utilities	\$150	
Professional Fees	\$305	
Miscellaneous	\$200	
Office Supplies	\$250	
Interest on SBA Loan	\$686	
Loan Repayment - Principal	\$703	
30- Day Operating Cost	<u>\$13,255</u>	
6 months Total		\$79,530
Additional Working Capital		\$31,724
Total Start up Costs		\$160,000

Projected Funding

Shareholder	\$40,000	
SBA Loan	\$120,000	
Total Capital		\$160,000

Golden State Boat Inc, dba Freedom Boat Club

Highlights

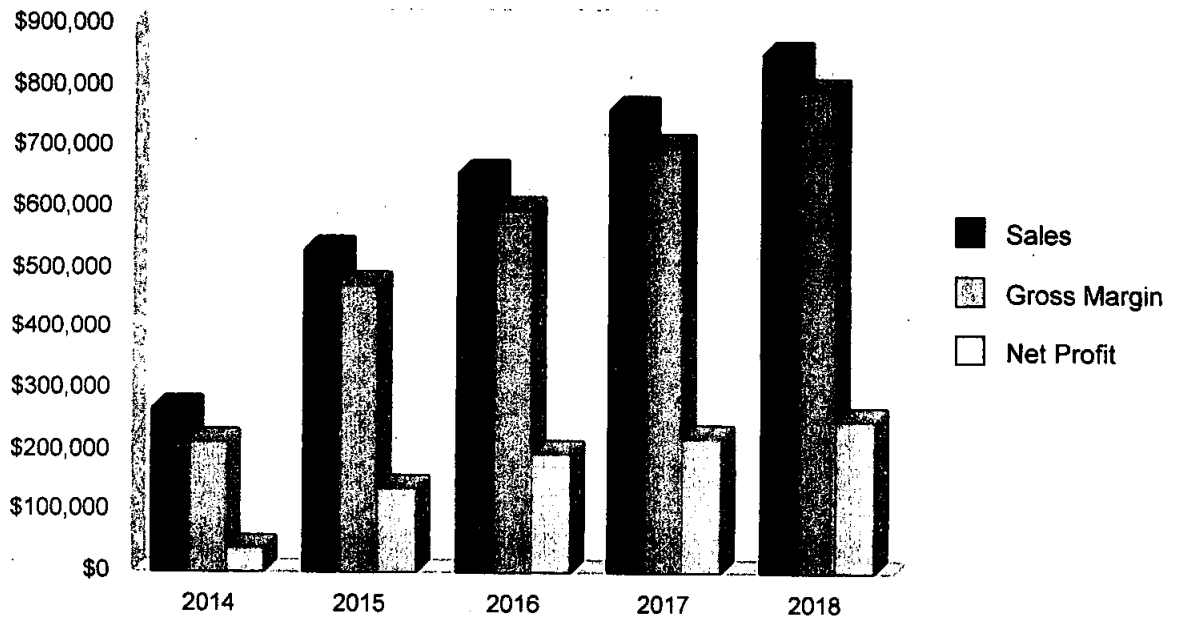


Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal & Accounting	\$3,000
Travel	\$1,250
Lease Money Down X 3	\$2,296
Total Start-up Expenses	\$6,546
Start-up Assets	
Cash Required	\$0
Other Current Assets	\$2,000
Long-term Assets	\$40,200
Total Assets	\$42,200
Total Requirements	\$48,746

Golden State Boat Inc, dba Freedom Boat Club

Start-up

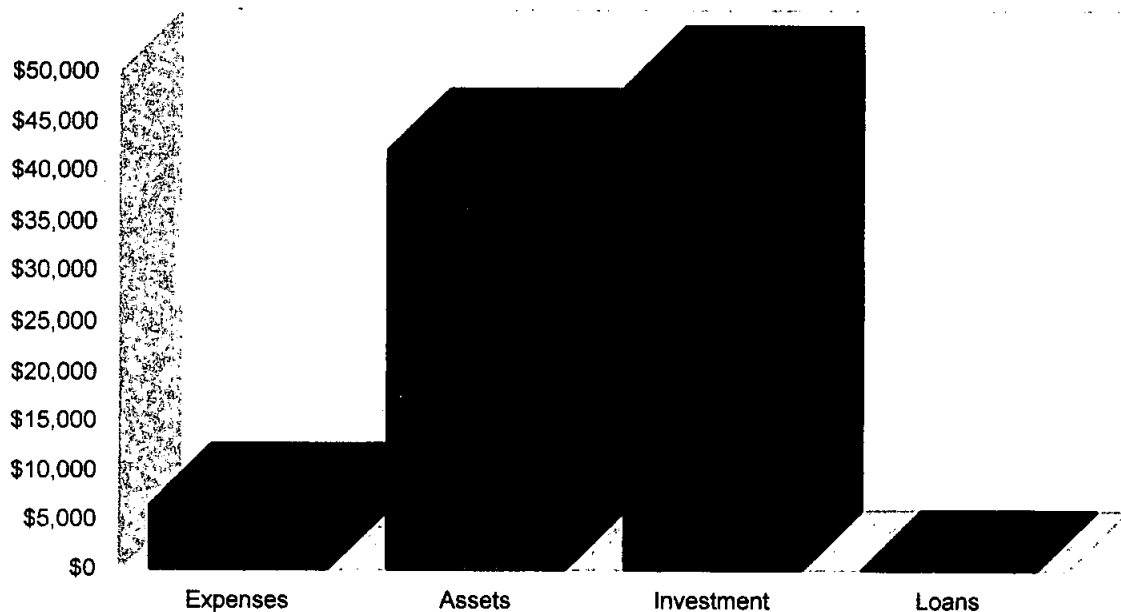
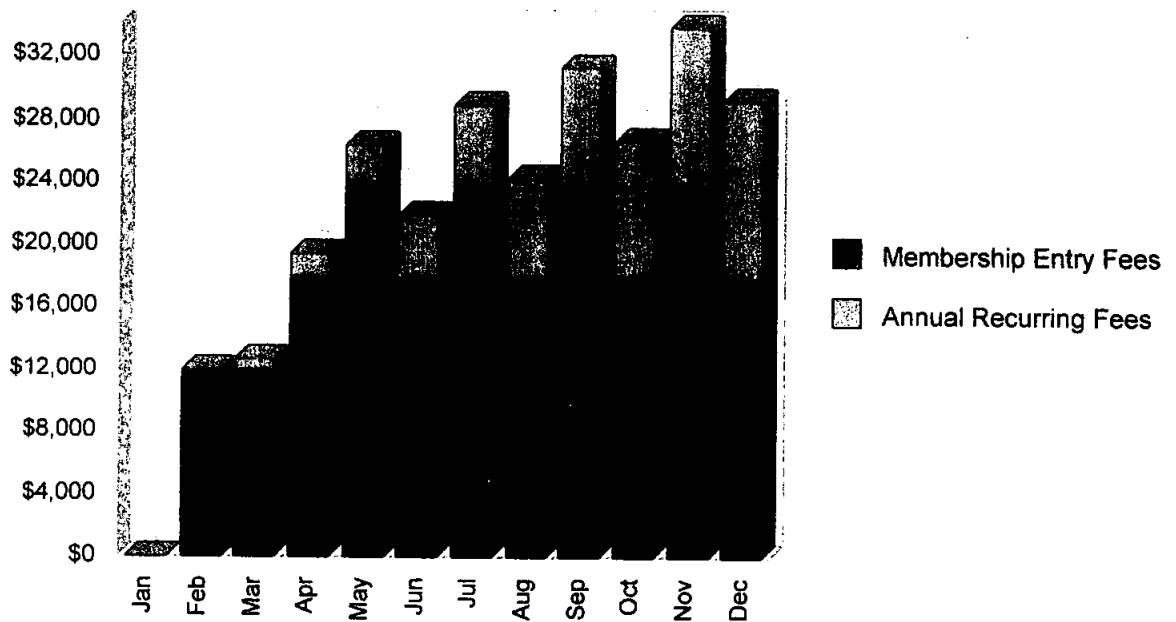


Table: Sales Forecast

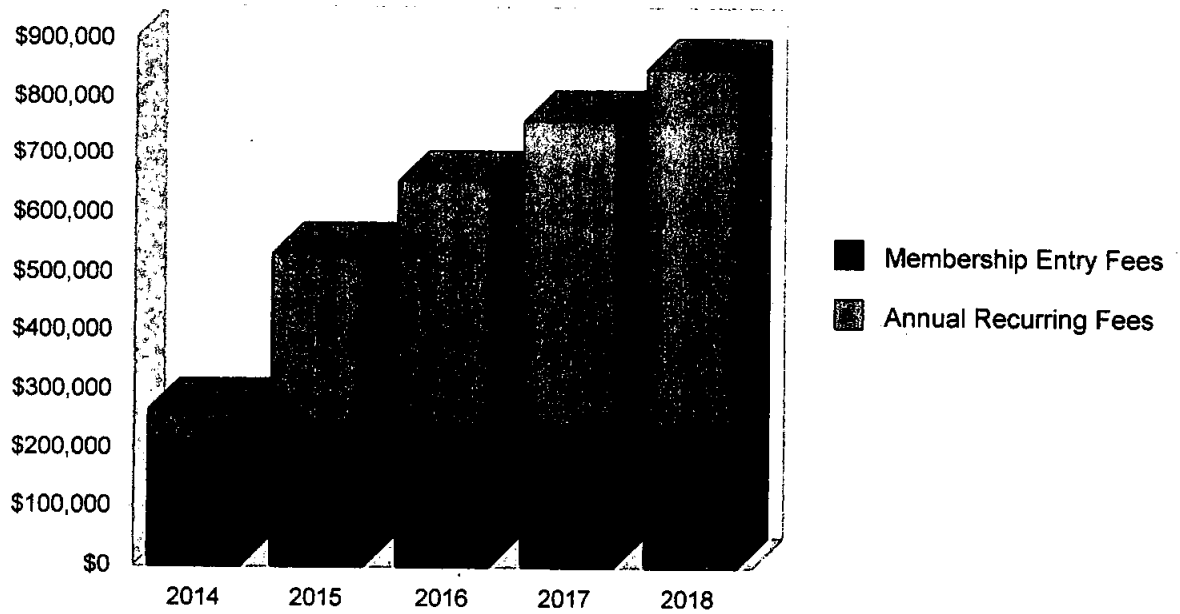
Sales Forecast					
	2014	2015	2016	2017	2018
Unit Sales					
Membership Entry Fees	35	40	40	40	40
Annual Recurring Fees	162	837	1,191	1,493	1,749
Total Unit Sales	197	877	1,231	1,533	1,789
Unit Prices					
	2014	2015	2016	2017	2018
Membership Entry Fees	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
Annual Recurring Fees	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00
Sales					
Membership Entry Fees	\$210,000	\$240,000	\$240,000	\$240,000	\$240,000
Annual Recurring Fees	\$56,700	\$292,950	\$416,850	\$522,550	\$612,150
Total Sales	\$266,700	\$532,950	\$656,850	\$762,550	\$852,150
Direct Unit Costs					
	2014	2015	2016	2017	2018
Membership Entry Fees	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Annual Recurring Fees	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales					
Membership Entry Fees	\$52,500	\$60,000	\$60,000	\$60,000	\$60,000
Annual Recurring Fees	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$52,500	\$60,000	\$60,000	\$60,000	\$60,000

Golden State Boat Inc, dba Freedom Boat Club

Sales Monthly



Sales by Year



Golden State Boat Inc, dba Freedom Boat Club

Table: Personnel

Personnel Plan					
	2014	2015	2016	2017	2018
Manager - Dan Hasbrouck	\$19,998	\$40,000	\$40,000	\$40,000	\$40,000
Dock Employees	\$23,000	\$50,000	\$50,000	\$75,000	\$75,000
Total People	2	3	3	4	4
Total Payroll	\$42,998	\$90,000	\$90,000	\$115,000	\$115,000

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	\$6,546
Start-up Assets to Fund	\$42,200
Total Funding Required	\$48,746

Assets	
Non-cash Assets from Start-up	\$42,200
Cash Requirements from Start-up	\$0
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$0
Total Assets	\$42,200

Liabilities and Capital

Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$0
Accounts Payable (Outstanding Bills)	\$0
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$0

Capital

Planned Investment	
Shareholder	\$40,000
Investor	\$0
Additional Investment Requirement	\$8,746
Total Planned Investment	\$48,746

Loss at Start-up (Start-up Expenses)	(\$6,546)
Total Capital	\$42,200

Total Capital and Liabilities	\$42,200
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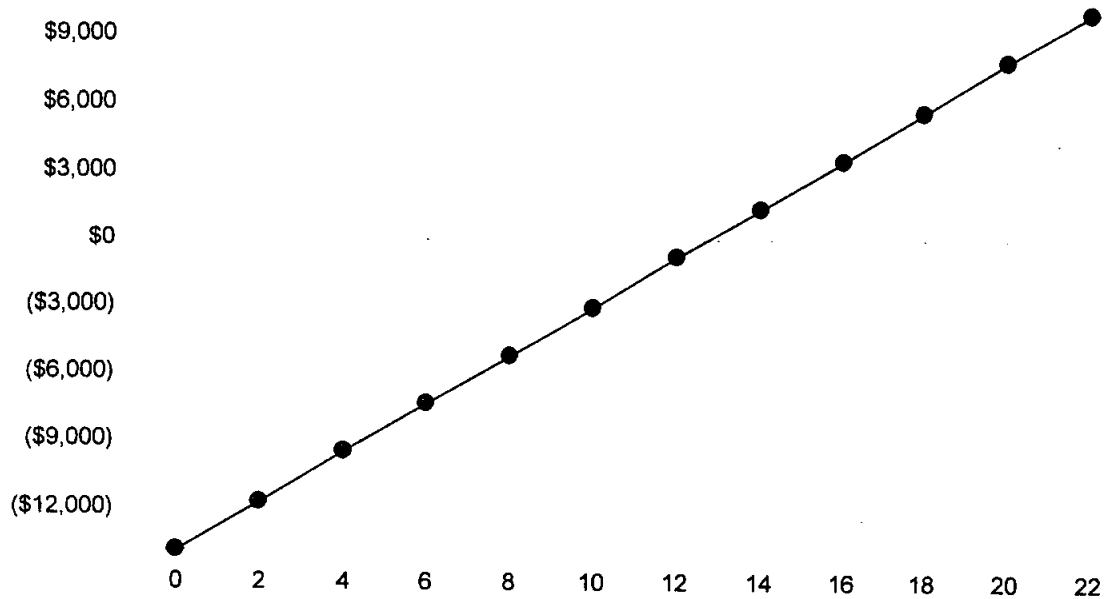
Total Funding	\$48,746
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Golden State Boat Inc, dba Freedom Boat Club

Table: Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	13
Monthly Revenue Break-even	\$17,312
Assumptions:	
Average Per-Unit Revenue	\$1,353.81
Average Per-Unit Variable Cost	\$266.50
Estimated Monthly Fixed Cost	\$13,904

Break-even Analysis



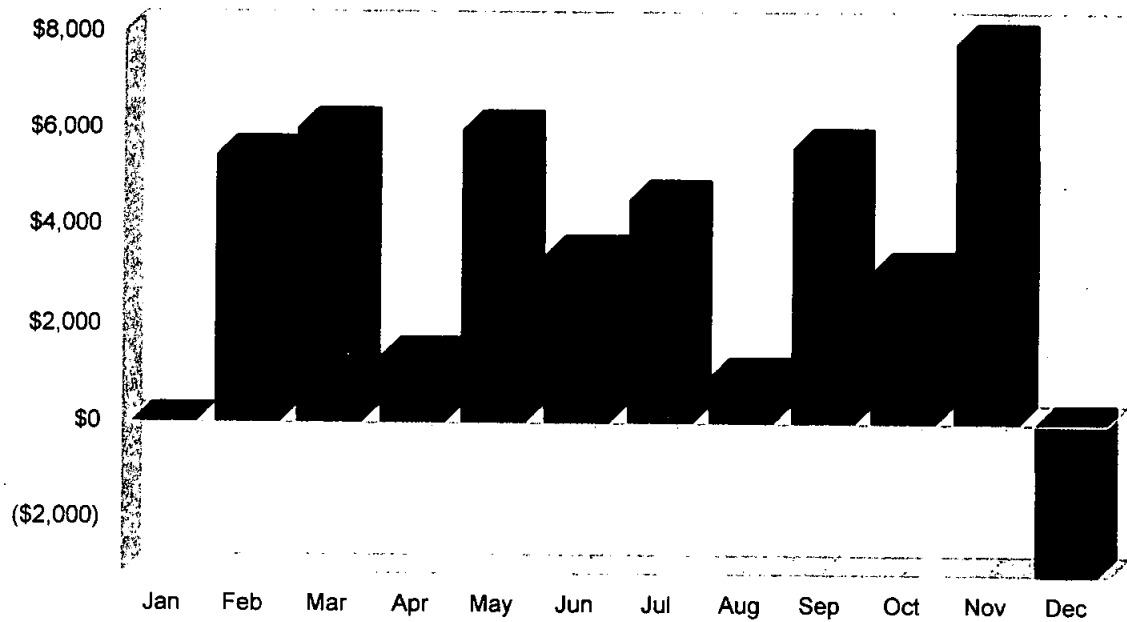
Golden State Boat Inc, dba Freedom Boat Club

Table: Profit and Loss

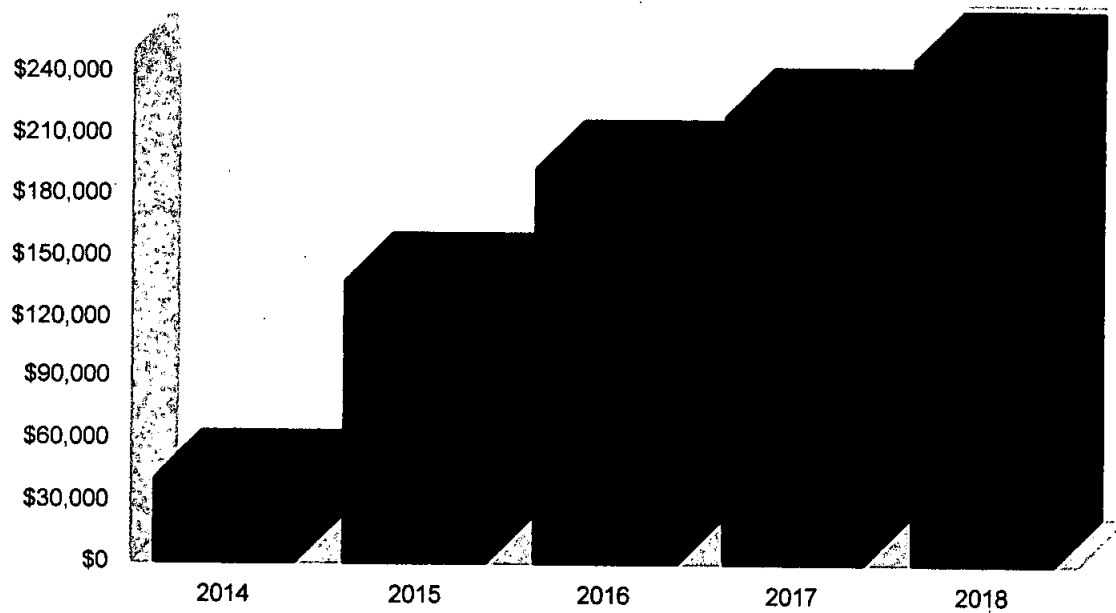
Pro Forma Profit and Loss					
	2014	2015	2016	2017	2018
Sales	\$266,700	\$532,950	\$656,850	\$762,550	\$852,150
Direct Cost of Sales	\$52,500	\$60,000	\$60,000	\$60,000	\$60,000
Other Costs of Sales	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales	\$52,500	\$60,000	\$60,000	\$60,000	\$60,000
Gross Margin	\$214,200	\$472,950	\$596,850	\$702,550	\$792,150
Gross Margin %	80.31%	88.74%	90.87%	92.13%	92.96%
Expenses					
Payroll	\$42,998	\$90,000	\$90,000	\$115,000	\$115,000
Marketing/Promotion	\$27,500	\$31,977	\$39,411	\$45,753	\$51,129
Depreciation	\$8,407	\$2,407	\$2,407	\$2,407	\$2,407
Rent - Office	\$9,000	\$12,000	\$12,000	\$12,000	\$12,000
Utilities	\$1,350	\$1,800	\$1,800	\$1,800	\$1,800
Insurance	\$6,345	\$17,390	\$25,380	\$33,370	\$41,360
Payroll Taxes	\$3,289	\$6,885	\$6,885	\$8,798	\$8,798
Other	\$2,667	\$5,330	\$6,569	\$7,626	\$8,522
Franchise Fee	\$16,002	\$31,977	\$39,411	\$45,753	\$51,129
Licenses & Permits	\$250	\$250	\$250	\$250	\$250
Office Supplies	\$2,250	\$2,500	\$2,500	\$3,000	\$3,500
Telephone	\$1,350	\$2,100	\$2,100	\$2,100	\$2,100
Meals & Entertainment	\$1,274	\$2,665	\$3,284	\$3,813	\$4,261
Professional Fees	\$2,440	\$5,000	\$5,000	\$5,000	\$5,000
Auto	\$2,250	\$3,600	\$3,600	\$4,800	\$4,800
Rent - Slips	\$7,560	\$23,520	\$33,600	\$40,320	\$50,400
Lease - Boat	\$20,655	\$64,260	\$91,800	\$110,160	\$137,700
Maintenance	\$7,260	\$15,989	\$19,706	\$22,877	\$25,565
Merchant Service Fees	\$4,001	\$7,994	\$9,853	\$11,438	\$12,782
Total Operating Expenses	\$166,848	\$327,643	\$395,555	\$476,264	\$538,502
Profit Before Interest and Taxes	\$47,352	\$145,307	\$201,295	\$226,287	\$253,649
EBITDA	\$55,759	\$147,714	\$203,702	\$228,694	\$256,056
Interest Expense	\$6,115	\$7,636	\$6,980	\$6,276	\$5,521
Taxes Incurred	\$0	\$0	\$0	\$0	\$0
Net Profit	\$41,237	\$137,671	\$194,315	\$220,011	\$248,128
Net Profit/Sales	15.46%	25.83%	29.58%	28.85%	29.12%

Golden State Boat Inc, dba Freedom Boat Club

Profit Monthly



Profit Yearly



Golden State Boat Inc, dba Freedom Boat Club

Table: Cash Flow

Pro Forma Cash Flow	2014	2015	2016	2017	2018
Cash Received					
Cash from Operations					
Cash Sales	\$266,700	\$532,950	\$656,850	\$762,550	\$852,150
Subtotal Cash from Operations	\$266,700	\$532,950	\$656,850	\$762,550	\$852,150
Additional Cash Received					
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities	\$120,000	\$0	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received	\$386,700	\$532,950	\$656,850	\$762,550	\$852,150
Expenditures	2014	2015	2016	2017	2018
Expenditures from Operations					
Cash Spending	\$217,056	\$392,872	\$460,128	\$540,132	\$601,615
Bill Payments	\$0	\$0	\$0	\$0	\$0
Subtotal Spent on Operations	\$217,056	\$392,872	\$460,128	\$540,132	\$601,615
Additional Cash Spent					
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$6,383	\$9,053	\$9,708	\$10,409	\$11,162
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$223,439	\$401,925	\$469,836	\$550,541	\$612,777
Net Cash Flow	\$163,261	\$131,025	\$187,014	\$212,009	\$239,373
Cash Balance	\$163,261	\$294,286	\$481,300	\$693,309	\$932,682

Golden State Boat Inc, dba Freedom Boat Club

Table: Balance Sheet

Pro Forma Balance Sheet					
	2014	2015	2016	2017	2018
Assets					
Current Assets					
Cash	\$163,261	\$294,286	\$481,300	\$693,309	\$932,682
Other Current Assets	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Current Assets	\$165,261	\$296,286	\$483,300	\$695,309	\$934,682
Long-term Assets					
Long-term Assets	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200
Accumulated Depreciation	\$8,407	\$10,814	\$13,221	\$15,628	\$18,035
Total Long-term Assets	\$31,793	\$29,386	\$26,979	\$24,572	\$22,165
Total Assets	\$197,054	\$325,672	\$510,279	\$719,881	\$956,847
Liabilities and Capital					
Current Liabilities					
Accounts Payable	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities	\$113,617	\$104,564	\$94,856	\$84,447	\$73,285
Total Liabilities	\$113,617	\$104,564	\$94,856	\$84,447	\$73,285
Paid-in Capital	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746
Retained Earnings	(\$6,546)	\$34,691	\$172,362	\$366,677	\$586,688
Earnings	\$41,237	\$137,671	\$194,315	\$220,011	\$248,128
Total Capital	\$83,437	\$221,108	\$415,423	\$635,434	\$883,562
Total Liabilities and Capital	\$197,054	\$325,672	\$510,279	\$719,881	\$956,847
Net Worth	\$83,437	\$221,108	\$415,423	\$635,434	\$883,562

Golden State Boat Inc, dba Freedom Boat Club

Table: Ratios

Ratio Analysis						
	2014	2015	2016	2017	2018	Industry Profile
Sales Growth	n.a.	99.83%	23.25%	16.09%	11.75%	0.00%
Percent of Total Assets						
Other Current Assets	1.01%	0.61%	0.39%	0.28%	0.21%	100.00%
Total Current Assets	83.87%	90.98%	94.71%	96.59%	97.68%	100.00%
Long-term Assets	16.13%	9.02%	5.29%	3.41%	2.32%	0.00%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Long-term Liabilities	57.66%	32.11%	18.59%	11.73%	7.66%	0.00%
Total Liabilities	57.66%	32.11%	18.59%	11.73%	7.66%	0.00%
Net Worth	42.34%	67.89%	81.41%	88.27%	92.34%	100.00%
Percent of Sales						
Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Gross Margin	80.31%	88.74%	90.87%	92.13%	92.96%	0.00%
Selling, General & Administrative Expenses	64.85%	62.91%	61.28%	63.28%	63.84%	0.00%
Advertising Expenses	10.31%	6.00%	6.00%	6.00%	6.00%	0.00%
Profit Before Interest and Taxes	17.75%	27.26%	30.65%	29.67%	29.77%	0.00%
Main Ratios						
Current	0.00	0.00	0.00	0.00	0.00	0.00
Quick	0.00	0.00	0.00	0.00	0.00	0.00
Total Debt to Total Assets	57.66%	32.11%	18.59%	11.73%	7.66%	0.00%
Pre-tax Return on Net Worth	49.42%	62.26%	46.78%	34.62%	28.08%	0.00%
Pre-tax Return on Assets	20.93%	42.27%	38.08%	30.56%	25.93%	0.00%
Additional Ratios						
	2014	2015	2016	2017	2018	
Net Profit Margin	15.46%	25.83%	29.58%	28.85%	29.12%	n.a
Return on Equity	49.42%	62.26%	46.78%	34.62%	28.08%	n.a
Activity Ratios						
Accounts Payable Turnover	0.00	0.00	0.00	0.00	0.00	n.a
Payment Days	0	0	0	0	0	n.a
Total Asset Turnover	1.35	1.64	1.29	1.06	0.89	n.a
Debt Ratios						
Debt to Net Worth	1.36	0.47	0.23	0.13	0.08	n.a
Current Liab. to Liab.	0.00	0.00	0.00	0.00	0.00	n.a
Liquidity Ratios						
Net Working Capital	\$165,261	\$296,286	\$483,300	\$695,309	\$934,682	n.a
Interest Coverage	7.74	19.03	28.84	36.06	45.95	n.a
Additional Ratios						
Assets to Sales	0.74	0.61	0.78	0.94	1.12	n.a
Current Debt/Total Assets	0%	0%	0%	0%	0%	n.a
Acid Test	0.00	0.00	0.00	0.00	0.00	n.a
Sales/Net Worth	3.20	2.41	1.58	1.20	0.96	n.a
Dividend Payout	0.00	0.00	0.00	0.00	0.00	n.a

Appendix

Table: Sales Forecast

Sales Forecast												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unit Sales												
Membership Entry Fees	0	2	2	3	4	3	4	3	4	3	4	3
Annual Recurring Fees	0	0	2	4	7	11	14	18	21	25	28	32
Total Unit Sales	0	2	4	7	11	14	18	21	25	28	32	35
Unit Prices												
Membership Entry Fees	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00	\$6,000.00
Annual Recurring Fees	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00
Sales												
Membership Entry Fees	\$0	\$12,000	\$12,000	\$18,000	\$24,000	\$18,000	\$24,000	\$18,000	\$24,000	\$18,000	\$24,000	\$18,000
Annual Recurring Fees	\$0	\$0	\$700	\$1,400	\$2,450	\$3,850	\$4,900	\$6,300	\$7,350	\$8,750	\$9,800	\$11,200
Total Sales	\$0	\$12,000	\$12,700	\$19,400	\$26,450	\$21,850	\$28,900	\$24,300	\$31,350	\$26,750	\$33,800	\$29,200
Direct Unit Costs												
Membership Entry Fees	25.00%	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00	\$1,500.00
Annual Recurring Fees	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Direct Cost of Sales												
Membership Entry Fees	\$0	\$3,000	\$3,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500
Annual Recurring Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$0	\$3,000	\$3,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500

Appendix

Table: Personnel

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Manager - Dan Hasbrouck	\$0	\$0	\$0	\$0	\$0	\$0	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333	\$3,333
Dock Employees	\$0	\$0	\$0	\$2,000	\$2,000	\$2,000	\$2,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Total People	0	0	0	1	1	1	1	1	2	2	2	2
Total Payroll	\$0	\$0	\$0	\$2,000	\$2,000	\$2,000	\$5,333	\$6,333	\$6,333	\$6,333	\$6,333	\$6,333

Appendix

Table: Profit and Loss

Pro Forma Profit and Loss													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales		\$0	\$12,000	\$12,700	\$19,400	\$26,450	\$21,850	\$28,900	\$24,300	\$31,350	\$26,750	\$33,800	\$29,200
Direct Cost of Sales		\$0	\$3,000	\$3,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500
Other Costs of Sales		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Cost of Sales		\$0	\$3,000	\$3,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500	\$6,000	\$4,500
Gross Margin		\$0	\$9,000	\$9,700	\$14,900	\$20,450	\$17,350	\$22,900	\$19,800	\$25,350	\$22,250	\$27,800	\$24,700
Gross Margin %		0.00%	75.00%	76.38%	76.80%	77.32%	79.41%	79.24%	81.48%	80.86%	83.18%	82.25%	84.59%
Expenses													
Payroll		\$0	\$0	\$0	\$2,000	\$2,000	\$2,000	\$5,333	\$6,333	\$6,333	\$6,333	\$6,333	\$6,333
Marketing/Promotion	6%	\$0	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Depreciation		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,407
Rent - Office		\$0	\$0	\$0	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Utilities		\$0	\$0	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Insurance	0%	\$0	\$0	\$0	\$705	\$705	\$705	\$705	\$705	\$705	\$705	\$705	\$705
Payroll Taxes	8%	\$0	\$0	\$0	\$153	\$153	\$153	\$408	\$484	\$484	\$484	\$484	\$484
Other	1%	\$0	\$120	\$127	\$194	\$265	\$219	\$289	\$243	\$314	\$268	\$338	\$292
Franchise Fee	6%	\$0	\$720	\$762	\$1,164	\$1,587	\$1,311	\$1,734	\$1,458	\$1,881	\$1,605	\$2,028	\$1,752
Licenses & Permits	0%	\$0	\$0	\$0	\$250	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Office Supplies	0%	\$0	\$0	\$0	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Telephone	0%	\$0	\$0	\$0	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Meals & Entertainment	1%	\$0	\$0	\$64	\$97	\$132	\$109	\$145	\$122	\$157	\$134	\$169	\$146
Professional Fees	0%	\$0	\$0	\$0	\$0	\$305	\$305	\$305	\$305	\$305	\$305	\$305	\$305
Auto	0%	\$0	\$0	\$0	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250
Rent - Slips	0%	\$0	\$0	\$0	\$840	\$840	\$840	\$840	\$840	\$840	\$840	\$840	\$840
Lease - Boat	0%	\$0	\$0	\$0	\$2,295	\$2,295	\$2,295	\$2,295	\$2,295	\$2,295	\$2,295	\$2,295	\$2,295
Maintenance	3%	\$0	\$0	\$0	\$582	\$794	\$656	\$867	\$729	\$941	\$803	\$1,014	\$876
Merchant Service Fees	3%	\$0	\$180	\$191	\$291	\$397	\$328	\$434	\$365	\$470	\$401	\$507	\$438
Total Operating Expenses		\$0	\$3,520	\$3,643	\$12,871	\$13,772	\$13,220	\$17,654	\$18,178	\$19,025	\$18,472	\$19,318	\$27,173
Profit Before Interest and Taxes		\$0	\$5,480	\$6,057	\$2,029	\$6,678	\$4,130	\$5,246	\$1,622	\$6,325	\$3,778	\$8,482	(\$2,473)
EBITDA		\$0	\$5,480	\$6,057	\$2,029	\$6,678	\$4,130	\$5,246	\$1,622	\$6,325	\$3,778	\$8,482	\$5,934
Interest Expense		\$0	\$0	\$0	\$696	\$692	\$688	\$684	\$680	\$675	\$671	\$667	\$663
Taxes Incurred		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit		\$0	\$5,480	\$6,057	\$1,333	\$5,986	\$3,442	\$4,562	\$942	\$5,650	\$3,106	\$7,815	(\$3,136)

Appendix

Net Profit/Sales	0.00%	45.67%	47.69%	6.87%	22.63%	15.75%	15.79%	3.88%	18.02%	11.61%	23.12%	-10.74%
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Appendix

Table: Cash Flow

Pro Forma Cash Flow												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations												
Cash Sales	\$0	\$12,000	\$12,700	\$19,400	\$26,450	\$21,850	\$28,900	\$24,300	\$31,350	\$26,750	\$33,800	\$29,200
Subtotal Cash from Operations	\$0	\$12,000	\$12,700	\$19,400	\$26,450	\$21,850	\$28,900	\$24,300	\$31,350	\$26,750	\$33,800	\$29,200
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities		\$0	\$0	\$120,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received		\$0	\$12,000	\$12,700	\$139,400	\$26,450	\$21,850	\$28,900	\$24,300	\$31,350	\$26,750	\$29,200
Expenditures												
Expenditures from Operations												
Cash Spending		\$0	\$6,520	\$6,643	\$18,067	\$20,464	\$18,408	\$24,338	\$23,358	\$25,700	\$23,644	\$23,929
Bill Payments		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Spent on Operations		\$0	\$6,520	\$6,643	\$18,067	\$20,464	\$18,408	\$24,338	\$23,358	\$25,700	\$23,644	\$23,929
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment		\$0	\$0	\$0	\$693	\$697	\$701	\$705	\$709	\$713	\$717	\$722
Purchase Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent		\$0	\$6,520	\$6,643	\$18,760	\$21,161	\$19,109	\$25,043	\$24,067	\$26,413	\$24,361	\$24,655
Net Cash Flow		\$0	\$5,480	\$6,057	\$120,640	\$5,289	\$2,741	\$3,857	\$233	\$4,937	\$2,389	\$4,545
Cash Balance		\$0	\$5,480	\$11,537	\$132,177	\$137,466	\$140,207	\$144,065	\$144,298	\$149,234	\$151,624	\$163,261

Appendix

Table: Balance Sheet

Pro Forma Balance Sheet													
Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Assets													
Cash	\$0	\$0	\$5,480	\$11,537	\$132,177	\$137,466	\$140,207	\$144,065	\$144,298	\$149,234	\$151,624	\$158,716	\$163,261
Other Current Assets	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total Current Assets	\$2,000	\$2,000	\$7,480	\$13,537	\$134,177	\$139,466	\$142,207	\$146,065	\$146,298	\$151,234	\$153,624	\$160,716	\$165,261
Long-term Assets													
Long-term Assets	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8,407
Total Long-term Assets	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$40,200	\$31,793
Total Assets	\$42,200	\$42,200	\$47,680	\$53,737	\$174,377	\$179,666	\$182,407	\$186,265	\$186,498	\$191,434	\$193,824	\$200,916	\$197,054
Liabilities and Capital													
Current Liabilities													
Accounts Payable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities	\$0	\$0	\$0	\$0	\$119,307	\$118,610	\$117,909	\$117,204	\$116,495	\$115,782	\$115,065	\$114,343	\$113,617
Total Liabilities	\$0	\$0	\$0	\$0	\$119,307	\$118,610	\$117,909	\$117,204	\$116,495	\$115,782	\$115,065	\$114,343	\$113,617
Paid-in Capital	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746	\$48,746
Retained Earnings	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)	(\$6,546)
Earnings	\$0	\$0	\$5,480	\$11,537	\$12,870	\$18,856	\$22,298	\$26,861	\$27,803	\$33,452	\$36,559	\$44,373	\$41,237
Total Capital	\$42,200	\$42,200	\$47,680	\$53,737	\$55,070	\$61,056	\$64,498	\$69,061	\$70,003	\$75,652	\$78,759	\$86,573	\$83,437
Total Liabilities and Capital	\$42,200	\$42,200	\$47,680	\$53,737	\$174,377	\$179,666	\$182,407	\$186,265	\$186,498	\$191,434	\$193,824	\$200,916	\$197,054
Net Worth	\$42,200	\$42,200	\$47,680	\$53,737	\$55,070	\$61,056	\$64,498	\$69,061	\$70,003	\$75,652	\$78,759	\$86,573	\$83,437

CITY OF SAN DIEGO CONSENT TO SUBLEASE

THIS CONSENT TO SUBLEASE ("Consent") is made by the City of San Diego, a California municipal corporation ("CITY"), to be effective when signed by CITY (the "Effective Date") and approved by the San Diego City Attorney, as follows:

RECITALS

This Consent is made with regard to the following facts:

- A. CITY, as lessor, and WESCO SALES CORPORATION, a California Corporation, d.b.a. Dana Landing, as lessee ("SUBLESSOR") are parties to that certain THE CITY OF SAN DIEGO PERCENTAGE LEASE filed in the Office of the City Clerk on July 17, 1995 as Document No. OO-18192, as amended by that certain FIRST AMENDMENT TO LEASE filed on June 8, 1998 as Document No. OO-18527 in the Office of the City Clerk ("Master Lease"), and relating to certain CITY-owned real property in Mission Bay Park, consisting of approximately 3.467 acres of land and 4.127 acres of water ("Premises"), as further identified in the Master Lease.
- B. SUBLESSOR and PERFORMANCE 360, LLC, California Limited Liability Company ("SUBLESSEE"), have entered into a certain Sublease, dated April 14, 2014, ("Sublease") for a portion of the Premises more particularly described in the Sublease. A copy of the Sublease is attached as Exhibit A.
- C. Pursuant to Section 1.2 of the Master Lease, SUBLESSOR has requested CITY's approval of the "Fitness Training" use defined in the Sublease as an incidental use under the Master Lease.
- D. Pursuant to Section 4.2 of the Master Lease, SUBLESSOR has requested CITY's consent to sublease a portion of the Premises to SUBLESSEE.
- E. CITY is willing to approve the "Fitness Training" use as an incidental use under the Master Lease and consent to SUBLESSOR subleasing to SUBLESSEE on the terms and conditions contained in this Consent.

CONSENT

1. CITY's Consent. CITY consents to SUBLESSOR subleasing to SUBLESSEE. This consent is granted only on the terms and conditions stated in this Consent. CITY is not bound by any of the terms, covenants, or conditions of the Sublease. The Sublease is and shall remain subject and subordinate to the Master Lease, as may be amended from time to time. If there is a conflict between the Sublease and either the Master Lease or this Consent, the terms, conditions, and obligations of this Consent and the Master Lease shall control. If there is a conflict between

this Consent and the Master Lease, the terms, conditions, and obligations of this Consent shall control.

2. Limits of CITY's Consent. As a condition of CITY's consent, neither the Sublease nor this Consent will:
 - (a) release SUBLESSOR from any liability, whether past, present, or future, under the Master Lease as to the Premises or any portion thereof;
 - (b) alter the primary liability of SUBLESSOR to pay the rent and perform all SUBLESSOR's obligations under the Master Lease;
 - (c) be construed as a waiver of CITY's right to consent to any proposed sublease or assignment after the date hereof by SUBLESSOR under the Master Lease or by SUBLESSEE under the Sublease, or as a consent to any portion of the Premises being used or occupied by any other party;
 - (d) grant any rights to SUBLESSEE greater than those rights granted to SUBLESSOR under the Master Lease;
 - (e) be deemed CITY consent to any other assignment or sublease;
 - (f) require CITY to recognize SUBLESSEE in the event of a default in the Master Lease by SUBLESSOR;
 - (g) enlarge or in any manner increase CITY's obligations or duties under the Master Lease;
 - (h) create obligations or costs to CITY with regard to the Sublease;
 - (i) modify, waive, amend, or otherwise affect any provision of the Master Lease other than as set forth in this Consent;
 - (j) be deemed to be any type of obligation by CITY to SUBLESSOR, SUBLESSEE or to any governmental agent, board, commission, or agency with regard to any other action relating to SUBLESSEE's occupancy, use, or maintenance of any portion of the Premises or improvements thereon.
 - (k) be deemed approval of CITY as required by any other provision of the Master Lease or Sublease.
3. Required Insurance. Prior to the Effective Date of this Consent, SUBLESSEE shall file with CITY a copy of the policy of insurance which shall name the "City of San Diego, its elected officials, officers, representatives, agents and employees" as additional insureds for the entire term of the Sublease. SUBLESSEE shall be insured by an insurance carrier acceptable to the CITY

against loss from public liability and property damage arising from the use of or the conduct of any operation conducted on the Premises. SUBLESSEE shall maintain minimum coverage in the amount of Four Million Dollars (\$4,000,000) Combined Single Limit Liability. Said policy shall specify that the policy may not be terminated, altered or canceled without thirty (30) days prior written notice to CITY by insurance company. Prior to each insurance renewal period, SUBLESSEE shall submit to CITY a copy of the new policy of insurance.

4. Controlling Law. The terms and provisions of this Consent will be construed in accordance with, and will be governed by, the laws of the State of California.
5. CITY's Consent Null and Void. If at any time, either SUBLESSOR or SUBLESSEE fails to comply with any of the terms and conditions set forth in this Consent, this Consent shall automatically and retroactively become null and void as of the date of any such failure to comply. Any such failure to comply with any term or condition of this Consent shall constitute a default under the Master Lease and the CITY may avail itself of any rights and remedies available under the Master Lease and at law and in equity.

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

THE CITY OF SAN DIEGO, a California municipal corporation

Date: 5/14/14

BY: [Signature]
Name: Kristin Geitz
Title: Interim Director Real Estate Assets

Acknowledged and Accepted:

WESCO SALES CORP,
a California Corporation, d.b.a. Dana Landing

Date: 5/8/14

BY: [Signature]
Name: F. W. BUTLER
Title: PRESIDENT

APPROVED AS TO FORM AND LEGALITY:

JAN GOLDSMITH, City Attorney

Date: 5/19/14

By: [Signature]
Jeremy Fonseca
Deputy City Attorney

SUBLEASE

By this Sublease dated April 14, 2014, 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 I - 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: PERFORMANCE360, LLC
- (c) Marina: DANA LANDING, 2590 Ingraham Street, San Diego, CA 92109
- (d) Premises: Building (portion) as indicated on the location plan attached hereto as Exhibit "A."
- (e) Anticipated Commencement Date: July 1, 2014 (Possession date to be June 1, 2014)
- (f) Anticipated Term: 2 years.
- (g) Permitted Use: Fitness Training
- (h) Basic Monthly Rent: \$ 2,850.00
- (i) Initial Security Deposit: \$ 2,850.00
- (j) Proportional Share: Approximately 12.3 (2,500 square feet)
- (k) Base Year: The calendar year 2014.
- (l) Procuring Broker: None
- (m) Parking Allotment: Rights to use of parking facilities in common with other tenants.
- (n) Business Hours: 6:00 AM to 9:00 PM 365 days a year except Christmas, Easter, or Thanksgiving.

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. However, "Common Areas" shall not include any premises or buildings subleased by other sublessees; areas, facilities or equipment serving any bay, boat or marine related property including, without limitation, fuel docks, boat slips, boat docks, boat ramps or boat yards.

Initial Here:
Sublessee:
Sublessor:

BT/BJ

[Signature]

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 dry-wall 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, June 1, 2014, which shall be:

- (a) the date upon which Sublessee anticipates opening the Premises for the conduct of business.

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.

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Sublessee
Sublessor

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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 and Operating 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 estate property taxes, or any other such assessments upon Sublessor's legal or equitable interest in the Land, 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 federal, state or city 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, 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; 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.

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Sublessor

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5.2

The following items shall be excluded from "Operating Expenses":

- (i) obtaining new Sublessees (including leasing commissions, attorneys' fees, and improvements to premises);
- (ii) items for which Sublessor is directly reimbursed pursuant to Sublessee Subleases or insurance policies of Sublessees or Sublessor;
- (iii) depreciation and amortization, special services or benefits provided to other Sublessees and not Sublessee;
- (iv) violations of this Sublease by Sublessor;
- (v) violations by other Sublessees of their Subleases;
- (vi) 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;
- (vii) bay water, marine or boat related costs or expenses;
- (viii) investigation, monitoring, removal, cleanup or remediation of any Hazardous Materials (as defined herein) from the Land, Marina or Common Areas and any restoration in connection therewith or compliance with any environmental or hazardous materials clean-up costs;
- (ix) any other type of cost or expense not specifically listed in the Excel worksheet provided to Sublessee entitled "Dana Landing Monthly Charges (CAM) - January 2014 Charges," attached hereto as Exhibit "C" (which include, for the avoidance of doubt, common area expenses and costs related to insurance, real estate tax, gas, electric, water, trash, landscaping, and parking lot), and;
- (x) 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.

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

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 the extent contrary to the foregoing.

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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 and services furnished the Premises ("Services").

9.2 Sublessee shall pay Sublessor's reasonable charge for any Services not required to be provided to the Premises. Modifications to Services or Sublesseehold 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 non-structural portions of the Premises (including, without limitation, the interior and exterior walls, all equipment used in or by the Premises, interior partitions and glass panels, carpeting, wall coverings and kitchen facilities). All work related to (including connections with) Mechanical Systems shall be performed by a licensed contractor. 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.

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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, fastening of gym equipment, wall painting, minor alterations 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. If the Marina contains asbestos containing materials, a notice is attached hereto as Exhibit "0" in compliance with California Health and Safety Code sections 25g15, et seq., which require Sublessee to provide a copy of said notice to Sublessee's employees, contractors, subSublessees or assignees within fifteen (15) days of the earlier of (a) commencing work in the Marina, or (b) contracting with Sublessee to subSublease or assign all or a portion of the Premises.

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 Sublesseehold 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 anyone 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.

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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 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 265.130.

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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 transfer or 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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Sublessee: 
Sublessor:

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-sufferance. 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 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).

Initial Here:
Sublessee:
Sublessor:

DT-BP
[Signature]

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 defendant 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 or at 1010 Santa Clara Place, San Diego, CA 92109. Notice shall be given to Sublessor at 21500 Nordol Street, Chatsworth, CA 91311 Attention: Frank Butler with copy to The Law Offices of Shai Oved at 7445 Topanga Cyn Blvd., Suite 220, Canoga Park, CA 91303. 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 email 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 Sublessee shall be deemed effective as to all persons or entities executing this Sublease as Sublessee. Valid email notice shall be as follows:

Sublessor: Frank@Catalinayachts.com; ssoesq@aol.com

Sublessee: priat9cr@hotmail.com and dave.thomas14@gmail.com

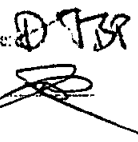
ARTICLE 27 - GENERAL PROVISIONS

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 the County of Los Angeles.

Initial Here:
Sublessee:
Sublessor:



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 often 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.

Initial Here.
Sublessee
Sublessor

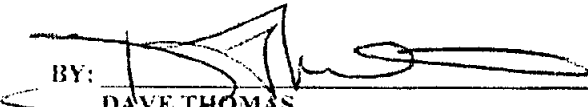
DTBP
[Signature]

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.

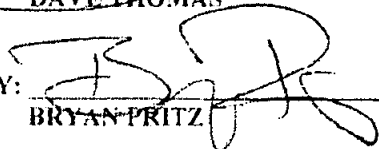
WHEREUPON, THE PARTIES HERETO HAVE EXECUTED THIS SUBLEASE
ON THE DATES INDICATED

SUBLESSEE

PERFORMANCE360, LLC

BY: 

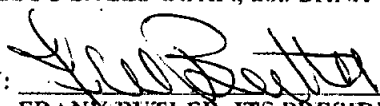
DAVE THOMAS

BY: 

BRYAN FRITZ

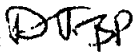
SUBLESSOR

WESCO SALES CORP., dba DANA LANDING

BY: 

FRANK BUTLER, ITS PRESIDENT

Initial Here:
Sublessee:
Sublessor:




ADDENDUM

ARTICLE 28 - CITY PERCENTAGE RENT

In addition to all other rent payable pursuant to this Sublease (e.g., Basic Monthly Rent, and Additional 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's Percentage Rent shall be paid on or before the 21st day of each month commencing on the next month in which this sublease commences (i.e., the 2nd month after the Commencement Date). Sublessor and the City of San Diego shall have the right upon reasonable notice (but not less than forty-eight (48) business hours) 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 5% or more, Sublessee shall pay all sums found due immediately, together with all costs of the audit and legal fees and costs incurred by the City of San Diego. Any overpayment determined during the period of audit shall be refunded within thirty (30) days of confirmation by the City of San Diego of the audit findings.

ARTICLE 29 - DISCLAIMER OF SECURITY

Sublessee acknowledges 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

Cost of living adjustments ("COL"). On August 1 of each year commencing on the first anniversary after the Commencement Date, the Basic Monthly Rent payable in accordance with Article 3.1 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 of Urban Wage Earners and Clerical Workers for San Diego, California. The adjustments shall be made each 12 months of this Lease and any extensions, irrespective of anything to the contrary herein contained annual increases shall be no less than 3% per year.

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.

ARTICLE 31 - SUBORDINATION OF MASTER LEASE

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 the Master Lease. Should the Master Lease be terminated for any reason while this Sublease is in effect this Sublease shall terminate. Sublessee shall have no further obligation to pay Basic Monthly Rent, City Percentage Rent or any other payments under the Sublease (other than rents past due) and Sublessor shall have no liability to Sublessee as a result of such termination.

ARTICLE 32 - CONFLICT OF TERMS

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 - DEFAULT

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 - POSSESSION

Sublessee acknowledges property in its present as is condition and will be responsible for any changes in accordance with the Sublease.

ARTICLE 35 - OPTION

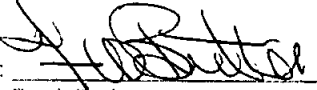
Provided Sublessee has not defaulted on any terms of the lease herein, Sublessor grants to Sublessee a single option to extend the Term for an additional period of four (4) years on the same terms and conditions as set forth herein except that Basic Monthly Rent shall be at the then prevailing market rate but in no event less than the current rate. Said option shall be deemed automatically exercised by Sublessee unless Sublessee shall give notice to Landlord at least three (3) months before the expiration of the term or renewal period then in effect of Sublessee's desire to terminate said Sublease. In the event of a default in any term of the Sublease, these options will be cancelled.

[Signature Page to Follow]

IN WITNESS WHEREOF, the parties, intending to be legally bound hereby, have caused this Addendum to the Sublease to be executed as of April 14, 2014, signed by their duly authorized representatives.

SUBLESSOR:

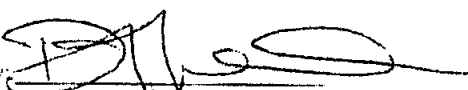
Wesco Sales Corp dba Dana Landing

By: 

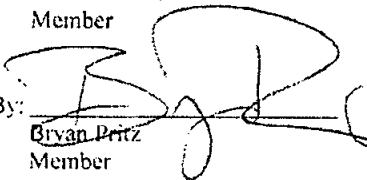
Frank Butler
President

SUBLESSEE:

Performance360, LLC

By: 

Dave Thomas
Member

By: 

Bryan Pritz
Member



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

4/2/2014

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

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

PRODUCER Fusco & Orsini Insurance Services Inc. 5095 Murphy Canyon Road Suite 200 San Diego CA 92123	CONTACT NAME: Michael Fusco PHONE (A/C No. Ext): (858) 384-1506 FAX (A/C No): (800) 209-9298 E-MAIL ADDRESS: mike@foagency.com
INSURED Performance360 LLC 1010 Santa Clara Place San Diego CA 92109	INSURER(S) AFFORDING COVERAGE INSURER A Philadelphia Indemnity Ins. Co. 18058 INSURER B Markel Insurance Company 38970 INSURER C: INSURER D: INSURER E: INSURER F:

COVERAGES CERTIFICATE NUMBER: 14-15 GL, 13-14 WC AI 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 ☒ COMMERCIAL GENERAL LIABILITY ☐ CLAIMS-MADE ☒ OCCUR	X	PHPK1154955	4/2/2014	4/2/2015	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 300,000 MED EXP (Any one person) \$ 5,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000
	GEN'L AGGREGATE LIMIT APPLIES PER: ☒ POLICY ☐ PRO-JECT ☐ LOC					
	AUTOMOBILE LIABILITY ☐ ANY AUTO ☐ ALL OWNED AUTOS ☐ HIRED AUTOS ☐ SCHEDULED AUTOS ☐ NON-OWNED AUTOS					
	UMBRELLA LIAB ☐ OCCUR EXCESS LIAB ☐ CLAIMS-MADE DED ☐ RETENTIONS \$					
B	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N ☒ Y	N/A MWC004910301	5/1/2013	5/1/2014	☒ WC STATUTORY LIMITS ☐ OTHER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000

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

REVISED 4/28/14 WITH CORRECTED GENERAL LIABILITY POLICY DATES SUPERCEDES ALL OTHERS

The City of San Diego Real Estate Assets Dept. is named as additional insured per endorsement on general liability only - endorsement will follow from carrier. *10 day notice of cancellation for non payment of premium, 30 days written notice to certificate holder for all others.*

CERTIFICATE HOLDER

CANCELLATION

The City of San Diego
Real Estate Assets Dept.
1200 Third Ave. Suite 1700
San Diego, CA 92101

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

Michael Fusco/BXU



CITY OF SAN DIEGO

LESSEE'S AND SUBLESSEE'S QUESTIONNAIRE
FOR ALL LEASES, ASSIGNMENTS AND SUBLEASES

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

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

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

Exact name of existing Lessee (always complete):

Performance 360

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

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

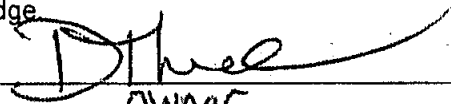
Exact name of proposed Sublessee (complete only if applicable):

Date this Questionnaire completed:

2/3/14

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

Signature:



Title:

owner

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

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

This Questionnaire contains 15 pages.

PROPOSED (SUB)LESSEE

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

Performance360

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

1010 Santa Clara Place

San Diego, CA 92109

Telephone No.: 619-800-2774 Fax. No.: _____

E-mail Address: Dave.Thomas14@gmail.com

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

Telephone No.: _____ Fax. No.: _____

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

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

Limited Liability Company (X); Other _____

Explain if necessary:

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

PARTNERSHIP STATEMENT

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

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

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

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

General/Limited	Name	Address	Share %

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

CORPORATION STATEMENT

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

1. Type of corporation: C () Subchapter S ()
2. When incorporated? _____
3. Where incorporated? _____
4. Is the corporation authorized to do business in California? Yes () No ()
If so, as of what date? _____

5. The corporation is held:
 - a. Publicly () Privately ()
 - b. If publicly held, how and where is the stock traded?

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

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

Name: _____
Title: _____
Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

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

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

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

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

LIMITED LIABILITY COMPANY STATEMENT

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

1. Date of Organization: 2011
2. Where Organized: California
3. Is the Company authorized to do business in California?
 - a. Yes (☒) No ()
 - b. If so, as of what date? 2011
4. Has the Company conducted business in San Diego County?
 - a. Yes (☒) No ()
 - b. If so, when? April 2011 - Current
 - c. If so, where? 1010 Santa Clara Place, San Diego CA 92109
5. Please furnish the name, address, and membership share held by each manager and officer, and each member owning more than a 10% membership interest. If a member is a partnership, corporation, or another LLC, please complete separate pages 3; or 4 and 5; or 6, as appropriate for such entity (type proposed [Sub]Lessee name [from page 2] on the top of each page).

Manager/Officer/ Member	Name	Address	Share %
	Dave Thomas	5065 La Jolla Blvd #2	55
	Bryan Pritz	1841 Grand Ave	45

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

FINANCIAL AND OTHER BACKGROUND INFORMATION

FINANCIAL STATEMENT

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

OTHER INFORMATION

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

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

Dave Thomas

REFERENCES FOR PROPOSED (SUB)LESSEE

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

REFERENCE NO. 1

Name: Harry Lee
Firm: _____
Title: Investor
Address: 817 Mackai Ave. McLean, VA 22101
Telephone: 703 517 1696

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

Lent Business \$125K, paid in full after
30 months. 3 years ahead of schedule.

REFERENCE NO. 2

Name: Zach Funston
Firm: Mission Bay Sportcenter
Title: General Manager / Current Landlord
Address: 1010 Santa Clara Pl, SD, CA 92109
Telephone: 619-952-0079

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

Pay rent to currently (LANDLORD)

• REFERENCE NO. 3

Name: _____

Firm: Wells Fargo Bank

Title: _____

Address: 1302 Corned Ave, San Diego CA 92109

Telephone: 858-272-8824

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

Financial Institution that Performance360 does all
of its banking with

REFERENCE NO. 4

Name: _____

Firm: Capital One Financial Corporation

Title: _____

Address: McLean VA

Telephone: 800-955-7070

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

Our Credit Card Company

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

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

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

First, Middle, & Last Name	<u>David Alexander Thomas</u>
Date of Birth	<u>5/19/1982</u>
Place of Birth	<u>WASHINGTON, DC</u>
Social Security Number	<u>[REDACTED]</u>
Driver's License Number/State	<u>E3052494</u>
Home Address	<u>4025 Gresham St</u> <u>5065 LA JOLLA BLVD #2</u>
Previous Address	<u>SAN DIEGO, CA 92109</u>
Home Telephone No.	<u>703-966-0847</u>
Employer	<u>Performance360</u>
Occupation	<u>owner</u>
Business Address	<u>1010 Santa Clara Pl SD, CA 92109</u>
Business Telephone No.	<u>619-800-2774</u>
Business Fax No.	<u></u>

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

Date 2/3/14 Signed [Signature]

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

Performance360

Bryan Fritz

REFERENCES FOR PROPOSED (SUB)LESSEE

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

REFERENCE NO. 1

Name: Harry Lee
Firm: _____
Title: Investor
Address: 817 Mackall Ave, McLean, VA 22101
Telephone: 703-517-1696

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

Lent business \$125,000. Re-paid loan in full after
30 months, 3 years ahead of schedule.

REFERENCE NO. 2

Name: Zach Furston
Firm: Mission Bay Sportcenter
Title: GM / Current Land lord
Address: 1010 Santa Clara Place, San Diego CA 92109
Telephone: 619-952-0079

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

Current Landlord whom Performance360 pays rent to.

REFERENCE NO. 3

Name: _____

Firm: Wells Fargo Bank

Title: _____

Address: 1302 Garnet Ave, San Diego CA 92109

Telephone: 858-272-8824

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

Financial Institution that Performance 360 does all
of its banking with.

REFERENCE NO. 4

Name: _____

Firm: Capital One Credit / Financial Corporation

Title: _____

Address: McLean, VA

Telephone: 1-800-955-7070

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

Credit Card / Financial Organization

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

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

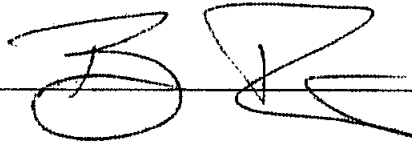
The following personal information is required to initiate a credit investigation. The business and personal reputation of principals, partners, and members will be considered in qualifying Lessees or in consenting to Sublessees.

First, Middle, & Last Name Bryan Alexander Pritz
Date of Birth 05/05/1982
Place of Birth Weston, CT
Social Security Number [REDACTED]
Driver's License Number/State F3627388 / CA
Home Address 1841 Grand Ave
San Diego CA 92109
Previous Address 1636 Thomas Ave #1
San Diego, CA 92109
Home Telephone No. 847-651-7970
Employer Performance360
Occupation Owner
Business Address 1010 Santa Clara Place, SD CA 92109
Business Telephone No. 619-800-2774
Business Fax No. _____

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

Date 2/3/14

Signed



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

Performance360

METHOD OF OPERATION

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

Replication of services already
established and in place at

MISSION BAY SPORTCENTER
1010 SANTA CLARA PL
SAN DIEGO, CA 92109

This would be second location.

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

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

ESTIMATE OF GROSS RECEIPTS

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

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

Year of Operation	Membership / Classes	Uses (Identify Each Use)			
2011	1	\$ 68,000	\$	\$	\$
2012	2	\$ 200,000			
2013	3	\$ 365,000			
Projected 2014	4	\$ 600,000			
	5				

EXPERIENCE STATEMENT

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

Both owners, Dave Thomas and Bryan Pritz have 3 years experience as owners of current Gym at 1010 Santa Clara Pl. in Mission Beach. Both have previous experience in gym related activities before opening the first location in mission Beach.

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

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

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

blackslate

PRIVATE CLIENT ACCOUNTANTS

Accountant's Compilation Report

Performance360 LLC
1010 Santa Clara Place
San Diego, CA 92109

Re: Financial Statement Compilation for the year ended December 31, 2013

We have compiled the accompanying statement of assets and liabilities- income tax basis of Performance360 LLC for the year ended December 31, 2013 and the related statement of revenue and expenses- income tax basis for the year then ended. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the income tax basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the company's assets, liabilities, equity, revenue, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Sincerely,

Blackslate Group LLP

Blackslate Group LLP
Certified Public Accountants

PERFORMANCE360 LLC
Balance Sheet
Tax Year 2013

ASSETS

Current Assets

Checking/Savings

Wells Fargo - 3256 28,907.45

Total Checking/Savings 28,907.45

Total Current Assets 28,907.45

Fixed Assets

Gym Equipment 4,052.05

Total Fixed Assets 4,052.05

TOTAL ASSETS 32,959.50

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

Capital One Credit Card 450.05

Chase Ink Credit Card 402.60

Total Credit Cards 852.65

Total Current Liabilities 852.65

Total Liabilities 852.65

Equity

Members Capital

Bryan Pritz Distributions -17,991.19

David Thomas Distributions -27,116.61

Total Members Capital -45,107.80

Retained Earnings -14,204.54

Net Income 91,419.19

Total Equity 32,106.85

TOTAL LIABILITIES & EQUITY 32,959.50

See accountant's compilation report

PERFORMANCE360 LLC

Profit & Loss

Tax Year 2013

Income	
Sales	374,967.45
Expense	
Accounting	5,492.50
Advertising and Promotion	6,325.68
Automobile Expense	243.18
Bank Service Charges	200.00
Charitable Contributions	100.00
Computer and Internet Expenses	1,524.22
Continuing Education	495.00
Credit Card Fees	102.95
Gift Expense	952.72
Insurance Expense	
General Liability	1,899.16
Workmen's Compensation	1,580.97
Total Insurance Expense	3,480.13
Interest Expense	713.42
Janitorial Expense	1,955.00
Meals and Entertainment	10,950.96
Merchant Fees	8,537.26
Office Expense	2,959.09
Office Supplies	1,501.13
Outside Services	4,678.00
Payroll Fee	1,033.95
Postage & Delivery	97.69
Rent Expense	102,220.25
Repairs and Maintenance	1,975.42
Staff Expenses	
Salaries & Wages	113,914.50
Payroll Taxes	9,698.23
Total Staff Expenses	123,612.73
Taxes & Licenses	965.59
Travel Expense	1,779.00
Utilities	
Internet	1,095.00
Utilities - Other	557.39
Total Utilities	1,652.39
Total Expense	283,548.26
Net Income	91,419.19

See accountant's compilation report