

SUBLEASE AGREEMENT

This Sublease Agreement ("Agreement") is made this ____ day of _____ 20 ____ in the city of San Diego, County of San Diego, and state of California, by and between the parties herein named, Sportsmen's' Seafood Company, Inc., a California corporation, its successors or assigns (hereinafter also referred to as "Sportsmen's", or Lessor), and DONALD CORREIA, DBA H2O BOAT RENTALS, a sole proprietorship, his successors or assigns (hereinafter also referred to as ("OPERATOR")).

WITNESSETH

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

B. WHEREAS, Sportsmen's desires to grant Donald Correia, OPERATOR, authority to operate space to conduct boat rentals with retail sales of souvenirs, sundries and other related services ("Business"), on a portion of the Premises. The portion of the Premises to be utilized is approximately 400 square feet of office space with mooring space and is more particularly and specifically described and depicted on Exhibit "1" (Subleased Premises); and

C. WHEREAS, Donald Correia, OPERATOR, desires to operate the Business on the Subleased Premises:

Now, therefore, in consideration of the covenant and agreements hereinafter contained in the agreement and other good and valuable consideration, subject to the consent of the City of San Diego ("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 and conditions:

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

- (a) Subject to the consent of the City **Sportsmen's** grants **Donald Correia** permission to operate the business from Subleased Premises. The Designated Area of the Subleased Premises is more particularly and specifically described and a defined in Exhibits 1, 2, 3, 4 attached hereto.
- (b) Donald Correia agrees to operate the Business in accordance with policies, standards and procedures established from time to time by Sportsmen's or the City.

- (c) This Agreement is in effect a sublease of a portion of the premises covered by the lease agreement between Sportsmen's and the City as reflected in document #268048 ("Master Lease") filed in the Office of the City Clerk of San Diego. This Agreement is subject to the covenants and conditions of the Master Lease notwithstanding any contrary or conflicting provision of 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. A renewal or modification of the Master Lease shall not be considered an event causing a termination.

2. OPERATORS OBLIGATIONS

2.1 Equipment.

- (a) OPERATOR will provide, at its own cost, all equipment and fixtures needed to operate the Business.
- (b) OPERATOR shall be responsible for the normal safekeeping of all boating equipment and related equipment and supplies. All related equipment of OPERATOR shall be maintained in good condition sufficient to pass all equipment related safety standards/inspections by the U.S. Coast Guard, the State of California, the City or other authorized government agency.
- (c) Title to all of OPERATOR'S equipment and related supplies provided by OPERATOR shall at all times be solely vested in OPERATOR. Upon termination of this Agreement, OPERATOR shall promptly remove all its equipment and related supplies from the Premises.
- (d) OPERATOR shall maintain and keep the back parking lot according to the rules and regulations set forth by Sportsmen's and City and agrees to share the costs of general maintenance agreed by the parties on a pro rata basis divided among all tenants or authorized users.
- (e) OPERATOR shall maintain, repair and keep the Subleased Premises in good condition and in accordance with the rules and regulations set forth by the Sportsmen's and the City. Operator shall bear the cost and expense of maintaining and repairing the Subleased Premises.

2.2 Operation of the Business.

- (a) OPERATOR shall have use of the Subleased Premises for the operation of the business. The premises and subleased premises may be reasonably modified or changed by Sportsmen's at anytime at the sole discretion of Sportsmen's. Notwithstanding changes or modifications made to the premises and subleased premises shall be at the sole expense of Sportsmen's unless otherwise agreed in writing between the parties. (The Designated Area of the Subleased Premises is more particularly and specifically described and a defined in Exhibit 2 ("Subleased Premises") and additionally includes by reference those ancillary areas of the Premises reasonably necessary for operation of the Business and sufficient to load & unload equipment, check-in and check-out renters and passengers.
- (b) OPERATOR shall in no way significantly alter the Subleased Premises without the express permission of Sportsmen's.
- (c) Upon termination of the Agreement OPERATOR shall restore the portion of the Subleased Premises in good and clean condition, normal wear and tear excepted.

- (d) OPERATOR shall immediately report to Sportsmen's, the designated premises Manager, or in his/her absence, the designated Assistant Manager, any injury or accidents to guests, property or known defect found on the Subleased Premises.
- (e) OPERATOR agrees to provide at its expense, all signage necessary for the Business provide OPERATOR obtains the 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.
- (f) OPERATOR agrees to provide notice to its customers and patrons that it is operating as an independent contractor by providing a clearly visible sign at its ticket area.
- (g) OPERATOR may operate the Business between the hours of 5 a.m. to 12p.m. midnight, seven days a week, 365 days a year, notwithstanding all boat rentals shall only be allowed to be used between sunrise to dusk. Any personal watercraft rentals shall only operate between the hours between sunrise to sundown.
- (h) OPERATOR shall at all times promote the safety and care of guests and maintain all industry related best management practices during the term of this agreement.
- (i) OPERATOR shall require a signed Liability Wavier Agreement for all users of the rented equipment
- (j) OPERATOR understands and agrees that on days which special events that are scheduled on Mission Bay Park or Mission Beach Park, the Mayor's office issue notices that may restrict certain types of activities, including requiring that OPERATOR cease some or all boating operations during that time in those specific areas noticed.
- (k) All water craft offered for rent shall be identified by OPERATOR through the use of distinctive markings or logos and shall be equipped with a waterproof map of Mission Bay Parks' general areas.
- (l) OPERATOR shall provide that renters be made aware that any observed "horse play" or other operation of any craft in an unsafe, careless or undesirable manner will be cause for immediate suspension of rental privileges and shall result in forfeiture of remaining time and give cause to be towed to dock and result in facing other possible legal action, fines, penalties, towing charges.
- (m) The OPERATOR shall maintain a strict rental policy that personal watercraft rentals shall not be made to persons under 18 (eighteen) years of age. OPERATOR agrees to maintain a policy that at no time shall anyone under 18 be allowed in sole control of steering and propulsion systems of any personal watercraft under operation unless otherwise allowed by law.

2.3 Personnel

- (a) The Business will be staffed and professionally maintained during all operating hours.
- (b) OPERATOR will recruit, employ, train, direct and supervise staff that will keep and care the OPERATOR'S related equipment and assist guest's arrival and departure. Staff will be trained

to be knowledgeable of Mission Bay Park rules and brief guests in the proper basic procedures of the equipment offered for rental.

- (c) All employees of OPERATOR entering the Subleased Premises will abide by rules consistent with standards, quality, and image of the Subleased Premises.

2.3 Licenses and Taxes

OPERATOR will obtain at its own cost, all licenses necessary for the operation of the Business and 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 Premises

- (a) In connection with Sportsmen's grant to OPERATOR of the exclusive right to offer and operate the rental of watercraft of the type agreed to by the parties from the premises, Sportsmen's also grants OPERATOR the authority to advertise and promote the Business in a tasteful manner, including placement on the subleased premises in accordance with the applicable provisions of the master lease and that conform with Mission Bay Park Master Plan guidelines. It is agreed that all such signs and displays on the Sublease Premises shall be subject to prior written approval by Sportsmen's. Notwithstanding anything to the contrary of this Agreement, in the event the City or any other governmental authority requires the removal of any of the OPERATORS signage or displays, OPERATOR shall immediately remove such signage or displays 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 consent of Sportsmen's;
- (c) Sportsmen's agrees to grant OPERATOR the right to use the Subleased Premises Designated Area and utilities necessary for the operation of the Business as agreed herein. Operator shall be granted exclusive use of four (4) parking spaces and additional reasonable temporary access to egress or ingress to the Sublease Premises designated area sufficient to conduct the business from the premises.

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 and maintain reasonable access to the utilities necessary to the operation of the Business. Sportsmen's shall provide utilizes of water and electricity reasonably necessary for the Premises. Temporary failure of Sportsmen's to provide utilities shall not be a

breach of this Agreement and Sportsmen's shall not be liable for any interruption in utility service outside of its direct control. 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 obtain, as evidenced by a current certificate of insurance of General Liability policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from OPERATOR'S operation of the Business, with limits of at least ONE MILLION DOLLARS (\$1,000,000) per occurrence, subject to an annual aggregate of at least TWO MILLION DOLLARS (\$2,000,000). Pursuant to a separate endorsement (CG2010 (11/85) or equivalent form as may otherwise be agreed between the parties) the certificate of insurance shall also name "Sportsmen's Seafood Co. Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insured's. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's or the City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate shall be filed with Sportsmen's Seafood Co. Inc. and the Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurer(s) licensed to do business in the state of California which are rate at least "A-, VI" by the current AM Best rating Guides and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided it is included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meets City requirements; evidence of the insurers inclusion on the most recent LESLI list must be presented at the time the certificate is filed with Sportsmen's 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's and the City at the time evidence of insurance is provided.

4.2 Other Insurance

OPERATOR shall at its own cost and expense maintain a Workers Compensation Insurance policy covering its employees.

4.3 Hold Harmless

OPERATOR shall protect, defend, indemnify, and hold harmless sportsmen's and the City, and the City's elected officials, officers, representatives, agents and employees, harmless from and against 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 reasonable costs and expenses of investigating against same, including without limitation reasonable attorneys fees and costs; provided however that OPERATOR'S duty to indemnify shall not include any claims or liability arising from the established active negligence, or sole willful misconduct of Sportsmen's, or Sportsmen's officers, representatives, agents or employees, or the City, or City's elected officials, officers, representatives, agents or employees.

5. FINANCIAL

5.1 Compensation

The parties agree that beginning on the Effective Date of this Agreement and throughout its terms, OPERATOR shall pay Sportsmen's monthly rent calculated as the greater of (1) Seventeen Percent (17%) of monthly Gross Incomes received from the sales of goods and services and from all other authorized activities and uses of the Subleased Premises, or Seven-hundred dollars (\$700.00). OPERATOR shall pay 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's should increase due to money's 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 its occupancy 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 government 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 sales of goods that is subsequently refunded when the goods are returned for resale from the Designated Area or deposits that are later refunded, or payments charged to renter for loss or damage. The amount of 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's (or through Sportsmen's in the case of rent due City) on the basis of the Gross Income whether the income is received by OPERATOR or any 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's 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, located on the Subleased Premises. The revenues shall be accounted for and divided on a monthly basis by OPERATOR unless parties later agree on an alternative method of distributing proceeds. Booking procedures shall be in accordance with City requirements set forth in the Master lease or otherwise required by City and be open for inspection by Sportsmen's upon seven days written request. The portions of the agreed percentage of rents due to the City for OPERATOR sales occurring from Subleased Premises shall upon receipt be paid by Sportsmen's to City under its lease terms with the City.

6. TERM AND TERMINATION

6.1 Term

This Agreement is effective upon consent by the City ("Effective date") and shall run for a period of one (1) year from the effective date. OPERATOR shall have the option to extend the term of the Agreement for two (2) additional one (1) year terms. In order to exercise its option to renew the terms of the Agreement, OPERATOR must provide Sportsmen's with written notice of its intention to exercise its option on or before three (3) months prior to the termination of this Agreement, or any extension thereof. As a further condition of OPERATOR'S right to exercise its option OPERATOR must not be in default under the terms of this Agreement at the time it provides Sportsmen's with written notice of its intention to extend the term or at anytime thereafter until the commencement of the option period. As an additional condition of OPERATOR'S option to extend the term of this Agreement, any such extension must be approved by the City.

6.2 Termination

This Agreement, or any extension thereof, may be terminated:

- (a) By mutual agreement of the Parties;
- (b) By either Party to this Agreement 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 such breach within ten (10) days after receipt of such notice.
- (c) Immediately and automatically upon a termination of the Master Lease.

7. DEFAULT

7.1 Default by Either of the Parties

In the event that either Party to this Agreement fails to perform with respect to any of covenants, warranties or representations under this Agreement, this shall constitute a default. The following occurrences by the OPERATOR or Sportsmen's shall constitute a default under the terms of this agreement. However, if the nature of such default is such that the same cannot be reasonably cured within a thirty (30) day period, noticed party shall not be deemed to be in default if said party diligently commences such cure within such period and thereafter diligently proceeds to rectify and cure said default.

OPERATOR'S Default.

Each of the following acts or omissions of OPERATOR or of any guarantor of OPERATOR'S performance hereunder, or occurrences shall constitute an "Event of Default":

- (a) Failure or refusal to pay Rents as due under this agreement within the times allotted under this agreement for payment of rents;
- (b) Failure to perform or observe any other covenant or condition of this agreement to be performed or observed within thirty (30) days following written notice to OPERATOR of such failure.

SPORTSMEN'S Default.

Notwithstanding anything to the contrary set forth in this agreement,

(a) Failure to perform or observe any of the covenants or conditions of this agreement to be performed or observed within thirty (30) days following written notice to Sportsmen's of such failure pursuant to this agreement.

8. MISCELLANEOUS

8.1 OPERATOR an Independent Contractor.

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

8.2 Notice(s)

Any notice required or permitted under this agreement shall be deemed sufficiently given or served if sent by United States certified mail, return receipt requested, addressed as follows:

If to Sportsmen's to: Sportsmen' Seafood Co. Inc.
To The Attention of: Joseph Busalacchi
1617 Quivira Road
San Diego, CA 92109

If to OPERATOR to: H2O Boat Rentals
To The Attention of: Donald Correia
1144 Catalina Blvd.
San Diego, CA 92107

Owner and OPERATOR shall each have the right from time to time to change the place notice is to be given under this paragraph by written notice thereof to the other party.

8.3 Acts of God/ Force Majeure

The parties agree that if because of any adverse weather, Acts of God, strikes, labor disputes, vendor delays or other unavoidable causes, either party is unable to perform its obligation under this agreement such nonperformance shall be considered a default or breach of this agreement.

8.4 Assignment and Subletting

OPERATOR shall not be allowed assign this Agreement or sublet the Subleased Premises without prior written consent of Sportsmen's Seafood. Notwithstanding the restriction against assignment Sportsmen's agrees that OPERATOR may assign this Agreement on a one-time basis within one-year if OPERATOR desires to change the name of the Operating entity.

8.5 Attorney's Fees

If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement between Sportsmen's and OPERATOR, the prevailing party shall be entitled to recover reasonable attorney fees which may be set by the Court in the same action or in a separate action brought for that purpose.

8.6 Captions

The captions, titles, headings or paragraphs in the Agreement are inserted for convenience and for reference only and are not intended to affect the interpretation or construction of the Agreement.

8.7 Compliance with the Law

The parties respectively shall at all times during the operation of the agreement comply with all applicable laws, statutes, ordinances and regulations of the City of San Diego, the state of California and the US Federal government at their own sole cost and expense. In addition, OPERATOR shall comply with all notices issued by the City's mayor, or his authorized representative under authority of any such law, statute, ordinance or regulation.

8.8 Consent

The parties to this Agreement agree that wherever consent is required under any provision of this agreement said consent shall not be unreasonably conditioned, withheld or delayed.

8.9 Counterparts

This Agreement [(including any document to be entered into [or delivered] in connection therewith)] may be executed in any number of counterparts (including counterparts transmitted by telecopier or fax), each of which shall be deemed to be an original, but all of which taken together shall be deemed to constitute one and the same instrument.

8.10 Equal Employment Opportunity

OPERATOR agrees at all times to fully comply with all applicable laws prohibiting discrimination against any person or class of persons for employment because of race, color, religion, sex, handicap or national origin and, shall take affirmative action to assure applicants are employed and that employees are treated during employment without regard to race, color, religion, sex, handicap or national origin.

8.11 Governing Law

This Agreement shall be governed, construed and interpreted by, through and under the Laws of the State of California.

8.12 Headings.

The headings used in this Lease are for convenience of the parties only and shall not be considered in interpreting the meaning of any provision of this Lease.

8.13 Modification

This agreement may not be modified except by written agreement, executed by both parties.

8.14 Number and Gender

Words of any gender used in this agreement shall include any other gender, and words in the singular number shall include the plural, when the tense requires.

8.15 Quiet Use & Possession

Provided OPERATOR is current paying rents and is not in default, it shall at all times during the term peaceably and quietly have and enjoy the Designated Area, as modified from time to time by Sportsmen's at its sole discretion. Sportsmen's shall not be liable for any loss or damage resulting from temporary displacement or otherwise as a result of OPERATOR'S loss of quiet enjoyment, but OPERATOR shall be entitled to a reduction of rents affected for the period or periods during which OPERATOR is prevented from having quiet possession of all or a portion of the Designated Area.

8.16 Severability

If any provision or provisions of this Agreement shall be held to be invalid, illegal, unenforceable or in conflict with the law of any jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby and the remaining provisions shall remain in full force and effect.

8.17 Sole Agreement.

This Agreement constitutes the sole and only Agreement between the parties with respect to the rights and obligations conferred hereunder, and there are and there are no representations or understandings not contained herein. This Agreement may be modified only by a further writing that is duly executed by both parties.

8.18 Subordination

This agreement is in effect a Sublease of a portion of the premises covered by that certain Lease Agreement dated April 6, 1987, as amended between Sportsmen's Seafood Inc and the City of San Diego. This sublease is subject and subordinate to the covenants and conditions of said Lease Agreement notwithstanding any provision hereof contrary to or in conflict with said agreement.

8.19 Successors and Assigns

This Amendment shall be binding upon and inure to the benefit of the undersigned and their legal representatives, transferees, successors and assigns.

8.20 Time is of the Essence

The parties agree that time is of the essence for the performance of the obligations described in this contract. All parties shall act to complete the duties and obligations of this agreement within a reasonable time.

8.21 Trademarks and Trade Names

Parties agree that they have no right in or to any trademarks, trade names, logos or copyrighted or other protected materials of each other, and will cause or allow others to use the same without express permission of the other party

8.22 Waiver

A failure of either party to insist upon full performance of any term or provision, or to exercise any rights, option or remedy of this agreement shall not be construed as a waiver of any such term or provision. No waiver by either party of any term herein shall be binding unless made in writing and signed by such party.

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.

LANDLORD:

Sportsmen's Seafood Co. Inc.

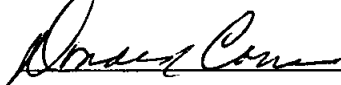
_____

Joseph Busalacchi, its President

Date: 10/10/09_____

TENANT: OPERATOR

Donald Correia, dba H2O Boat Rentals

_____

Donald Correia, its President

Date: 10/10/09_____

Copy _____ of two (2) original signed copies executed between the parties on the date above.

SUBLEASE SUMMARY
SUBLEASE OF FIVE YEARS OR LESS (INCLUDING OPTIONS)

THIS SUBLEASE SUMMARY COVERS A (check one):

- ☐ New Sublease
☐ Sublease Amendment
☒ Renewal of an existing Sublease
☐ Assignment of an existing Sublease

MASTER LEASE INFORMATION

1. **SPORTSMEN'S SEAFOOD INC.**
2. **1617 QUIVIRA ROAD**
SAN DIEGO, CA 92109
3. Telephone No.: 619 224 3551
4. Facsimile No.: 619
5. Name of person completing this form: JOESPH BUSALACCHI

SUBLEASE INFORMATION

1. Name of Sublessee:

DONALD CORREIA

2. Location of area to be subleased:

A portion of 1617 QUIVIRA ROAD
(e.g., street address and suite number,
DRAWING ATTACHED (sublease area highlighted)

✓

3. List ALL uses permitted under Sublease. Please be specific.

RENTAL OF WATERCRAFT + Incidental Retail Items

4. Total term of Sublease (including options): 3 Yrs. Mos.

Commencement date: upon signing

Expiration date (at conclusion of all options): 2012

Number of options to renew, if any, and duration of each option:

2 - 1yr options to extend

5. Area covered by Sublease:

Land sq. ft. Buildings office space 400 sq. ft.

Water sq. ft. Piers 40 lin. ft.

6. Rent provisions of Sublease for the entire term:

"shall pay Sportmen's monthly rent calculated as the greater of (1) seventeen (17%) of monthly gross incomes received from the sales of goods & services from all authorized activities & uses of Subleased premises, or Seven-thousand (\$700.00)"
(see sublease)

7. Sublessee intends to operate the business as a:

☒ Sole Proprietorship

☐ Partnership

☐ Corporation

☒ Limited Liability Company

Other _____

Date Summary completed: 8/8/09

The information furnished in and with this Sublease Summary is true, complete, and correct to the best of our knowledge. The Sublease complies with, and is subject and subordinate to, all of the terms and conditions of the Master Lease. We understand and agree to be bound by the conditions set forth on pages 4, 5 and 6 of this Sublease Summary.

City's LESSEE:

Bum

President- Sportsmen's Seafood Inc.

Date: 9/9/09

SUBLESSEE:

Donna Carson

Title: OWNER/OPERATOR

Date: 9/9/09

CITY OF SAN DIEGO

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

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

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

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

Exact name of existing Lessee (always complete):

SPORTSMEN'S SEAROO FNC

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

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

H2O JET SKI

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

H2O BOAT RENTAL

Date this Questionnaire completed: 8/8/09

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

Signature:

Donna Conner

Title:

OWNER/OPERATOR

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

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

This Questionnaire contains 15 pages.

PROPOSED (SUB)LESSEE

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

DONALD CORREIA, dba H2O BOAT RENTAL

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

DONALD CORREIA, dba H2O BOAT RENTAL

1617 QUIVIRA ROAD

SAN DIEGO CA 92109

Telephone No.: 619 8556128 Fax. No.: 619 226 2754
E-mail Address: dcso@cox.net (dcso@cox.net)

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

Telephone No.: _____ Fax. No.: _____

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

Sole Proprietorship (☒); Partnership (☐); Corporation (☐);
Limited Liability Company (☐); Other _____

Explain if necessary:

5. Effective date of assignment (complete only if applicable): Upon signing by both parties & approved

PARTNERSHIP STATEMENT

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

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

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

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

General/Limited	Name	Address	Share %

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

CORPORATION STATEMENT

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

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

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

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

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

Name: _____

Title: _____

Address: _____

No. of Shares: _____

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

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

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

LIMITED LIABILITY COMPANY STATEMENT

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

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

Manager/Officer/ Member	Name	Address	Share %

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

FINANCIAL AND OTHER BACKGROUND INFORMATION

FINANCIAL STATEMENT

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

OTHER INFORMATION

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

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

REFERENCES FOR PROPOSED (SUB)LESSEE

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

REFERENCE NO. 1

Name: JOESPH BUSLACCHI
Firm: SPORTS MAN'S SINFORD
Title: PRESIDENT
Address: 1617 QUIVIRA RD. SAN DIEGO, CA 92109
Telephone: 619 224 3551

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

LANDLORD FOR OVER 10 YEARS - CHARACTER + BUSINESS REPUTATION

REFERENCE NO. 2

Name: MANUEL ANDRADE
Firm: SELF
Title: BUSINESS OWNER
Address: 3562 ANGUIN DR SAN DIEGO CA 92123
Telephone: 619 218-2208

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

FINANCIAL BACKGROUND - / LOAN REPAYED IN FULL & ON TIME

REFERENCE NO. 3

Name: JOHN W. REED
Firm: JOHN W. REED, ESQ.
Title: Attorney AT LAW
Address: 7713 Fay Ave #D, LA JOLLA, CA 92037
Telephone: 858 459 3388

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

Long time knowledge of business character + personal reputation

REFERENCE NO. 4

Name: Honor Christine Goldsmith
Firm: EL CAJON Muni Court
Title: Honorable Christine Goldsmith
Address: 1608 India St. #301, SAN DIEGO CA 92106
Telephone: W) 619-450 7577

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

Longtime friend - Knowledge of personal character + Reputation

CITY OF SAN DIEGO PERSONAL DESCRIPTION AND RELEASE

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

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

First, Middle, & Last Name DONALD JESSE CORREIA
Date of Birth 12/20/50
Place of Birth SAN DIEGO, CA
Social Security Number 547 84 5507
Driver's License Number/State CA 50273016
Home Address 1144 CATALINA BLVD

Previous Address _____

Home Telephone No. 619 8556122
Employer H2O JET SKI
Occupation BOAT RENTAL MGR.
Business Address 1617 QUIVIRA RD.
Business Telephone No. 619 226 2754
Business Fax No. SAME

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

Date 9/9/09 Signed Donald Correia

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

DONALD CORREIA, dba H2O BOAT RENTAL

METHOD OF OPERATION

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

See Attachment:

*BOAT RENTALS w/ expansion of current offerings to expand
Revenue stream & season.*

[A full copy of the Operational Plan Overview is submitted with application]

Intend to operate the business to provide complete customer service with a focus in expanding offerings in the field of watercraft rentals. We are a small company and our niche is "unsurpassed customer service and dedication to teaching boating safety." The number of satisfied returning customers and our safety record clearly shows we were correct in our approach and efforts to meeting that demand.

The focus of our efforts is to offer a fair priced rental that includes a focus on 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 in or visit San Diego and want the hassle-free 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 rising fuel and oil prices are real challenges which we seek to remedy by investing in more efficient equipment and targeted marketing efforts, including staying in contact with our past marketing partners and adding direct contact with our past customer base to gauge their vacation plans for the upcoming year. These efforts we believe will allow us to maintain a reasonable price point despite any 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 fisherman 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 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 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."

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.

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 - quiet 4 stroke 1056cc watercraft)
- Plenty of pre-ride safety orientation to help in maintaining respect for safe boating practices.
- Customized packages 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 strictly monitored
- Operating hours are 8am to dusk
- We are the pioneers of the "Early bird" special offer to allow an even greater value
- Offer 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 standard

Our goal is to add the following equipment to our current offering of 10-12 personal watercrafts 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 day small 5-10HP skiffs bay fishing 12-14 foot maximum

2-4 Peddle boats

These additional watercraft require an added investment over 2 years of some \$65-100,000 dollars of neww 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 and additional space should any of their pending redevelopment efforts move forward.

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

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

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

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

self financed new equipment to be added commencing the
Summer season after signing - EST. JAN-JUNE 2010 -
OPERATION TO BE COMMENCED ASAP UPON SIGNING TO BEGIN
YEAR ROUND OFFERINGS + EXPAND REVENUE STREAM

ESTIMATE OF GROSS RECEIPTS

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

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

Year of Operation	Uses (Identify Each Use)				
	10 Personal watercraft	2 Power boats	1 pontoon Boat	4-6 fishing Skiffs	4 Paddle Boats
1	\$ 88,000	\$ 25,000	\$ 10,500	\$ 12-18,000	\$ 6,000
2	92,460	26,250	11,025	(avg 15K)* 15,750	6,300
3	97,020	27,562	11,576	* 16,537	6,615
4					
5					

EXPERIENCE STATEMENT

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

see attached copy

Personal Experience:

Operator/General manger - Donald J. Correia

A San Diego native with over 17 years of experience operating recreational boating services on Mission Bay.

A United States Coast Guard Licensed Master Mariner - 1600 GT Upon All Oceans since 1983- All STCW relevant to license current

First Aid & CPR Trained and Certified

Homeland Security TWIC Clearance for Port Workers

Over 20 years experience in managing/operating on-the-water recreational services

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, a commerical fisherman for over 20 years and business operator for 20 years.

BA Legal Studies

I have always strived to hire needed help, locally whenever posible. I 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 a native San Diegan, I love San Diego and always take my privelege as an ambassador to both my business and home town very seriously.

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

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

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

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 Souvenlrs		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			

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

¹ *** - Minimum rents are based on historic annual gross average of \$50,000 @ 16%

Rents -[see sublease agreement]

5. FINANCIAL

5.1 Compensation

The parties agree that beginning on the Effective Date of this Agreement and throughout its terms, OPERATOR shall pay Sportsmen's monthly rent calculated as the greater of (1) Seventeen Percent (17%) of monthly Gross Incomes received from the sales of goods and services and from all other authorized activities and uses of the Subleased Premises, or Seven-hundred dollars (\$700.00). OPERATOR shall pay 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's should increase due to money's 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.

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.

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 a smooth increase in the aggregate rents paid to an estimated at \$24,000+ annually. In considering the operation occupies roughly some 375-400 sq. feet of current office space this translates into approx a \$5.00-5.33 per sq ft return in rents, excluding the projected increase in historical additional added revenues generated by same customer spending at other premise offerings, which we expect will grow with this plans implementation]

Financial Forecast:**Corrected Copy Received Via E-Mail on 11/6/09**

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	\$425
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			

**** - Plus added 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 are included in the above rent scenario.

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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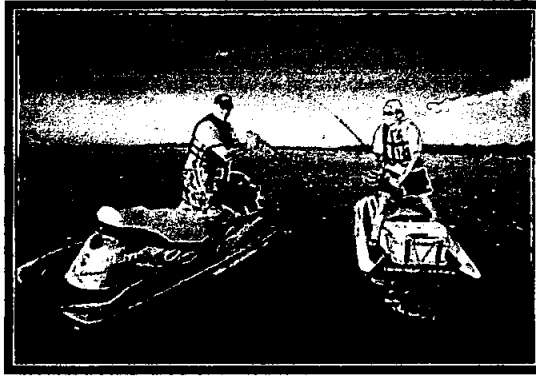
VII. Attachments..... 27-28

Attachment 1 Sublease Dock space (existing – no change)

Attachment 2 Sublease Office Space (existing- no change)



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**

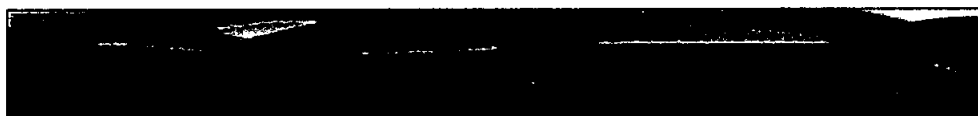
Our goal is to add the following equipment to our current offering of 10-12 personal watercraft to allow upgrading the services as soon as possible. These would include:

- 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			

**** - 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 375 feet 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.

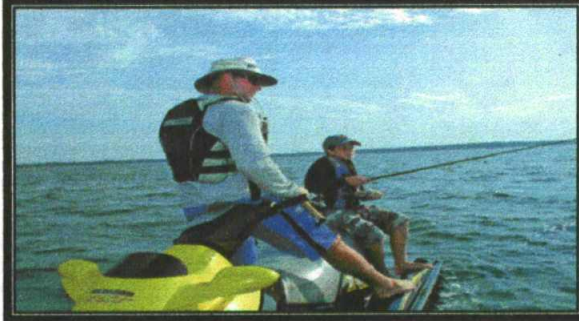
H2O has always been a leader in the area of helping to teach safe boating techniques and demanding that boaters understand and abide by the rules, respecting other bay users and the environment. It is a great part of our success and brings us closer to our customers; a factor that combined with our unmatched 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

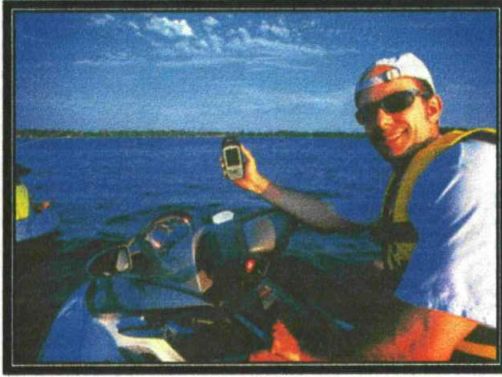


Digital Fish finder

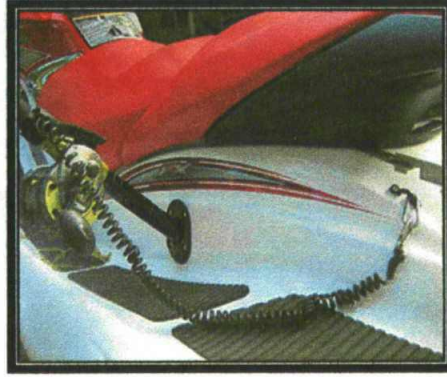


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"This Totally Awesome Experience is now available at H2O!"



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.



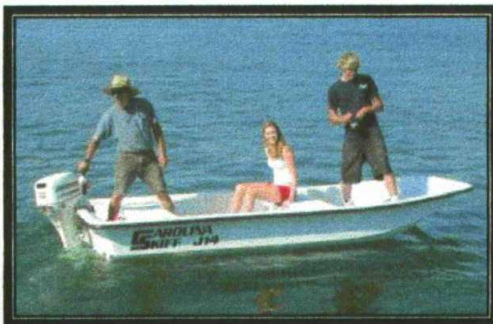
Perfect for a family and friends who want a more lesiurely and spacious crusing experience.



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.

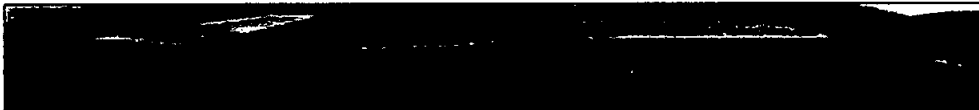
We have attained an excellent working relationship with the lifeguards and local police who recognize H2O as small but responsible company that they can rely on to instill safety rules and procedures responsibly and without compromise.

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:

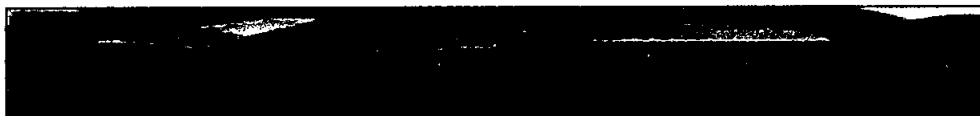
Some typical customer feedbacks we received:

"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 guy's 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 courtesies 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....



H2O Boat Rentals 1617 Quivira Road San Diego CA 9210

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, commerical fisherman for over 20 years and business operator for 20 years.

At H2O we strive to hire locally whenever posible. 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 privelege 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.

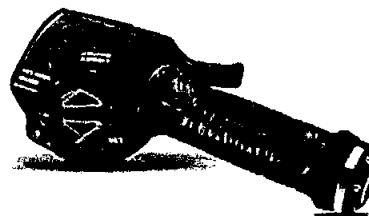
#1 in Fuel Efficiency

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.

The Jet Pump Propulsion 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.

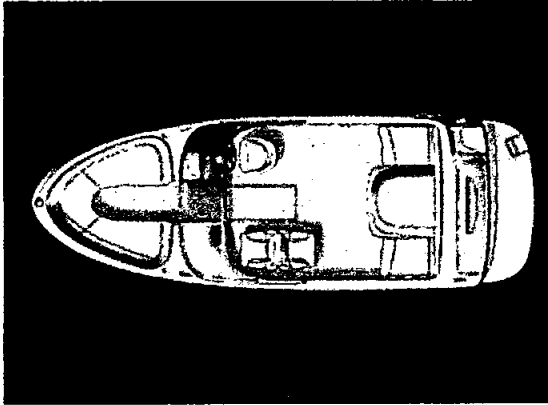
The Lightweight, High-Strength Hull and Deck

- **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"

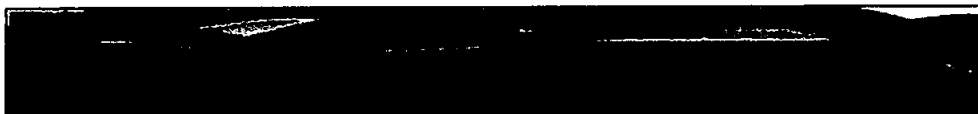
Draft hull 1'8"

Draft max 3'1"

Bridge clearance 4'10"

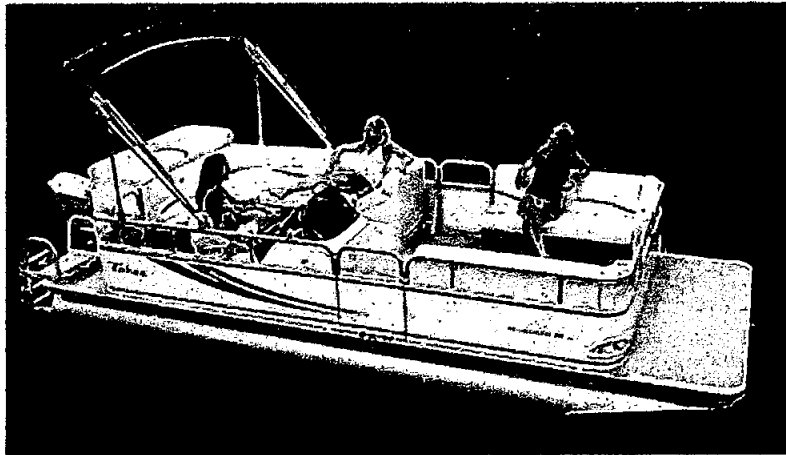
Bridge clearance max 6'7"

Fuel capacity 20-30 gal



H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

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

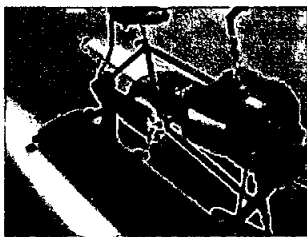
- Plush embroidered furnishings made with Avalon's exclusive easy to clean, puncture resistant, 50 gauge thickness vinyl.
- Aluminum seat base frames with extra large storage capacity and flow through ventilation
- 20 oz designer carpet
- Color Matched 8' Bimini top with quick release brackets.
- Boarding 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	25"	25"	25"	25"
Standard deck width	8'	8'	8'	8'
Optional deck width	8.5'	8.5'	8.5'	8.5'
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"	2,030	2,185	2,423	2,660
Max Engine	75	90	100	115
Max Engine 25"	90	100	125	135
Max No. Persons	8	9	12	14
Max No. Persons 25"	9	12	14	16
or max persons lbs.	1,480	1,605	1,880	2,040
or max persons lbs. 25"	1,715	1,840	2,040	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.



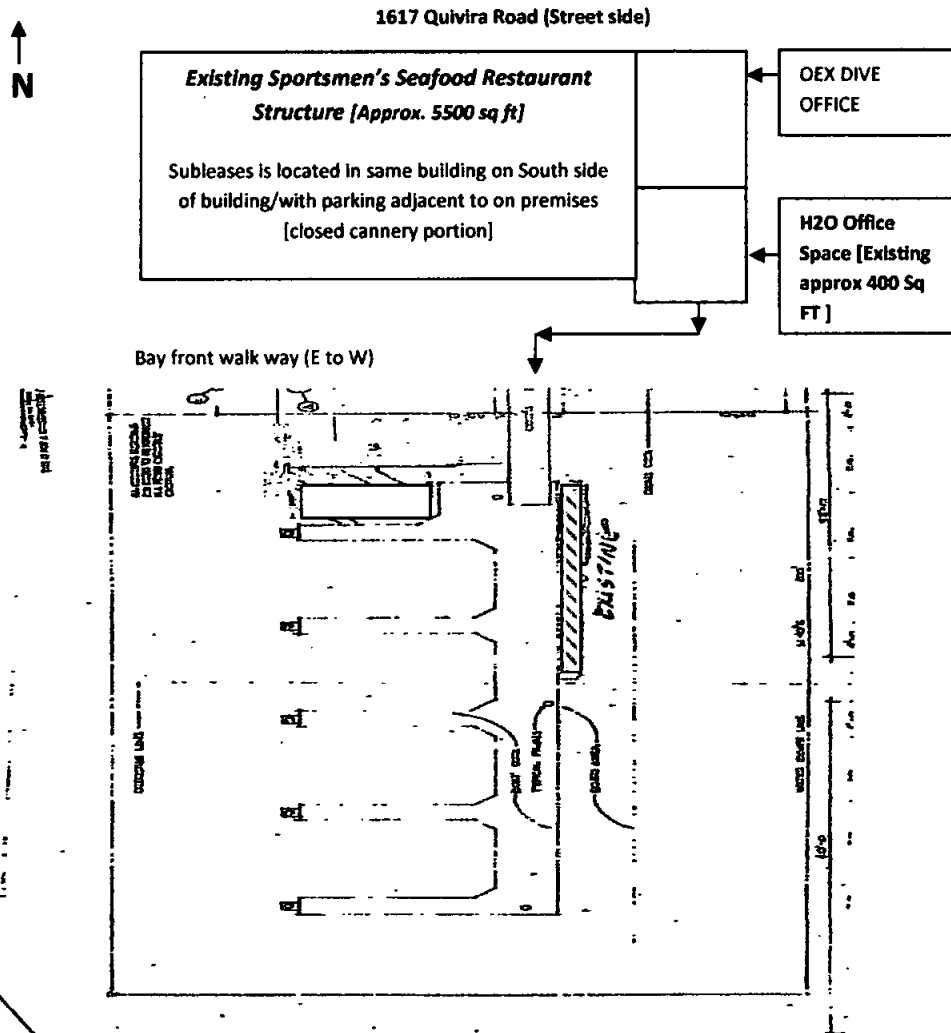
H2O Boat Rentals 1617 Quivira Road San Diego CA 92109

[illegible]

Dock Area
 Yellow arrow indicates current area occupied
 Blue Star indicates possible limited use area that may become available for some use

H2O Sublease
Office Space Designated Area

The highlighted areas indicate the subleased office space area represented in the sublease



Attachment 2

Office Space Area (Existing Area Approx 400 sq ft. w/no change)