

**CITY OF SAN DIEGO
CONSENT TO SUBLEASE**

THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), as lessor, and SPORTSMEN'S SEAFOOD COMPANY, INC., a California corporation ("LESSEE"), as lessee, are parties to that certain CITY OF SAN DIEGO PERCENTAGE LEASE filed in the Office of the San Diego City Clerk as Document No. RR-268048 on April 6, 1987 (the "Lease").

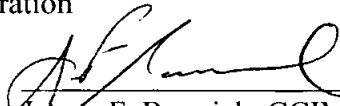
LESSEE, as sublessor, and DONALD CORREIA, doing business as "H2O Boat Rentals, a sole proprietorship" ("Sublessee"), as sublessee, have signed a SUBLEASE AGREEMENT dated April 1, 2010, under which LESSEE intends to sublease a portion of the Lease premises to Sublessee.

CITY hereby consents to LESSEE'S subleasing a portion of the Lease premises to Sublessee.

Date: 10/19/10

THE CITY OF SAN DIEGO, a California municipal
corporation

BY:



James F. Barwick, CCIM
Real Estate Assets Director



NAVIGATO
BATTIN
ATTORNEYS

June 29, 2010

VIA FEDERAL EXPRESS

Robert E. Zolezzi
READ Asset Management Group
1200 Third Avenue, Suite 1700
San Diego, California 92101

RE: *Sportsmen's Seafood Company, Inc.*

Dear Mr. Zolezzi:

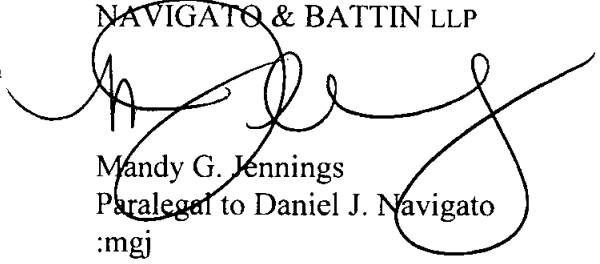
Mr. Busalacchi asked me to forward you the enclosed documents for the sublease between Sportsmen's Seafood Company and Donald Correia, dba H2O Boat Rentals. Please find enclosed the following documents:

- Executed Sublease Agreement with Exhibit A; and
- Business Proposal.

Please also find enclosed a letter from Don Correia regarding insurance for the H2O sublease. Please advise if the insurance Mr. Correia plans on purchasing is satisfactory to the City.

Please let me know if you have any questions. Thank you.

Sincerely yours,
NAVIGATO & BATTIN LLP


Mandy G. Jennings
Paralegal to Daniel J. Navigato
:mgj

Enclosures

2010 JUN 30 PM 2:05

SUBLEASE AGREEMENT

This Sublease Agreement ("Agreement") is made this 1 day of April, 2010, by and between Sportsmen's Seafood Co., Inc., a California corporation, its successors or assigns (hereinafter referred to as "Sportsmen's", or Lessor), and Donald Correia, dba H2O Boat Rentals, a sole proprietorship (hereinafter referred to as "OPERATOR")..

WITNESSETH

A. WHEREAS, Sportsmen is the ground lessee of certain waterfront land, facilities, and dockside improvements commonly known as Sportsmen's Seafood Company, Mission Bay, 1617 Quivira Road, San Diego, CA 92109 ("Premises"); and

B. WHEREAS, Sportsmen desires to grant to OPERATOR authority to operate a personal watercraft rental boat operation and related services ("Business") on a portion of the Premises. Currently, the Business includes ten (10) personal watercraft. OPERATOR desires to expand the rental of watercraft to include two (2) powerboats, one (1) pontoon boat, four-six (4-6) fishing skiffs, four (4) peddle boats, and to sell t-shirts, related retail and souvenirs. The nature and number of expanded watercraft may change (increase or decrease) as agreed to by Sportsmen's and the City of San Diego ("City"). The portion of the Premises to be utilized is a dock slip designated by Sportsmen as more particularly described and depicted on Exhibit "A" ("Subleased Premises"); and

C. WHEREAS, OPERATOR desires to operate the Business from the Subleased Premises;

Now, therefore, in consideration of the covenants and agreements in this Agreement and other good and valuable consideration, subject to the consent by City, Sportsmen's hereby grants and OPERATOR hereby accepts the grant of a right to operate the Business for the use and enjoyment of the general public on the following terms:

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

(a) Subject to the consent of the City, Sportsmen's grants OPERATOR permission to operate the Business from the Subleased Premises.

(b) OPERATOR agrees to operate the Business in accordance with policies, standards and procedures established from time to time by Sportsmen or City.

(c) This Agreement is in effect a sublease of a portion of the Premises covered by the lease agreement between Sportsmen's and City as reflected in document #268048 ("Master Lease"). This Agreement is subject to the covenants and conditions of the Master Lease notwithstanding any contrary or conflicting provision in this Agreement.

(d) In the event the Master Lease is terminated for any reason, this Agreement shall terminate and neither party shall have any further rights or obligations under this Agreement.

2. OPERATOR'S OBLIGATIONS

2.1 Equipment.

(a) OPERATOR will provide, at its own cost, all equipment needed to operate the Business.

(b) OPERATOR shall be responsible for the normal safekeeping of all equipment and supplies used in or related to the Business. The watercraft and all related equipment of OPERATOR shall be maintained in good condition sufficient to satisfy and pass all equipment-related safety and inspection requirements of the U.S. Coast Guard, the State of California, the City and/or any other governmental agency.

(c) OPERATOR shall keep any and all watercraft registrations current in accordance with California State Boating Law.

(d) Title to all OPERATOR's equipment and related supplies provided by OPERATOR shall at all times remain in and be solely vested in OPERATOR. Upon termination of this Agreement, OPERATOR shall promptly remove all of its property from the Subleased Premises.

(e) All watercraft shall meet applicable Coast Guard standards for passenger operations.

(f) OPERATOR shall maintain and keep the back parking lot in good condition and in accordance with any rules and regulations set forth by Sportsmen's and City. OPERATOR shall bear the cost and expense of maintaining the back parking lot on a pro rata basis divided among OPERATOR and other sublessees or permitted users.

(g) OPERATOR shall maintain, repair and keep the Subleased Premises in good condition and in accordance with the rules and regulations set forth by City and Sportsmen's. OPERATOR shall bear the cost and expense of maintaining and repairing the Subleased Premises.

2.2 Operation of Business.

(a) OPERATOR shall have use of the Subleased Premises for operation of the Business. The Premises and the Subleased Premises may be modified or changed by Sportsmen's at anytime at the sole discretion of Sportsmen's.

(b) OPERATOR shall in no way alter the Subleased Premises without express permission of Sportsmen's.

(c) Upon termination of this Agreement, OPERATOR shall return the Subleased Premises in good and clean condition, normal wear and tear excepted.

(d) OPERATOR shall promote guest safety.

(e) OPERATOR shall not operate in unsafe weather conditions.

(f) OPERATOR will immediately report to Sportsmen's, the Premises' Manager, or in his or her absence, the Assistant Manager, any injury or accidents to guest, property, or known defects in the Subleased Premises.

(g) OPERATOR agrees to provide at its expense, all signage necessary for the Business, provided OPERATOR obtains prior written consent of Sportsmen's. Such signage shall comply with all rules, regulations, and ordinances, including, but not limited to, any rules, regulations or ordinances promulgated by the City.

(h) OPERATOR agrees to provide notice to all customers and patrons that it is operating as an independent contractor.

2.3 Personnel.

(a) OPERATOR will recruit, employ, train, direct and supervise, employees who will keep the watercraft and related equipment and supplies, and all OPERATOR's equipment properly cared for and maintained, and who will be qualified to assist guests in the proper use of equipment.

(b) All employees of OPERATOR entering the Premises or the Subleased Premises will abide by Sportsmen's rules consistent with standards, quality, and image of the Premises.

(c) OPERATOR's personnel shall satisfy all Coast Guard standards for applicable passenger operation and be trained in safety procedures.

2.4 License and Taxes. OPERATOR will obtain at its own cost, all licenses necessary for operation of the Business and will pay all sales, business, and personal property taxes incident to the Business.

2.5 Liens. OPERATOR shall be responsible for and promptly discharge any liens which occur in connection with, or as a result of OPERATOR's Business.

3. SPORTSMEN'S OBLIGATIONS

3.1 Business Rights and Use of Subleased Premises

(a) In connection with Sportsmen's grant to OPERATOR of the right to operate the Business on the Subleased Premises, Sportsmen's also grants to OPERATOR the authority to advertise and promote the Business in a tasteful manner, including the placement on the Subleased Premises of such signs and display advertising in accordance with the Master Lease and that conform with the Mission Bay Park Master Plan guidelines. It is agreed that all such signs and displays placed on the Subleased Premises shall be subject to prior written approval by Sportsmen's. Notwithstanding anything to the contrary in this Agreement, in the event the City or any other governmental authority requires the removal of any signage of OPERATOR, OPERATOR shall immediately remove any such signage at its own cost and expense.

(b) OPERATOR agrees to use the Subleased Premises solely for the operation of the Business. Changes to the Business operations shall not be made without prior written approval of Sportsmen's.

3.2 Property Taxes. Sportsmen's shall be responsible for any real property taxes which may be levied on the Premises.

3.3 Utilities. Sportsmen's shall provide reasonable access to the utilities necessary to the operation of the Business. Sportsmen shall provide utilities of water and electricity reasonably necessary for the Subleased Premises. Temporary failure to supply utilities shall not be deemed a breach of this Agreement and Sportsmen's shall not be liable for any interruption in utility service. Cost of utilities shall be borne by OPERATOR at a reasonable relationship to its use and will be reviewed on a periodic basis.

4. INSURANCE AND INDEMNIFICATION

4.1 Liability Insurance. On or before the Effective Date, as later defined in Section 6.1, "Term", herein, OPERATOR shall have obtained, as evidenced by a current certificate of

insurance, a **Commercial Liability** insurance policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from OPERATOR's ownership, maintenance, operation and/or use of its watercraft and the Subleased Premises in the conduct and/or operation of the Business, with limits of at least ONE MILLION DOLLARS (\$1,000,000) per occurrence with at least TWO MILLION DOLLAR (\$2,000,000) aggregate. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Seafood Co., Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's Seafood Co., Inc. and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of OPERATOR and must be disclosed and acceptable to Sportsmen and the City at the time evidence of insurance is provided.

4.2 Hold Harmless. OPERATOR shall protect, defend, indemnify, and hold Sportsmen and City, and City's elected officials, officers, representatives, agents and employees, harmless from and against any and all claims asserted or liability established which arise out of or are in any manner directly or indirectly related to the granting of this right to OPERATOR to operate the Business on the Subleased Premises, the use and operation of the Subleased Premises, or the operations to be performed under this Agreement, and all costs and expenses of investigating and defending against same, including without limitation attorney fees and costs; provided, however, that OPERATOR's duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of Sportsmen or City, or City's elected officials, officers, representatives, agents and employees.

4.3 Other Insurance. OPERATOR shall at its own cost and expense maintain a worker's compensation insurance policy covering its employees.

5. FINANCIAL

5.1 Compensation. The parties agree that beginning on the Effective Date of this Agreement and throughout its term and renewal term, if any, OPERATOR shall pay Sportsmen's monthly rent calculated as the greater of (1) Seventeen Percent (17%) of monthly Gross Income received from the sale of goods and services and from all other authorized activities and uses of the Subleased Premises, or (2) Seven Hundred Dollars (\$700). OPERATOR shall pay such rent to Sportsmen's, monthly in arrears, and prior to the fifth (5th) day of the calendar month following that month in which the revenue subject to rent was earned. If rent paid to the City by

Sportsmen should increase due to moneys generated by OPERATOR while operating the Business on the Subleased Premises, then an amount equal to such increase shall be paid to Sportsmen's by OPERATOR to offset such increase.

5.2 Gross Income. Gross Income as used in this Agreement includes all income resulting from occupancy of the Subleased Premises from whatever source derived and whether received or to become due. Gross Income includes income received by OPERATOR or by its agent(s), and all gross income received by OPERATOR as a result of occupancy or operation of the Subleased Premises or operation of the Business, except as may be otherwise specified in this Agreement. Gross Income does not include federal, state, or municipal taxes collected from the consumer (regardless of whether the amount is stated to the consumer as a separate charge) and paid over periodically by OPERATOR to a governmental agency accompanied by a tax return or statement as required by law. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Income. Gross Income shall not include income received from the sale of goods that is subsequently refunded when the goods are returned for resale from the Subleased Premises or deposits that are later refunded. Gross Income shall not apply to funds received as the result of any damage or loss to OPERATOR's property. The amount of the taxes and refunds shall be clearly shown on the books and records of OPERATOR. The percentage rent shall be calculated and paid by OPERATOR to Sportsmen (or through Sportsmen in the case of rent due City) on the basis of the Gross Income whether the income is received by OPERATOR or its agent(s), and all Gross Income received by any other party as a result of occupancy of the Subleased Premises or the operation of the Business shall be regarded as Gross Income of OPERATOR for the purpose of calculating the percentage rent required to be paid by OPERATOR to Sportsmen and City, except as may be otherwise specified by or pursuant to this Agreement.

5.3 Accounting. The Parties contemplate that revenues deriving from the Business shall be listed via a separate cash register, or other machine that registers sales and produces receipts. Booking procedures shall be in accordance with City requirements set forth in the Master Lease or otherwise required by Sportsmen or City and be open for inspection by Sportsmen upon three days written request. Percentage of agreed rents due the City for sales occurring from this location shall be distributed as follows: to be paid monthly by OPERATOR as directed by Sportsmen's and/or City. Rents shall be paid to Sportsmen's on or before the 5th day of the month following the month in which the income was earned.

6. TERM AND TERMINATION

6.1 Term. This Agreement is effective upon consent by City ("Effective Date") and shall run for a period of one two (2) years from the Effective Date.

6.2 Termination. This Agreement, or any extension thereof, may be terminated:

- (a) By mutual agreement of the Parties;
- (b) By either party upon thirty (30) days prior written notice, in the event of a material breach of this Agreement; provided the breaching party has been given written notice of such breach and has failed to cure breach within ten (10) days after receipt of such notice.
- (c) Immediately and automatically upon termination of the Master Lease.

6.3 Renewal. This Agreement may be extended (renewed) for a successive two (2)

year period and thereafter by mutual agreement of the Parties.

7. MISCELLANEOUS

7.1 OPERATOR an Independent Contractor. OPERATOR shall act as an independent contractor in all respects and shall not be subject to the control of Sportsmen, and under no circumstances shall OPERATOR be considered an agent, servant or employee of Sportsmen in providing the services specified in this Agreement.

7.2 Notices. Any notice given hereunder by either party to the other shall be in writing and shall be delivered by personal delivery or by certified mail, return receipt requested. Such notice shall be deemed given and effective on the date of delivery if personally delivered or five (5) days after the date of mailing. Notices shall be delivered to Sportsmen at 1617 Quivira Road, San Diego, CA 92109 C/O Sportsmen's Seafood Co. and to OPERATOR at 1144 Catalina Boulevard, San Diego, California 92107. Either party hereto may change its address by giving notice thereof to the other party hereto in conformity with this paragraph.

7.3 Acts of God. If because of weather, acts of God, strikes, or other labor disputes, vendor delays, or other unavoidable cause, either party is unable to perform its obligation hereunder, such nonperformances shall not be considered a breach of this Agreement; provided, however, that OPERATOR's obligation to pay rent shall not be excused by such acts or unavoidable causes.

7.4 Trademark and Trade Names. The Parties agree that they have no right in or to any trademarks, trade names or logos of each other and will not use or cause or allow others to use the same without the express permission of the other party.

7.5 Assignment and Subletting. OPERATOR shall not be entitled to assign this Agreement or sublet any space on, or portion of, the Premises or Subleased Premises. Wherever permissions are required under the terms of this agreement, said permissions shall not be unreasonably refused or delayed.

7.6 Waiver. A failure of either party to insist upon full performance of any term or provision or to exercise any rights, options or remedy of this Agreement or to require at any time performance of any provision hereof, shall not be construed as a waiver of any such term or provision. No waiver by either party of any term or provision hereof shall be binding unless made in writing and signed by such party.

7.7 Modification. This Agreement may not be modified except by a written agreement executed by both parties.

7.8 Severability. If any provision of this Agreement is held to be invalid, illegal, or unenforceable, the remaining provisions shall remain in full force and effect.

7.9 Attorney's Fees to Party. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provision of this Agreement between Sportsmen and OPERATOR, the prevailing party shall be entitled to recover reasonable attorney's fees. Should it become necessary for the City to commence legal proceedings to collect rent, to recover possession or enforce any other provision of this Agreement, OPERATOR agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

7.10 Compliance with Law. OPERATOR shall at all times in the operation of the Business comply with all applicable laws, statutes, ordinances, and regulations of City at

OPERATOR's sole cost and expense. In addition, OPERATOR shall comply with all notices issued by City's mayor or his authorized representative under the authority of any such law, statute, ordinance, or regulation.

7.11 Sole Agreement. This Agreement constitutes the sole and only agreement between the parties with respect to the rights and obligation conferred hereunder, and there are no representations or understandings not contained herein.

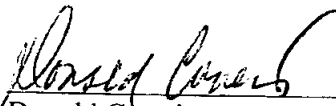
7.12 Quiet Use. Provided OPERATOR is current in paying rent and is not otherwise in default, it shall at all times during the term peaceably and quietly have and enjoy the Subleased Premises, as modified by time to time by Sportsmen at its sole discretion. Sportsmen shall not be liable for any loss or damage resulting in temporary displacement or otherwise as a result of OPERATOR's loss of quiet enjoyment.

7.13 Utilities. OPERATOR shall pay Sportsmen a monthly fee for utilities and water in the amount of \$ 30.00 . The monthly fee may be increased by Sportsmen in its sole discretion in the event (1) the price of utilities or water increase, (2) OPERATOR's use of utilities and water increase or (3) the monthly fee paid by OPERATOR is not sufficient to cover the actual expense to Sportsmen relating to OPERATOR's use of utilities and water.

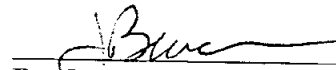
IN WITNESS WHEREOF,

We, the undersigned, having read and understood the contents of the Agreement, do agree to be bound according to its terms and conditions.

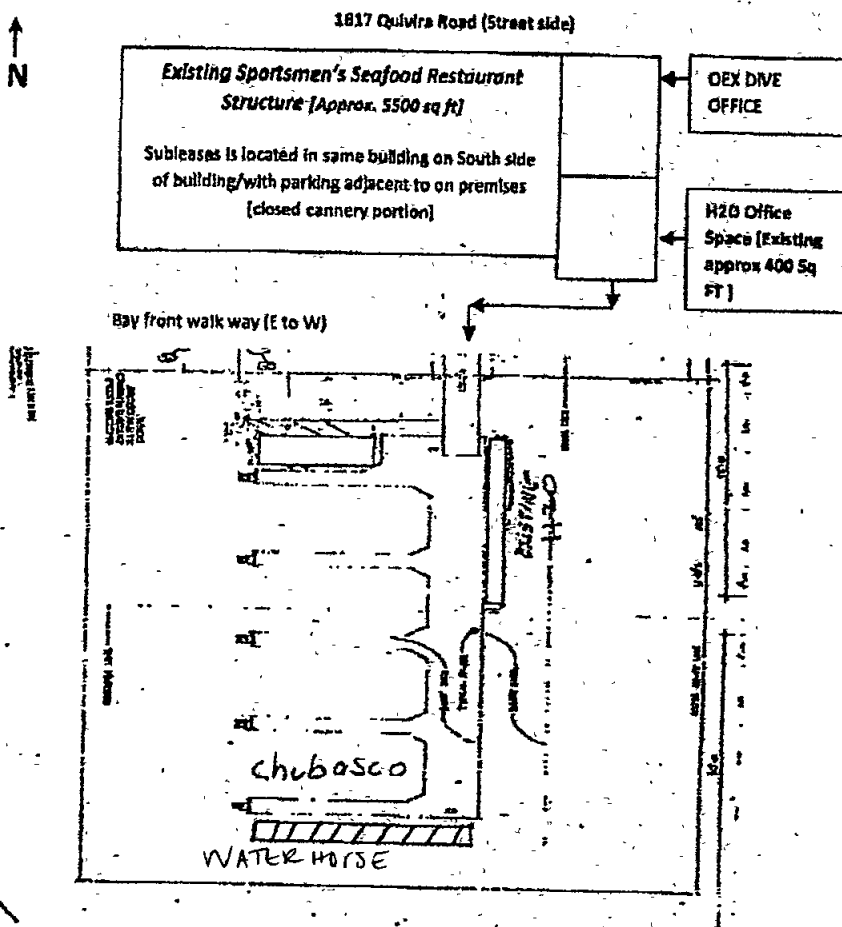
OPERATOR


Donald Correia

Sportsmen's Seafood Co., Inc.

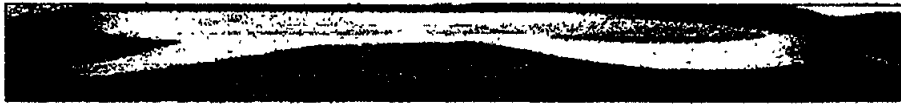

By: Joseph Busalacchi
Its President

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*This Copy
(Keep in Safe place)*

Sportsmen's Seafood



Sublease Operational Plan



For

H2O BOAT RENTAL

1617 QUIVIRA RD

SAN DIEGO, CA 92109

619 226 2754

"Proudly serving Mission Bay visitors since 1998"



Sportsmen's Seafood Inc. a California Corporation, its successors or assigns, as the master lease-holder of certain waterfront lands, facilities and dockside improvements commonly known as Sportsmen's Seafood Company Inc. 1617 Quivira Road, San Diego, CA 92109 desires to grant to the H2O Boat Rentals a Sublease Agreement to operate services to operate boat rentals to the general public from said premises with retail sales of souvenirs, sundries and other related products and services.

Provided at the request of Sportsmen's Seafood's Inc., 1617 Quivira Road San Diego, CA 92109

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H2O Boat Rentals 1617 Quivira Road San Diego CA 92109



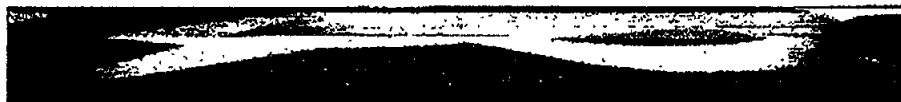
Introduction

The plan is set forth in maintaining its watercraft rentals business with a modest increase in the offerings at the earliest possible timeframe, and implemented as the facility is improved to achieve harmonious integration and based on three principles:

1. Sportsmen's has always been dedicated to serving the general public with a focus on providing a price point that allows the lower to mid income level local or tourist visitor a viable alternative to enjoying the full benefits of a visit to Mission Bay Park;
2. The City wishes to realize the maximum financial potential of its leaseholds and because of the limit of available commercial property expects its Lessors to operate their leaseholds in a manner that seeks to maximize the use and return of its leased areas;
3. The people of San Diego deserve a variety and the best of efforts to offering a fair and reasonable service.

The successful synergy we have developed with Sportsmen's Seafood has not only attracted and maintained thousands of satisfied visitors to the property and increased rents paid to City, it has allowed a unique added benefit of being able to maintain an affordable berthing area for the seasonal commercial fishermen.

Herein is an overview of our expanded operations and is geared based on Sportsmen's Seafoods' plans to redevelop their premises and dock facility to update the property's physical nature and offer workable solutions to increase revenues to both Sportsmen's and the City while increasing sustainable marketability options to attract and maintain ample visitors to its facilities and the area in general.



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

At H2O Watercraft Rentals we are in the business of providing complete customer service with a focus in the area of watercraft rentals. Long ago we recognized a void in the offering of service that instills the important values of safe boating as a focus rather than as merely a suggestion. We are a small company and our niche is "unsurpassed customer service and dedication to enhancing the knowledge of boating safety to the general public." The number of satisfied returning customers and our safety record clearly shows we were correct in our approach and efforts to meeting that demand and that we have met consistently met those goals.

The focus of our efforts is to offer a fair priced rental that includes a focus on providing quality customer service and safe and responsible boating. "Safety First" has always been our motto and we strive to improve on it everyday.

Our main objective is to offer the visitor to our area valued opportunities which provide them a reasonable and fair price to learn and enjoy safe boating in a friendly outgoing atmosphere. Our target market is the 18-75+ adult water enthusiast and their families who reside or visit San Diego and desire the hassle-free, reliable boating experience provided by renting a craft from a reliable operator. (Yes we have successfully served customers 85 years old!)

Current trends of local, national and international economic pressures combined with volatile fuel and oil prices are real challenges which we seek to remedy by investing in more efficient equipment, equipment options and targeted marketing efforts, including expanding efforts with our past marketing partners and adding direct contact with our past customer base to gauge their vacation plans for the upcoming year. We believe these efforts will allow us to maintain a reasonable price point despite potential effects of a continued downturn in consumer spending.

This operational plan is developed as a synergistic effort to serve as an integral part of Sportsmen's Seafood's effort to redevelop its current property. It is a service that Sportsmen's and H2O's customers alike have expressed a keen interest in becoming a reality. Sportsmen's Seafood considers H2O Watercraft Rentals an important component to help achieve and maintain their goal of increasing rents to the City through the proposed redevelopment of its leasehold and attracting and maintaining a wider customer based. We are proud of our unique operating model which allows a seamless cooperation with the remaining commercial fishing operations based at Sportsmen's; a fact that simply would not work as efficiently with other business models.

Our previous background as commercial fishermen provides a unique advantage to this synergy and one that has worked for almost 20 years. Having operated as a sublessee at Sportsmen's Seafood since 1991 we have been able to develop a working relationship with hundreds of new and repeat visitors to the area each year. This expanded customer base has provided the facility with an important source of both revenue that allows the continued subsidy of the commercial fishing component and a source of thousands of new customers each year;

customers who are eager to explore the other offerings of the premises before and/or after their visit to H2O Watercraft Rentals .

Since its entering into a sublease with Sportsmen's Seafood in 1998, H2O has had the privilege of increasing those efforts and we are proud of the numerous letters and comments of compliment we receive from customers each year stating the same general opinion, "...we sincerely appreciate your teams' excellent level of service and integrity, it surpasses all other like services we experienced in San Diego..."

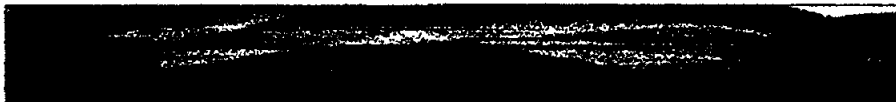
As San Diegans we are proud to interact with and leave our customers with a positive impression of not only Mission Bay, but of San Diego in general. We are proud of the success of our efforts to educate the boating public on how to be a responsible and safe boater while having fun in San Diego.

We recognized a void in this area and are proud to say that we have always been the only company who insists on every renter watching the S.D. Lifeguards safety video and demonstrating to us that they are serious about "Know Before You Go."

Our success in those efforts is evidenced by our exemplary safety record. We have always refused to take shortcuts where safety is measured. That remains our motto: "Safety First." We remain one of the few companies that refuse to allow persons under 18 years old to assume operating control of a rented craft.

H2O Watercraft Rentals has built a reputation with its customers as a preferred value provider that is friendly and attentive to the needs of the local and tourist visitors. We are in the business of providing our visitors with a quality product and service that will be remembered as one of the best they have experienced anywhere in their travels, one they look to as a reason to return to San Diego year after year.

We are proud of the hundreds of compliments we receive annually ranking us amongst the top customer service experiences these visitors have enjoyed while in San Diego. As a small business this makes the effort worth the dedication to improve annually.



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Operation Plan

We currently offer personal watercraft rentals for riding, fishing and bay touring.

- **Fast fun and easy to use- in the water, ready to ride and no trailering required**
- **Reliable equipment (Environmentally friendly and even quieter 4 stroke watercraft)**
- **Ample pre-ride equipment safety orientation to help in maintaining respect for safe boating practices.**
- **Customized packages and services available at no extra cost**
- **Experienced, courteous and attentive crew to assist with our customers needs**
- **Must be 18 to drive (With valid ID - NO EXCEPTIONS!)**
- **Credit card deposit and payment required**
- **We do not allow our craft to be used to tow either water skiers or tubers in the designated riding area**
- **Horseplay is not tolerated and riding area monitored**
- **Operating hours between 8am to dusk**
- **We are the pioneers of the "Early bird" special offer to allow an even greater value**
- **Offering most safety materials in English and Spanish**
- **We do our very best to handle special needs**
- **Our safety materials are available in both subtitled and written format for the hearing impaired should there be a demand for these users**
- **We do not increase our rates for holidays**
- **No hidden surcharges. Rental time does not start until you leave the dock to allow for ample, unhurried equipment check-out**
- **We offer senior citizen, active military and public safety person discounts**
- **We are a safety and boating education based company first and foremost- Safety and Respect for safe boating principles and regulations are our primary goals**
- **All Equipment & Services meet or exceed industry standards**

Our goal is to add the following equipment to our current offering of 10-12 personal watercraft to allow upgrading the services as soon as possible. These would include:

- 2 powerboats 19-24 foot maximum
- 1 pontoon boat 20-26 foot maximum
- 5-6 small 5-10HP day skiffs for bay fishing 12-15 foot maximum
- 2-4 Peddle boats

These additional watercraft require an added investment over 2 years of some \$65-100,000 dollars of new equipment and will be operated within the current framework of existing operations and available mooring space. We envision the off peak periods from October-May and use of the existing space footprint to avoid any congestion on the dock. These offerings will be added as space is available. i.e. same or similar dock area. During the peak season beginning year two, Sportsmen's has indicated a willingness to consider the possibility of providing some additional space in the near term should said become available with and effort to possibly provide additional space should any redevelopment plan efforts move forward.

These upgrades in services would allow us to help maintain Sportsmen's efforts in providing visitors with a fairly priced modest selection of conveniently located equipment that would increase the premises marketability and maximize the rents generated to Sportsmen's and the City by being able to maintain a year-round presence as space, weather and demand allow.

This plan also provides H2O with added growth potential moving forward. The plan allows H2O to offer a wider range of safety oriented offerings and programs without being dependent on one type of equipment. As an example, we all recall the Bay being closed for some 5 days during peak season because of unresolved sewer drain blockages forcing the Bay closure. This resulted in a valuable loss of income to H2O, Sportsmen's and the City. With the additional offerings customers retain other viable options to enjoy water related offerings.



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Financial Forecast, Rents and Forward Looking Statement

Financial Forecast:

Projections	Gross Per Craft	Gross Annual	17% Total Rents
10 Personal Watercraft	\$8,800	To \$88,000	14,960
2 Powerboats	\$12,500	To \$25,000	4,250
1 Pontoon Boat	\$10,500	To \$10,500	1,785
4-6 Fishing Skiffs	\$3,000	To \$12-18,000.00	\$2040-3060
4 Peddle Boats	\$1,500	To \$6,000.00	\$1,020
T-shirts and Souvenirs		To \$2,500	\$250
Subtotals		\$144,000-150,000	24,480-25,500*
**			
* The above projections are based on all offerings being in place by June 2010 These projections will progressively increase as offerings are fully implemented and synergy develops with marketing potential			

10% short bc 17%
\$425

**.- Plus revenues generated to other premise offerings by our customer base

Rents

The minimum rent figure is based on a fair market return of \$1.50 per sq ft of office space despite understanding some of the spaces unique shortcomings as a result of the seasonal sharing of the immediate surrounding area and access for commercial fishing staging and egress and annual costs involved in preparing and maintaining the surrounding areas.

Our proposal offers an annual minimum rent guarantee of \$700 monthly (\$8400.00 annually) against 17% rent of gross rental and non-food retail sales conducted from the premises, i.e. souvenirs, photographs, T-shirts or other related services or products.

We currently occupy approximate 375' sq ft of office space and storage approximately 35-40' of dock space with access to 4 designated parking spaces and other non-exclusive parking as needed. Current space, storage and utilities included in the above rent scenario.

Sportsmen's current lease runs to 2012 and in the event the Sportsmen's master lease is renewed these terms could be revised according to any additional desired space and/or offerings additionally sought for approval as a part of those negotiations.

Forward looking statement:

H2O relies on revenues generated by customers seeking its equipment rentals including personal watercraft rentals for riding, fishing and guided tours.

The added components will generate significant added stability and marketability generating the attraction of new customers to the area, increasing premise revenues, especially during peak season which will allow for increased synergy of marketing and promotional efforts to increase general sales to both H2O as well as at all property other offerings. This is an area we have studied and are confident will work because of Sportsmen's unique offerings which can be combined into packages and as added benefit to customers as a one-stop recreational-dining experience which they can enjoy on premises or take-out.

[Once the proposed additional offerings are implemented in 2010 we envision an increase in the aggregate rents paid to be an estimated at \$24,000+ annually. In considering the operation occupying roughly some 375feet of current office space translates into approx a \$5.25+ sq ft return as rents, excluding the projected increase in additional historical added revenues generated by same customer spending at other premise offerings, which we expect will grow]



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Products & Services:

At H2O we take pride of leading the way to bring our customers the best in boating in a safe and fun way. We were the first to offer the Bay Tour cruise ... We then added the "Early bird special" to allow for further savings and promoting a varied attraction for those who wanted a leisurely cruising adventure... Now we are putting the final touches on our "Passport to Adventure" which we are confident will be another success that customers will appreciate. (See page 11)

The advent of the 4 stroke has brought back towards center the argument between power boaters... Four stroke engines are like car engines, where the oil is separate from the fuel. Therefore they are cleaner, quieter and more energy, environment and user efficient...

H2O will use only 4-stroke power wherever possible and maintain its practices of always working towards exceeding safety and environmental standards in all its product offerings, maintenance and operations policies.

The argument of 2 vs. 4 strokes is often compared to that of skiers towards snowboarders and surfers towards swimmers, the major factor in the success to narrowing this gap was Education: teaching safety and respect, not as a reminder but as a core philosophy. The boating industry has recognized their responsibility in developing more efficient equipment and the horizons are bright for continued positive improvements each year.

Locally, our lifeguard and police departments have done a commendable job of staying in touch with rental operators and helping to develop a system of oversight that makes the operator aware of any potential situations and invites them to work together to help develop best practices designed to resolve these in a manner that respects each others goals and efforts. H2O has always worked proactively to help maintain safety on Mission Bay, both on the water and off.

H2O has always been a leader in the area of helping to teach safe boating techniques and demanding that boaters understand and abide by the rules, respecting other bay users and the environment. It is a great part of our success and brings us closer to our customers; a factor that combined with our unmatched customer service is something we take pride in and rely upon greatly to improving as a marketing advantage to satisfy our customers. A safe and fun experience is one we all feel comfortable in seeking out.

H2O's Passport to Adventure



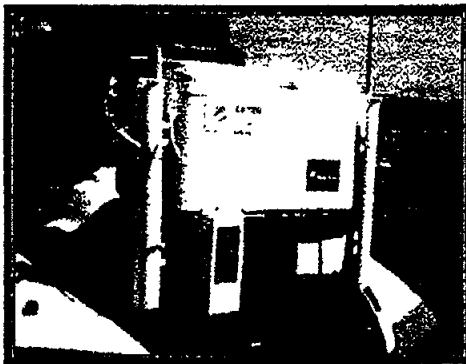
Enjoy another of H2O's exclusive Family Adventure options:

Fishing enthusiast's personal package:



Includes fully rigged and ready for local fishing fun... This exclusive adventure includes: Bait well w rod holders...digital fish finder... GPS & Cellular phone...Trolling Rod holders...

(See page 12 for more details)



EZ Mount Bait well



Digital Fish finder



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

11

"This Totally Awesome Experience is now available at H2O!"



GPS & Cellular Phone options



EZ Mount Trolling Rod Holders

The personal watercraft fishing option is one that is growing in popularity with the advent of improved craft design. It allows for a unique experience for the casual fisherman and includes a wide array of setups, each including as standard equipment:

- All basic safety equipment, plus
- Ample secure storage options
- Trolling rod holders (we provide the rod setups free or bring your own)
- GPS & Cellular communication for added reliability
- Digital Fish finder
- Optional EZ Mount live bait well and storage container

Or your Passport to Adventure allows you the option to choose from other more conventional cruise experiences:

Guide-led Tours of Bay to explore and better understand some of the unique history and natural wonders that abound in the local area.



Or leisurely cruise Mission Bay as Captain of your own runabout, pontoon boat or flat-bottomed fish skiff.



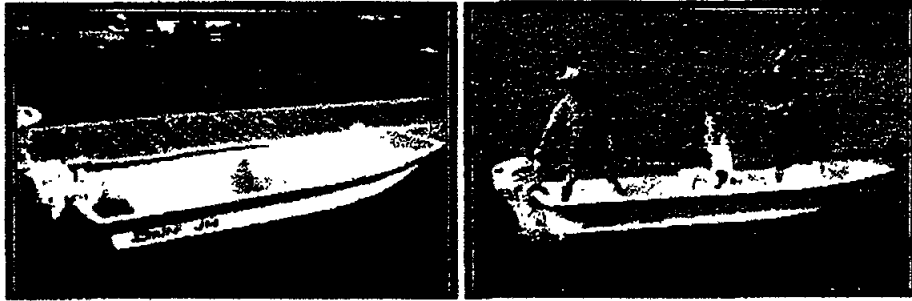
Perfect for a family and friends who want a more lesiurely and spacious crusing experience.



Great fun for a larger family or office group adventuure!



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109



Take a cruise w/family or friends and enjoy some Mission Bay fishing or leisurely explore Mission Bay and its many natural wonders

Or simply chose to "cruise" the basin and dream of days gone by or yet to come



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Marketing & Competition

In the spirit of local networking and maximizing local opportunity H2O advertises and contracts with local companies on 90+% of our marketing needs and have developed excellent long-term relationships with several advertising mediums.

Our market studies backed by years of experience in the target market show a slow but steady increase in demand for our services.

We are a small company and our niche is “unmatched customer service and a focus on safety.” We offer our customers the very best service at an affordable and competitive price. We do not raise our pricing structure on Holidays nor do we desire to monopolize an area to achieve excessive price points. We take pride in treating our customers fair and letting them pay us the difference by recommending us based on our merit.

While we are aware of other operators, we do not look at them in the context of “competitors.”

Most everyone with any level of experience knows that when the tourists arrive in the area during high season there is business a plenty for everyone and the question is more centered on making sure your operation and safety plan is being met and your customers are taken care of in the manner they deserve. The small level of competition Sportsmen’s subleases offers actually provides and ensures a greater overall benefit to the users of Mission Bay and the City of San Diego without any negative impact on any other operator(s).

The City’s forefather’s acknowledgment in all Park leases that “*that the granting of a particular use does not constitute granting of an exclusive use in Mission Bay Park*” clearly recognizes the fact that competition is beneficial to the public as where there is competition service levels are improved. We agree.

Business schools across America teach their students that a company that can offer its customers more services under one umbrella improves marketing, operating efficiencies and bottomline profitability by a factor of almost 2:1 over those who do not. This effect is further raised during periods of high energy prices and competitive marketplaces.

The basic philosophy is that a consumer would rather shop at one place rather than travel varied distances to find other alternative services than one that is already more conveniently or comfortably available...

If your business is able to offer customers a variation of related services its odds of adding to its profitability rise significantly... The Cruise ship and Destination hotel industries or other tourism oriented service companies have made this philosophy the linge-pin of their efforts for years... The fundamental is that a

company that offers good, reliable service that also offers its same customers a synergy of services increases its opportunities for success.

Each is afforded the important opportunity to cross market their available services in a manner that offers the customer confidence realized by the other service experience.

We can also say with a fair amount of assurance that when the operating areas become too impacted, H2O is the only company that has on more than one occasion opted on the side of reason and curtailed rentals during peak hours, choosing instead to move reservations to later hours or rescheduling them for other days. Remember "Safety First" we walk the talk.

In fact, several of H2O's customer service practices are now used by other operators and we are happy to see that as we feel there is not only a need for these practices, they are a necessary part of the customer service regimen and transparency required to the public.

For example, besides being the only company that insists on every renter watching our orientation video (not merely randomly operated as a background), H2O not only has safety materials posted in our office, asks the level of experience of renters, and insist on taking them to the dock area and spending at least 10-15 minutes (all included in the price and not counted against rental time) explaining some of the rules, the crafts operating basics, the safety and courtesy to fellow boaters and the no wake rules, then having each customer physically check and note that their craft is fit for duty. We then go over a map of the area (which is also included in each craft).

An additional service we added to ensure our customers safety is to tell each driver that at any time they feel uncomfortable or unsure as they leave or are underway, to either stop the craft and call us to escort them under tow, or slowly idle back to shore or the dock and we will not charge them if their gas usage reflects their holding. We believe these added safety assurances are the very least a company should endeavor to offer its guests. Yes, this all takes a little more time and some might even argue cuts from the bottom-line, but at H2O, we firmly believe that is a small price to pay for ensuring a safe and a positive boating experience.

We have attained an excellent working relationship with the lifeguards and local police who recognize H2O as small but responsible company that they can rely on to instill safety rules and procedures responsibly and without compromise.

We have also attained an unmatched working relationship with local fishermen who share the dock area. The unique timing of each others seasonal peak useage has become a model for a unique and positive "win-win-win" for all parties without any compromise to safety. Our property maintenance schedule and the rents paid

have remained a major source of being able to offer the fisherman affordable rents in their efforts to maintain their bottom lines in the oftentimes seemingly cruel cyclical business of fishing. Each year new rules on fishing have slowly closed areas and periods to allow stock evaluations or protections; each year investments in new gear or equipment to meet these rigorous developments puts more pressure on their ability to afford rent increases and other static costs, allowing them to concentrate on what they do — fish.

We have all come to recognize and utilize each others unique qualities to develop an exemplary working relationship, one that as a 3rd generation San Diego commercial fisherman with over 20+ years of experience, is cognizant of the bond and respect.

The addition of recreational activities have helped Sportsmen's maintain the subsidy of other dock uses and general premises as well as greatly helping increase volume and marketing of visitors. Through the careful mix of additional uses even if on a seasonal basis the current mix is a win-win situation; one that clearly helps all concerned and does not impose any great or unbearable negatives. The plan provides the necessary synergy that fits the unique size and needs of Sportsmen's in a viable and affordable manner



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Customer Importance Survey

Based on our experience the level of customer importance of each competitive factor is rated on the scale of 1-5; 1 = critical; 5 = not very important.

Table 1: Competitive Analysis

FACTOR	Us	Strength	Weakness	Competitor A	Competitor B	Importance to customer
Products	1	x		1	1	2
Price	1	x		4	4	1
Quality	1	x		3	2	1
Selection	3		x	2	2	3
Service	1	x		4	4	1
Reliability	1	x		4	4	2
Stability	1		*	2	2	1
Expertise	1	x		3	4	1
Company reputation	1	x		4	3	1
Location	1	x		1	1	2
Appearance	3		x	2	3	3
Sales methods	1	x		4	3	1
Credit policies	2	x		3	3	2
Advertising	3	x		1	3	4
Image	1	x		3	3	2

*- Stability weakness factor affected by misinformation

H2O exceeds its competition by the quality and uniqueness of its services and its unmatched dedication to making the customer aware that safe boating is an important factor of their rental experience. We do this in a way that seeks first to make our customers a welcome part of the process and then to gauge their individual

needs and provide them with personal service that exceeds their expectations at a fair price point. Our goal is to make every customer a "friend."

Time and again, our customers and visitors offer the same general opinions:

Some typical customer feedbacks we received:

"Well, back to reality for us. H2O, Thank you SO much for the great service and help with the boat we rented. Please let me know where I can go on a website to tell the world about how great you guys are! You truly made our vacation! We will definitely be back next year!"

"I would just wanted to tell how happy we were with the jet ski tour we arranged with you. The courtesy and attention to our special needs shown by everyone at H2O will never be forgotten. Our tour guide Matt was excellent. He was very knowledgeable and as novices we were always confident We had a blast!"

"Everyone agrees that your crew was very thorough with explaining all the safety information and riding courtesy they needed to know, as well as information on directions for those of us who drove to the picnic area. I appreciate how great you were to work with as I tried to coordinate this activity for our family, and the genuine enthusiasm and passion you displayed throughout the day. It was very obvious you guys love what you do, and you do it well!"

This kind of recognition makes us proud to do what we do and drives us to dare to get better....



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Personnel

General Manager - Don Correia - San Diego native with over 17 years of experience operating recreational boating services on Mission Bay.

USCG Licensed Master Mariner 1600 GT Upon All Oceans since 1983-

Original founder and operator of San Diego Parasail in 1989 (Sold in 1995).

Founded H2O Jet Ski in 1997 and after over 9 months of vetting the current location sublease was signed.

San Diego native, commercial fisherman for over 20 years and business operator for 20 years.

At H2O we strive to hire locally whenever possible. We firmly believe that locally there are more than enough deserving people to hire rather than looking elsewhere.

We retain a majority of our employees to keep a well rounded base of experience and allow them to earn a broadbase working knowledge in a wide range of cross duty experience that we believe benefits our "team" concept as well as our employees personal goals. The fact is, as native San Diegans, we simply love San Diego and always take our privilege as ambassadors seriously.

"At H2O our promise is that we "are" much more than just another rental company.."



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Appendices

Proposed Equipment Selection to consist of:

Typical Personal Watercraft 4-STROKE Variety



We're committed to offering our customers the right products for today — from the industry's the #1 selling PWC in the world, the Yamaha VX Series

#1 in Reliability

Yamaha engines have always been known for their reliability and low maintenance, but don't take our word for it. A study by Powersports Business Magazine researched reliability by interviewing dealers around the country on their experiences with the major PWC brands. A staggering 75% of all dealers surveyed listed Yamaha as #1 in reliability.

#1 in Fuel Efficiency

Yamaha WaveRunners have changed the face of fuel efficiency across the industry, leading to thousands of dollars of cost savings for our owners. In the case of our VX™ Series — owners will save \$1000 each year in fuel costs compared to the next competitive model (based on average annual use). And our clean burning engines offer this efficiency without sacrificing speed. It actually consumes 2 gallons an hour less than the next closest. Owners will save more on fuel costs each year compared to the closest competitive PWC (based on average annual use).

Cruise Assist & No Wake Mode™

industry's only electronic throttle, Yamaha's exclusive Cruise Assist is the allows the driver to set a particular engine speed while maintaining a position. Once set, the driver can increase or decrease the engine speed

in increments of 250 RPMs with the simple push of a button - a real extending a long day of cruising. When the throttle is disengaged, the Yamaha's No Wake Mode regulates RPMs for the optimal speed (mph) to efficiently navigate through no wake zones.



Made possible by the first system that comfortable throttle

benefit when system shuts off. (approximately 5

Only PWC with Cruiser® comfort features

Personal watercraft riding has changed dramatically over the years and Yamaha's led the way with its exclusive Cruiser concept. Designed for maximum comfort for long days on the water or multi-day adventure tours, Yamaha Cruiser models are unlike any other watercraft in the industry. And now the cruising experience has gone one step further with Yamaha's introduction of the first Cruise Assist and No Wake Mode features for added cruising ease.

- **The VX™ is powered by a Yamaha MR-1™ four-stroke engine.** This is a compact, ultra-lightweight, 110 horsepower, four-cylinder, 1052cc, DOHC, 20-valve, liquid-cooled engine for class-leading performance. **Electronic Fuel Injection (EFI):** Delivers a smooth, high power output with low fuel consumption and low exhaust emissions.
- **Specially Designed, One-piece Cylinder and Crankcase Assembly:** Provides tremendous engine rigidity that's lighter and stiffer than two-piece designs.
- **Slant Detection Switch:** Electronic switch stops engine and oil pumps immediately if watercraft becomes overturned, protecting motor from water ingestion.
- **Dry Sump Lubrication:** Uses two engine oil pumps to deliver lubricated oil to each moving part with water-jacketed sump and oil backflow protection.
- **Yamaha Engine Management System (Y.E.M.S.):** An integrated, computerized management system that controls and adjusts such functions as ignition timing, fuel injection mapping, engine diagnostics and OTS. The OTS function of Y.E.M.S. activates when the operator releases the throttle lever and attempts to steer the watercraft. This assists the operator in turning while the watercraft is decelerating.
- **Thermostatic and Pressure Controlled Cooling System:** Water flow through the engine is controlled by a thermostat and pressure system and is maintained by a pressure control valve.
- **Corrosion Protection System:** Sacrificial zinc anodes protect the engine from harmful galvanic corrosion. Stainless steel fasteners (nuts, bolts, hardware) provide a long service life.
- **Electronically Controlled, Variable Ignition Timing:** For exact ignition advance control at all throttle positions and RPMs.

Water Pump Assembly System

- **The VX pump design is one of the most efficient pump configurations ever:** the pump increases stream velocity and thrust while decreasing cavitation and prop spin.
- **Stainless Steel Impeller Housing Liner:** For high durability, the liner maintains accurate clearance tolerances between the impeller and the housing.
- **High Flow Intake Duct and Grate:** The dynamic shape of these items directs water flow into the pump for better thrust, performance and hook up. **Cooling Water Intake Filter:** Filters out harmful debris that could cause blockage of important cooling water passages.
- **Pumps are Manufactured with YDC30:** A combination of zinc and copper alloys, developed by Yamaha marine engineers, that offers excellent corrosion protection.

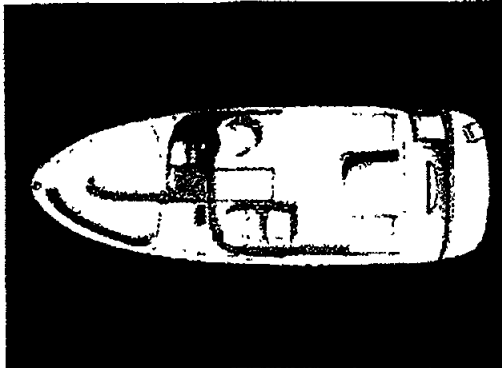
Advanced V-Hull with Streamlined Deck

- **The VX hull is designed to be light and strong.**
- **Progressive, V-Hull with Integrated Bow Spray Guard:** Provides excellent maneuverability, handling and comfort.
- **Performance Sponson Design:** Provides added straight-line comfort and an improved two-up and three-up riding experience.

Additional Features

- **Multi-function Electronic Information Center:** Provides the operator a quick read on speed, RPM, fuel level, low fuel warning, low oil pressure warning, overheat warning, hour meter, check engine light with self diagnostic function. **19 Gallons of Total Storage:** Includes a large bow storage locker and glove box. **Comfortable One-piece Seat:** Ergonomically-designed and contoured for added support. The extra-long seat is easily removed for quick access to the engine compartment.
- **Extra Large Boarding Platform:** Provides a stable platform for re-boarding.
- **Finger Throttle Lever:** Provides added comfort while reducing hand fatigue.
- **Yamaha's Trademarked Visibility Spout®:** A waterspout from the rear of the craft that improves the watercraft's conspicuity.

Typical Sport Runabout



Beam 6-8'

Length overall (LOA) 18'-20'6"

LOA w/Swim Platform 22'3"

Deadrise 20°

Approx. Weight (w/Std Engine) 3,153 lbs

Length rigged 22'3"

Draft hull 1'8"

Draft max 3'1"

Bridge clearance 4'10"

Bridge clearance max 6'7"

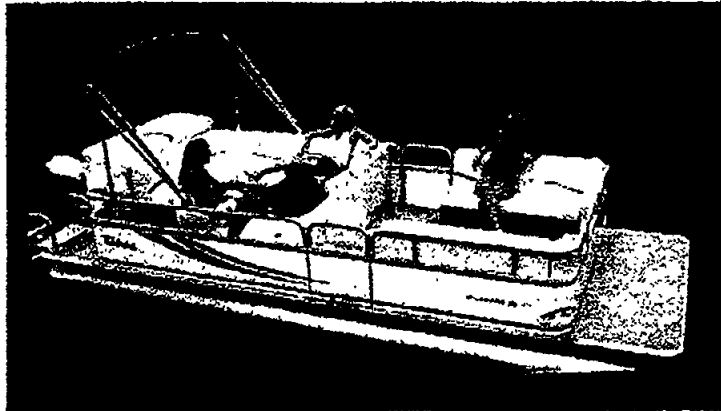
Fuel capacity 20-30 gal



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Typical Pontoon Boat



- Traditional front walls
- Custom plush, easy to clean, durable furnishings
- Deluxe Helmstand featuring a Platinum dash, Gauge package, lighted toggle switches, and windshield
- Luxurious Fixed back Captain's Chair
- Clarion CD Stereo
- Brushed aluminum and Black non-directional Tilt Steering wheel
- Lounge arms with storage
- Built In Halogen docking lights
- Full Color matched Mooring Cover
- Exclusive double full riser connections
- Heavy Duty C-Channel Crossbeams 16" On Center
- 24 Gallon fuel system

- Plush embroidered furnishings made with Avalon's exclusive easy to clean, puncture resistant, 50 gauge thickness vinyl.
- Aluminum seat base frames with extra large storage capacity and flow through ventilation
- 20 oz designer carpet
- Color Matched 8' Bimini top with quick release brackets.
- Boarding Ladder (except CC fish)
- Oval table
- 8' or 8 1/2' wide
- 23" or 25" Diameter Pontoons
- Heavy duty 3" reinforced Deck Rail
- Exclusive double full riser connections
- Heavy Duty C-Channel Crossbeams 16" OC
- 3/4" Marine flooring
- Double Bolted heavy duty motor pod designed for 4 stroke motor weight.

	18'	20'	22'	24'
Pontoon Length	18'	20'	22'	24'
Standard Pontoon Diameter	23"	23"	23"	23"
Optional Pontoon Diameter	24"	24"	25"	25"
Standard deck width	8'	8'	8'	8'
Optional deck width	8' 6"	8' 6"	8' 6"	8' 6"
weight w/ furniture lbs.	1,491	1,870	2,035	2,174
Max Wt Capacity lbs.	1,850	2,005	2,350	2,550
Max Wt Capacity lbs. 25"	2,000	2,125	2,425	2,600
Max Engine	75	90	100	115
Max Engine HP	90	100	100	115
Max No. Persons	8	8	12	14
Max No. Persons 25"	8	10	13	14
or max persons lbs.	1,480	1,805	1,850	2,040
or max persons lbs. 25"	1,715	1,940	2,340	2,240



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Typical Peddle-Boat/ Water-bike configurations



* Engineered for silent operation.

*Strong, fast, and light: Developed by professional canoe designers for optimum buoyancy, speed, & maneuverability

*Steady and sturdy: Stable enough to dive from, and handles varied water conditions, including five foot ocean swells.

(Although NO ocean use will be allowed)

* The computer-designed propulsion system is 90% efficient

* Lower drive train features are sealed and water-tight, providing excellent salt water protection

*Built-in storage compartment: Stows extra clothes and features two cup holders.

*E-Z carrying straps: Optional straps make it easier to place the craft in and out of the water.

* One-person assembly and disassembly in minutes, without any tools.

*Shallow water navigation: Operates in less than one foot of water. Some feature automatic pivoting up and over obstacles like rocks or sand. Can be beached easily without damage.



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

Don Correia
1617 Quivira Rd
San Diego, CA 92109
619 855-6122
dcsocial@cox.net

April 20, 2010

Joe Buscalachhi
Sportsmen's Seafoods Inc.
1617 Quivira Rd
San Diego, CA 92109

Dear Joe:

Thanks for your continued support and efforts in this process. Like you, I am anxious to get this completed so we can begin what promises to be proud new era at Sportsmen's Seafood's. I have enclosed a copy of the insurance policy for review of the language included in our proposal for expanding the services which we have respectfully provided from Sportsmen's since 1998.

The wording of the policy coverage is:

<u>Coverage(s)</u>	<u>Amount of Insurance or Limit of Liability</u>
Watercraft Liability -- BI & PD Excl. Crew Liability BI & PD	\$1,000,000 ea Occurrence - Less \$1,000 deductible
Premises Liability	\$1,000,000 ea Occurrence - Less \$1,000 deductible

Endorsements applicable: GLB-0302* TRIA-0208* WCCN-1095* WC5001-1095*
WC502-1095* WC5008-0305* WC5040-10958 WC5067-0600*

Signed rental forms on file or coverage voided-

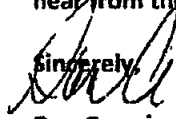
As discussed, a specific policy for the craft in this proposal cannot be provided until the full list of equipment is included. Once the approval language is agreed and processed such insurance is underwritten. Because of the costs associated with issuing said policy, that costly step cannot be undertaken until we have assurances that the sublease language is approved. As you are aware the process has been ongoing for several months and as such, had we done so at its outset, without knowing when approval would be processed, we would have incurred the loss of several months of coverage and thousands of dollars during that process. To us, it's a matter of getting the accepted language agreed to. Once that is done and the list of equipment is submitted, the new policy will be issued.

As mentioned, most if not all boat rentals (that include PWC's) that operate as sub lessees in Mission Bay are limited to the same small pool of 2-3 companies and as such the City should already have similar language readily available from those. We aren't proposing anything of a new variety here, only to expand services and on a much smaller scope than most.

As in our previous conversations and as noted in the proposal, the insurance will be provided before operations commence, and at this stage the development of reasonable suitable language for that clause should not impede the progress in working together to its complete its approval and final steps to its processing.

As you know we have been a very safety conscious operation and have even had some of our own standard operating procedures included as added standard language in other similar subleases going forward. A few of these are that we don't rent to operators under 18 years of age and don't allow pulling or towing of water-tubes. We spend the most time of ANYONE operating on the bay to orient renters to the safety features and insist that ALL renters watch the safety video, and we maintain a vigilant watch on the craft we rent. All in all, we are a positive influence which is deserving of some admiration for the professional efforts in entails. The numerous positive comments from our customers drive our dedication and our pride in doing better drives our dedication to continue those efforts in a safe and professional manner.

I am committed to working dilligently to move this process forward and hope the City is understanding in working together to help bring this fine addition to Sportsmen's and the public. Please contact me when you hear from them.

Sincerely,

Don Correia

PER SCHEDULE

COVERAGES: This policy provides only the insurance for which a specific premium charge is indicated below, or which is indicated as included without specific charge either below or in your policy. Detailed descriptions and any limitations will be found below or in your policy.

ADD CHANGE DELETE	COVERAGES	AMOUNT OF INSURANCE OR LIMIT OF LIABILITY	PREMIUM	PREMIUM CHANGE
	WATERCRAFT LIABILITY-BI & PD EXCL CREW LIAB BI & PD PREMISES LIABILITY MINIMUM EARNED PREMIUM ENDORSEMENTS APPLICABLE: GLB-0302* TRIA-0208* WCON-1095* WC5001-1095* WC5012-1095* WC5008-0305* WC5010-0305* WC5040-1095* WC5067-0600*	\$1,000,000 EA OCCURRENCE LESS \$1,000 DED \$ 1,000,000 EA OCCURRENCE UNIT 001 TOTAL POLICY PREMIUM:		
		SIGNED RENTAL FORMS ON FILE OR COVERAGE VOIDED-INSURANCE DOES NOT EXTEND TO RENTAL-NO OFF-SITE OR EMPLOYEE NON-RENTAL USE PERMITTED		

SIGNED (DATE) _____ AT (CITY & STATE) _____

BY _____



MARKEL AMERICAN INSURANCE COMPANY

MARKEL INSURANCE COMPANY

PRIVACY POLICY

We would like to thank you for your business and let you know we respect your privacy. We are committed to protecting your personal information. Please read this notice, which outlines our privacy policies and practices.

We collect nonpublic information about you from the following sources:

- Information we receive from you on applications or other forms such as your name and address;
- Information about your transactions with us, our affiliates, or others;
- Information we receive from a consumer reporting agency.

We do not disclose any nonpublic information about our customers or former customers to anyone, except as permitted by law.

We may disclose nonpublic personal information about you to the following types of third parties:

- Insurance agents and/or brokers that you have chosen to work with;
- Non-affiliated third parties as permitted by law to provide services you have requested.

We restrict access to nonpublic personal information about you to those employees who need to know that information to provide services to you. We maintain physical, electronic, and procedural safeguards that comply with federal standards to guard your nonpublic personal information.

GLB-0302



MARKEL AMERICAN INSURANCE COMPANY

POLICYHOLDER DISCLOSURE NOTICE OF TERRORISM INSURANCE COVERAGE

We are required to send you this notice pursuant to recently revised federal legislation concerning terrorism insurance. We are sending this notice to you because you are the named insured on this policy issued by Markel American Insurance Company.

Please be advised that coverage for certain acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2007, the definition of act of terrorism has changed. As defined in Section 102(1) of the Act: the term "act of terrorism" means any act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State, and the Attorney General of the United States-to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

The portion of your annual premium that is attributable to coverage for acts of terrorism is:
\$ 000.00.

Initially, we have opted not to include an additional charge for terrorism coverage on all in-force policies that were previously written without a terrorism exclusion. However, once we have a better understanding of the exposure and rating factors associated with terrorism coverage, we may determine what premium is appropriate for terrorism coverage and charge this premium on all new and renewal policies.

WE ARE REQUIRED BY THE TERRORISM RISK INSURANCE EXTENSION ACT, AS AMENDED, TO NOTIFY YOU THAT, ANY LOSSES RESULTING FROM CERTIFIED ACTS OF TERRORISM UNDER YOUR POLICY COVERAGE MAY BE PARTIALLY REIMBURSED BY THE UNITED STATES GOVERNMENT, MAY BE SUBJECT TO A \$100 BILLION CAP THAT MAY REDUCE YOUR COVERAGE AND TO NOTIFY YOU OF THE AMOUNT OF YOUR PREMIUM THAT IS ATTRIBUTABLE TO SUCH COVERAGE. YOU DO NOT NEED TO TAKE ANY ACTION.



MARKEL AMERICAN INSURANCE COMPANY

COINSURANCE NOTICE

This policy contains a coinsurance clause. It is a requirement of this clause that the watercraft be insured to 100% of its value. If the watercraft is underinsured, it could result in your sustaining a penalty which means that you will share in the loss. This clause applies to both partial and total losses.

WCCN-1095

9006 P.006

2010/04/27 09:53

RX Date/Time 04/27/2010 10:50 FAX



MARKEL AMERICAN INSURANCE COMPANY

BUSINESS USE ENDORSEMENT

In consideration of the premium paid, it is hereby agreed and understood that the Company extends permission for the use of your covered watercraft for business purposes.

PART III. - WATERCRAFT & EQUIPMENT - Exclusion N. is deleted in its entirety.

PART IV. - LIABILITY COVERAGE - Exclusions J. is deleted in its entirety.

Nothing herein contained shall be held to waive, alter, vary or extend any agreements, conditions or terms of this policy except as herein stated.

WCS012-1095

007 P.007

2010/04/27 09:53

RX Date/Time 04/27/2010 10:50 FAX



MARKEL AMERICAN INSURANCE COMPANY

RENTAL USE ENDORSEMENT

In consideration of the premium paid, it is hereby agreed and understood that the Company extends permission for the use of Your covered watercraft for rental purposes and therefore your watercraft policy is amended as follows:

SECTION II. -DEFINITIONS

You and Your is deleted in its entirety and replaced with the following:

You and Your

means the person(s), who are age 18 years and older or organization(s) named on the Declarations Page as the insured. If you are designated in the Declarations as:

- A. An individual, you and your spouse are insured if you are the sole owner of the boat rental operation.
- B. A partnership or joint venture, you are an insured. Your members, your partners and their spouses are also insureds, but only with respect to the conduct of your business.
- C. An organization other than a partnership or joint venture, you are an insured. Your executive officers and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

Insured Person is deleted in its entirety and replaced with the following:

Insured Person means **You or**

Your employees, other than your executive officers, but only for acts within the scope of their employment by You. However, no employee is an insured if they are under the age of 18 or for:

- A. Bodily Injury or Property Damage to You or to a co-employee while in the course of his or her employment, or the spouse, child, parent, brother or sister of that co-employee as a consequence of such "bodily injury", or for any obligation to share damages with or repay someone else who must pay damages because of the injury or "property damage";
- B. "Bodily Injury" or "personal injury" arising out of his or her providing or failing to provide professional health care services; or
- C. "Property Damage" to property owned or occupied by or rented or loaned to that employee, any of your other employees, or any of your partners or members (if you are a partnership or joint venture).

An Insured Person does not include:

- A. Any person or organization which rents, charters, hires or leases the Insured Property;
- B. Your employee when not acting within the scope of their duties or while operating the Insured Property after your normal business hours;
- C. Any person operating Your Insured Property under the terms of any rental agreement;
- D. Any person, organization or their agent or employee who operates a marina, shipyard, boat repair facility, yacht club, sales agency or like service organization; or
- ~~E. Any paid captain or paid crew.~~

RENTAL USE ENDORSEMENT

SECTION II. -DEFINITIONS (Continued)

The following definition is added to the policy:

Seaworthy

and "Seaworthiness" means fit for the Insured Property's intended purpose. "Seaworthy" and "Seaworthiness" means the Insured Property and its equipment is well maintained and in good repair so that it cannot be damaged by ordinary weather or water conditions or the rigors of normal use. "Seaworthy" and "Seaworthiness" applies not only to the physical condition of the Insured Property, but to all its parts, equipment and gear and includes the assignment of a suitable captain and crew.

SECTION III. WATERCRAFT AND EQUIPMENT

Exclusions

Exclusion N. is deleted in its entirety.

Exclusion O. is deleted and replaced with the following:

O. While Your watercraft is being used to carry passengers for hire.

SECTION IV. LIABILITY COVERAGE

Exclusions

Exclusion J. is deleted in its entirety.

Exclusion K. is deleted and replaced with the following:

K. Bodily injury or property damage caused by the use of Your watercraft while it is being used to carry passengers for hire.

Exclusion O. is added:

O. Bodily injury or property damage caused by You or Your Employee when not in the course of Your rental business operation, and/or after your normal business hours, or for any person other than an Insured as defined in this endorsement, whom You have deemed to have given permission to operate the Insured Property.

WARRANTIES

You make the following warranties on which We rely in issuing this Policy.

- A. **SEAWORTHINESS AT INCEPTION:** You warrant that the Insured Property is in all particulars fit for its intended use and Seaworthy at the inception of the Policy. If the Insured Property is not Seaworthy in any way at inception of the Policy, this Policy shall be void at inception in its entirety and We shall return to You all premium paid for the Policy. Any condition of the Insured Property's unseaworthiness existing at inception of the Policy shall render this Policy void even if it did not directly or indirectly cause any damage or loss claimed under the coverages afforded by this Policy.
- B. **CONTINUING WARRANTY OF SEAWORTHINESS:** You warrant that Your Insured Property shall be maintained in a Seaworthy condition during the entire Policy period. Any breach of this continuing warranty to exercise reasonable care to maintain the Insured Property in a Seaworthy condition will render coverage void for any damage or loss claimed under this Policy where such condition or conditions of unseaworthiness directly or indirectly caused or contributed to any damage or loss for which You make claim.
- C. **COMPLIANCE WITH REGULATION:** You warrant that You are in compliance with all federal, state or local regulations concerning Your operations; and that You possess any and all federal, state or local documentation, permits and licenses required for the Insured's Property's trade or use.

RENTAL USE ENDORSEMENT

WARRANTIES (Continued)

- D. RENTAL CONTRACT:** You warrant that a written rental contract, which has been submitted to and approved by Us, is executed between You, Yourself and any person or organization who rents, hires or leases the Insured Watercraft from You and any person or organization who uses an Insured Watercraft, with or without an exchange of consideration or payment for use of Your Watercraft. A copy of all executed rental agreements will be held on file for no less than three years after the termination of the contract.
- E. PWC OPERATION AND BOATING SAFETY TRAINING:** You warrant that You will administer operation and boating safety instruction to all operators of rented personal watercraft (Including renters who have a valid safe boating certificate). In addition, You will provide to the operator(s), prior to rental, printed material explaining,
- a. The operational characteristics of the personal watercraft;
 - b. The boating regulations peculiar to the area of rental including but not limited to no-entry zones, no wake zones, channel routes and water hazards, and tidal flow;
 - c. The common courtesies of operating a vessel on the water and the effects on wildlife, the environment, and other water users.

Nothing herein contained shall be held to waive, alter, vary or extend any agreements, conditions, coverage or terms of this policy except as stated above.



MARKEL AMERICAN INSURANCE COMPANY

PREMISES LIABILITY COVERAGE

I. COVERAGE A - BODILY INJURY LIABILITY COVERAGE B - PROPERTY DAMAGE LIABILITY

The Company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of

- A. bodily injury or
- B. property damage

to which this insurance applies, caused by an occurrence and arising out of the ownership, maintenance or use of the insured premises and all operations necessary or incidental thereto, and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient, but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgments or settlements.

Exclusions

This insurance does not apply:

- (a) to liability assumed by the insured under any contract or agreement except an incidental contract; but with respect to bodily injury or property damage occurring while work performed by the named insured is in progress, this exclusion does not apply to a warranty that such work will be done in a workmanlike manner;
- (b) to bodily injury or property damage arising out of the ownership, operation, use, loading or unloading of
 - (1) any automobile or aircraft owned or operated by or rented or loaned to any insured, or
 - (2) any other automobile or aircraft operated by any person in the course of his employment by any insured; but this exclusion does not apply to the parking of an automobile on insured premises, if such automobile is not owned by or rented or loaned to any insured;
- (c) to bodily injury or property damage arising out of (1) the ownership, maintenance, operation, use, loading or unloading of any mobile equipment while being used in any prearranged or organized racing, speed or demolition contest or in any stunting activity or in practice or preparation for any such contest or activity or (2) the operation or use of any snowmobile or trailer designed for use therewith;
- (d) to bodily injury or property damage arising out of and in the course of the transportation of mobile equipment by an automobile owned or operated by or rented or loaned to any insured;
- (e) to bodily injury or property damage arising out of the discharge, dispersal, release, or escape of smoke, vapors, soot, fumes, acid, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any water course or body of water; but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental;

PREMISES LIABILITY COVERAGE

- (f) to bodily injury or property damage due to war, whether or not declared, civil war, insurrection, rebellion or revolution or to any act or condition incident to any of the foregoing, with respect to
 - (1) liability assumed by the insured under an incidental contract, or
 - (2) expenses for first aid under the Supplementary Payments provision;
- (g) to bodily injury or property damage for which the insured or his indemnitee may be held liable
 - (1) as a person or organization engaged in the business of manufacturing, distributing, selling or serving alcoholic beverages; or
 - (2) if not so engaged, as an owner or lessor of premises used for such purposes, if such liability is not imposed
 - (i) by, or because of the violation of, any statute, ordinance or regulation pertaining to the sale, gift, distribution or use of any alcoholic beverage, or
 - (ii) by reason of the selling, serving or giving of any alcoholic beverage to a minor or to a person under the influence of alcohol or which causes or contributes to the intoxication of any person; but part (ii) of this exclusion does not apply with respect to liability of the insured or his indemnitee as an owner or lessor described in (2) above;
- (h) to any obligation for which the insured or any carrier as his insurer may be held liable under any worker's compensation, unemployment compensation or disability benefits law, or under any similar law;
- (i) to bodily injury to any employee of the insured arising out of and in the course of his employment by the insured or to any obligation of the insured to indemnify another because of damages arising out of such injury; but this exclusion does not apply to liability assumed by the insured under an incidental contract;
- (j) to property damage to
 - (1) property owned or occupied by or rented to the insured
 - (2) property used by the insured, or
 - (3) property in the care, custody or control of the insured or as to which the insured is for any purpose exercising physical control; but parts (2) and (3) of this exclusion do not apply with respect to liability under a written sidetrack agreement and part (3) of this exclusion does not apply with respect to property damage (other than to elevators) arising out of the use of an elevator at the insured premises;
- (k) to property damage to premises alienated by the named insured arising out of such premises or any part thereof;
- (l) to loss of use of tangible property which has not been physically injured or destroyed resulting from
 - (1) a delay in or lack of performance by or on behalf of the named insured of any contract or agreement, or

PREMISES LIABILITY COVERAGE

- (2) the failure of the named insured's products or work performed by or on behalf of the named insured to meet the level of performance, quality, fitness or durability warranted or represented by the named insured; but this exclusion does not apply to loss of use of other tangible property resulting from the sudden and accidental physical injury to or destruction of the named insured's products or work performed by or on behalf of the named insured after such products or work have been put to use by any person or organization other than an insured;
- (m) to property damage to the named insured's products arising out of such products or any part of such products;
- (n) to property damage to work performed by or on behalf of the named insured arising out of the work or any portion thereof, or out of materials, parts or equipment furnished in connection therewith;
- (o) to bodily injury or property damage included within the completed operations hazard or the products hazard;
- (p) to bodily injury or property damage arising out of operations on or from premises (other than the insured premises) owned by rented to or controlled by the named insured, or to liability assumed by the insured under any contract or agreement relating to such premises;
- (q) to bodily injury or property damage arising out of structural alterations which involve changing the size of or moving buildings or other structures, new construction or demolition operations performed by or on behalf of the named insured.
- (r) to bodily injury or property damage arising out of the ownership, maintenance, operation, use, loading or unloading of
- (1) any watercraft owned or operated by or rented or loaned to any insured, or
 - (2) any other watercraft operated by any person in the course of his employment by any insured;
- but this exclusion does not apply to watercraft while ashore on the insured premises;

II. PERSONS INSURED

Each of the following is an insured under this insurance to the extent set forth below:

- (a) if the named insured is designated in the declarations as an individual, the person so designated but only with respect to the conduct of a business of which he is the sole proprietor, and the spouse of the named insured with respect to the conduct of such a business;
- (b) if the named insured is designated in the declarations as a partnership or joint venture, the partnership or joint venture so designated and any partner or member thereof but only with respect to his liability as such;
- (c) if the named insured is designated in the declarations as other than an individual, partnership or joint venture, the organization so designated and any executive officer, director or stockholder thereof while acting within the scope of his duties as such;
- (d) any person (other than an employee of the named insured) or organization while acting as real estate manager for the named insured; and

PREMISES LIABILITY COVERAGE

- (e) with respect to the operation, for the purpose of locomotion upon a public highway, of mobile equipment registered under any motor vehicle registration law,
 - (i) an employee of the named insured while operating any such equipment in the course of his employment, and
 - (ii) any other person while operating with the permission of the named insured any such equipment registered in the name of the named insured and any person or organization legally responsible for such operation, but only if there is no other valid and collectible insurance available, either on a primary or excess basis, to such person or organization; provided that no person or organization shall be an insured under this paragraph (e) with respect to:
 - (1) bodily injury to any fellow employee of such person injured in the course of his employment, or
 - (2) property damage to property owned by, rented to, in charge of or occupied by the named insured of the employer of any person described in subparagraph (ii).

This insurance does not apply to bodily injury or property damage arising out of the conduct of any partnership or joint venture of which the insured is a partner or member and which is not designated in this policy as a named insured.

III. LIMITS OF LIABILITY

Regardless of the number of (1) insureds under this policy (2) persons or organizations who sustain bodily injury or property damage, or (3) claims made or suits brought on account of bodily injury or property damage, the company's liability is limited as follows:

Coverage A - The total liability of the company for all damages, including damages for care and loss of services, because of bodily injury sustained by one or more persons as the result of any one occurrence shall not exceed the limit of bodily injury liability stated in the schedule as applicable to "each occurrence"

Coverage B - The total liability of the company for all damages because of all property damage sustained by one or more persons or organizations as the result of any one occurrence shall not exceed the limit of property damage liability stated in the schedule as applicable to "each occurrence".

Coverages A and B - For the purpose of determining the limit of the company's liability, all bodily injury and property damage arising out of continuous or repeated exposure to substantially the same general conditions shall be considered as arising out of one occurrence.

No one will be entitled to receive duplicate payments for the same elements of loss under this coverage and Parts IV and V of your Watercraft Policy.

We will not make a duplicate payment under this coverage for any element of loss for which payment has been made by or on behalf of persons or organizations who may be legally responsible.

We will not pay for any element of loss if a person is entitled to receive payment for the same element of loss under any of the following or similar law

- (i) Worker's compensation law; or
- (ii) Disability benefits law.

PREMISES LIABILITY COVERAGE

IV. ADDITIONAL DEFINITION

When used in reference to this insurance (including endorsements forming a part of the policy):

"insured premises" means the premises designated in this endorsement.

"admissions", when used as a premium basis, means the total number of persons, other than employees of the named insured, admitted to the event insured or to events conducted on the insured premises whether on paid admission tickets, complimentary tickets or passes.

"Receipts", when used as a premium basis, means the gross amount of money charged by the named insured for such operations by the named insured or by others during the policy period as are rated on a receipts basis other than receipts from telecasting, broadcasting or motion pictures, and includes taxes, other than taxes which the named insured collects as a separate item and remits directly to a governmental division.



MARKEL AMERICAN INSURANCE COMPANY

WATERCRAFT LIABILITY DEDUCTIBLE ENDORSEMENT

In consideration of the premium paid, it is hereby agreed and understood that your Watercraft Insurance Policy is amended as follows subject to all limitations, conditions and provisions of the Policy:

Our obligation under section IV. Watercraft Liability Coverage, to pay damages on Your behalf applies only to the amount of damages in excess of the deductible amount stated on the declarations page.

The deductible amount stated on the declarations shall apply once to all payments made under Section IV. as a result of any occurrence, regardless of the number of persons or organizations who sustained damages because of that occurrence.

The terms of this insurance, including those with respect to Our duty to defend any suits seeking damages and Your duties following any loss apply irrespective of the application of the deductible amount.

We may pay any or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken. You shall promptly reimburse Us for such part of the deductible amount paid by Us.

Nothing herein contained shall be held to waive, alter, vary or extend any agreements, conditions, coverages or terms of this policy as stated above.



MARKEL AMERICAN INSURANCE COMPANY

ADDITIONAL INSURED/SUBROGATION WAIVER ENDORSEMENT

In consideration of the premium paid, We agree that the Watercraft Liability coverage under Section IV of the Policy extends to the persons or organizations named on the Declarations Page as Additional Insureds. However, this applies only to their interests and subject to all limitations, conditions and provisions of this Policy.

Any Additional Insured listed on the Declarations Page shall be considered an Insured Person for purposes of Liability Coverage in Section IV only. The Agreement, Section I; Definitions, Section II; General Conditions, Section VIII; and Liability Coverage, Section IV apply to the Additional Insured(s) as if an Insured Person except as provided in the Endorsement. No coverage section in the Policy other than Section IV shall provide insurance coverage for any Additional Insured.

This Policy excludes coverage to any Additional Insured(s) for Bodily Injury or Property Damage caused directly or indirectly by any maintenance, repair or servicing to the Insured Watercraft by any Additional Insured.

Nothing herein contained shall be held to waive, alter, vary or extend any agreements, conditions, coverage or terms of this policy except as stated above.