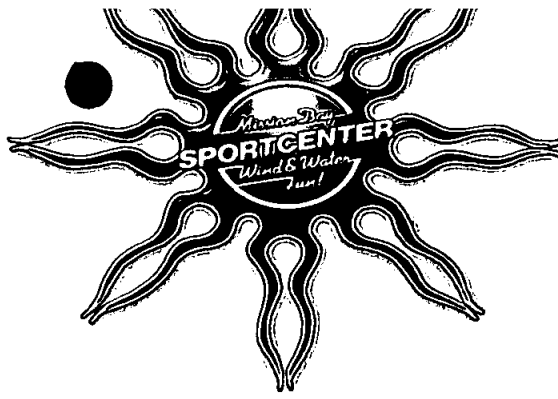




May 8, 2008

Vladimir Balotsky
City Of San Diego
Real Estate Assets
1200 Third Ave Suite 1700
San Diego, CA 92101-4110

RE: Pacific Coast Marine

Dear Mr. Balotsky,

As per our previous discussion, enclosed please find the proposed sublease for Pacific Coast Marine LLC. and Joseph Hooley. In addition I've enclosed the processing fee of \$500.00.

Sincerely,

Jason Boone
Mission Bay Sportcenter

CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT ("Consent") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY"), RICHARD AND DEBRA GLEASON, doing business as MISSION BAY SPORTS CENTER, a California Corporation ("GLEASON"), and PACIFIC COAST MARINE, LLC, a California Corporation ("PACIFIC COAST"), to be effective upon execution by CITY (the "Effective Date") and approval by the San Diego City Attorney, as follows:

RECITALS

- A. GLEASON is the "LESSEE," under that certain LEASE AGREEMENT dated October 16, 1995, by and between CITY, as lessor, and Richard L. Gleason and Debra L. Gleason, as lessee ("Master Lease"), relating to certain real property ("Master Lease Property") located at 1010 Santa Clara Place in Mission Bay Park, City of San Diego, County of San Diego, State of California, and more particularly described in the Master Lease, attached hereto as Exhibit A.
- B. The Master Lease requires CITY'S consent to any sublease of the Master Lease Property.
- C. PACIFIC COAST has executed that certain SUBLEASE ("Pacific Coast Sublease") dated May 1, 2008, whereby, subject to CITY'S consent, GLEASON subleases to PACIFIC COAST and PACIFIC COAST subleases from GLEASON a portion of the Master Lease Property ("Sublease Premises") located on the Master Lease Property and more fully described in the Pacific Coast Sublease, attached hereto as Exhibit B.
- D. Under the terms of this Consent, CITY will consent to the Pacific Coast Sublease.

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

- 1. Subordination. The Pacific Coast Sublease ("Sublease") is and shall be subordinate to the Master Lease. CITY shall not be bound by any term or condition in the Sublease which in any way conflicts with CITY'S rights or increases CITY'S obligations under the Master Lease. Any conflict between the Master Lease and the Sublease shall be construed or resolved in favor of the Master Lease. PACIFIC COAST acknowledges and agrees that its rights and obligations as "LESSEE" under the Sublease are subject and subordinate to the terms and conditions of this Consent and the Master Lease.
- 2. Master Lease Provisions. GLEASON and PACIFIC COAST acknowledge that the Master Lease is on month to month holdover. Without releasing GLEASON of any obligation, PACIFIC COAST additionally assumes and shall perform the

COPY SENT TO CITY

CITY ATTORNEY

08 JUL 21 AM 11:17

CIVIL DIVISION

obligations of "LESSEE" under the Master Lease as and to the extent such obligations are applicable to the Sublease Premises or PACIFIC COAST'S use of any common area within the Master Lease Property.

3. Use. PACIFIC COAST'S use shall be for a purpose of sale of new boats, boat service, and sale of boating accessories and shall comply at all times to the Master Lease.
4. Rent. GLEASON shall pay the following to CITY as rent defined under the Master Lease:
 - (a) Two percent (2%) of all of PACIFIC COAST'S gross income ("gross income" as that term is defined in the Master Lease) from sales of new boats and related accessories; service and repairs of boats and aquatic equipments;
 - (b) One percent (1%) of all of PACIFIC COAST'S gross income from sale of used boats;
 - (c) Ten percent (10%) of all PACIFIC COAST'S gross income from any other source permitted under the purpose of the Master Lease, subject to prior written approval of the CITY.
5. Indemnification. GLEASON and PACIFIC COAST, jointly and severally, shall defend, indemnify, protect, and hold CITY, its elected officials, officers, representatives, agents and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including without limitation any injury to GLEASON'S or PACIFIC COAST'S officers, employees, agents, invitees, guests, subtenants or licensees, which arise out of or are in any manner directly or indirectly connected with the Sublease, PACIFIC COAST'S use of or operations on the Master Lease Property, the condition of the Sublease Premises, or from any act or omission of PACIFIC COAST or any of his employees, agents, invitees, guests, subtenants or licensees; provided, however, this duty to indemnify and hold harmless shall not include any claims or liability arising from the established sole negligence, or sole willful misconduct of CITY, its elected officials, officers, representatives, agents or employees.
6. Subsequent Sublease. This Consent does not constitute consent to any subsequent subletting of any portion of the Master Lease Property, and does not relieve GLEASON, PACIFIC COAST, or any person claiming under or through either of them of the obligation to obtain CITY'S consent to any future sublease.
7. Brokerage Commission. CITY shall not be liable for any brokerage commission or finder's fee in connection with the consummation of the Sublease or this

Consent. GLEASON and PACIFIC COAST shall jointly and severally protect, defend, indemnify, and hold CITY harmless from and against any claim for any brokerage commission or finder's fee related to the consummation of the Sublease or this Consent, and from and against any cost or expense (including without limitation attorney fees) incurred by CITY in resisting any claim for any such brokerage commission or finder's fee.

8. San Diego's Strong Mayor Form of Governance. The Master Lease shall be amended by adding the following section:

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

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

PACIFIC COAST MARINE
ATTN: JOSEPH HOOLEY
1010 SANTA CLARA PLACE
SAN DIEGO, CA 92109
(858) 945-8448

15. Authority. Each individual executing this Consent on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Consent on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions which are necessary and proper and under such legal entity's articles, charter, bylaws, or other written rules of conduct or governing agreement, and that this Consent is binding upon such person or entity in accordance with its terms. Each person executing this Consent on behalf of another person or legal entity shall provide CITY with evidence, satisfactory to the City Manager, that such authority is valid and that such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.
16. CITY'S Consent. Subject to the terms and conditions of this Consent, CITY hereby consents to the Sublease.

[REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto execute this Consent to be effective as of the Effective Date.

Date: 7/12/08

Richard L. Gleason and Debra L. Gleason, dba,
Mission Bay Sports Center, a California corporation

BY: Richard L. Gleason
Name & Title: RICHARD L. GLEASON
PRESIDENT - Debra L. Gleason
SECRETARY

Date: 7-9-08

Judy Hooley
Pacific Coast Marine, LLC, a California
Corporation

Effective Date: 7/16/08

THE CITY OF SAN DIEGO,
A California municipal corporation

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

APPROVED AS TO FORM AND LEGALITY:

Date: 7-21-08

MICHAEL J. AGUIRRE, San Diego City Attorney

BY: Todd Bradley
Todd Bradley, Deputy City Attorney

VEB/vb
07/02/2008

I: WPO2008\BALOTSKY\GLEASON-CONSENT TO SUBLEASE-PACIFIC COAST MARINE

EXHIBIT A

LEASE AGREEMENT

["Master Lease" dated October 16, 1995 by and between CITY, as lessor, and RICAR L. GLEASON and DEBRA L. GLEASON, dba Mission Bay Sports Center, a California corporation, as lessee, relating to certain real property located in Mission Bay Park, San Diego, California].

EXHIBIT B

SUBLEASE

["Sublease" dated May 1, 2008, by and between GLEASON and PACIFIC
COAST MARINE, LLC, a California Corporation]

SUBLEASE

THIS SUBLEASE AGREEMENT ("Sublease") dated, for reference purposes only, is executed between Richard and Debra Gleason dba the MISSION BAY SPORTS CENTER, Inc., a California corporation ("Sublessor"), and PACIFIC COAST MARINE, LLC, a California corporation, ("Sublessee").

RECITALS

- A. THE CITY OF SAN DIEGO ("the Lessor"), entered into a lease agreement dated November 1, 1995 ("the Lease"), with Richard and Debra Gleason dba the Mission Bay Sports Center, Inc. ("the Sublessor"), for that certain real property known as 1010 Santa Clara Place, San Diego, California 92109 (the "Premises").
- B. Sublessor desires to sublet a portion of the Premises to the Sublessee.
- C. The Lessor has consented to a sublease to Sublessee by Sublessor per the attached memo.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, receipt of which is acknowledged, the parties agree to this Sublease on the following terms and conditions:

- 1. **Sublease.** Sublessor subleases to Sublessee and Sublessee subleases from Sublessor the outdoor area consisting of approximately 4500 square feet (the "Subleased Premises"). The Subleased Premises are delineated on Exhibit A which is attached to and incorporated into this Sublease by this reference.
- 2. **Location.** Mission Bay Sports Center located at as 1010 Santa Clara Place, San Diego, California 92109.
- 3. **Term.** The term of this Sublease is a month to month.
- 4. **Right to Cancel the Sublease.** Sublessee shall have the right to cancel this Sublease upon providing a 24-hour prior written notification to the Sublessor stating the effective cancellation date.
- 5. **Monthly Rent and Utility Costs.** Sublessee shall pay directly to the Sublessor Attention: Jason Boone, Mission Bay Sports Center, 1010 Santa Clara Place, San Diego, CA 92109 the amount of two thousand dollars (\$2000) per month base. The rental payment is due on or before the first day of each month.
- 6. **Percentage Rent:** Lessee shall pay Lessor in addition to the base rent, two percent (2%) of Lessee's gross receipts for sales of new boats, boat service, boating accessories and one percent (1%) of Lessee's gross receipts for sales of used boats, for all sales processed at subleased premises monthly in arrears, and prior to the 16th day of the month following that month in which the revenue subject was earned to be forwarded to the city.

7. Shared Expenses: Lessee shall pay to Lessor, as additional rent, Lessee's "proportionate share" of (1) all costs of operation and maintenance of the common facilities; (2) utilities including electrical, gas and water; (3) all "real estate taxes" levied and assessed against the Sportcenter facility. Said-shared expenses shall be paid monthly by the end of the month billed. At the end of the first term of the sublease, the "proportionate share" shall be re-evaluated and adjusted to reflect actual usage. Definitions: For the purpose of this section (a) Lessee's "proportionate share" shall be equal to the total "shared expenses" divided by the number of sublessees and the Lessor in equal shares unless otherwise agreed upon.
8. Security Deposit. Sublessee shall deposit with Sublessor upon execution of this Sublease a security deposit in the amount of one thousand dollars (\$1000.00). If Sublessee fails to pay rent or other charges due pursuant to this Sublease, or otherwise defaults with respect to any provision of this Sublease, Sublessor may use, apply or retain all or any portion of the deposit for the payment of any rent or other charge in default for the payment of any other sum to which Sublessor may become obligated by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor may suffer. If Sublessee performs all of the Sublessee's obligations pursuant of this Sublease, the deposit, or any amount that has not been applied to the payment of rent or other charges incurred by Sublessor, shall be returned, without payment of interest or other increments for its use, to Sublessee at the expiration or cancellation of the term of this Sublease, and after the Sublessee has vacated the Subleased Premises.
9. Use. The Subleased Premises shall be used by Sublessee and Sublessee's permittees for boat and related accessories sales, and service. The premises shall be used for no other purpose. The Lessor shall not allow any other boat sales or service businesses to operate out of the facility. Any violation of this Section is a material breach of this Sublease and of the Lease.
10. Condition of Premises. Sublessee agrees that its act of taking possession will be an acknowledgment that the Subleased Premises are in leasable and good condition. Sublessee shall not, without Sublessor's and Lessor's prior written consent, make any alterations, improvements, additions on or about the Subleased Premises. At the expiration of the term, Sublessor may require the removal of any or all alterations and improvements in the Subleased Premises at Sublessee's sole expense. Upon termination of this Sublease, Sublessee shall surrender and vacate the Subleased Premises in a broom-clean, good condition, normal wear and tear excepted, and shall, without expense to Sublessor, remove or cause to be removed from the Subleased Premises all debris and rubbish, all furniture, equipment, business and trade fixtures, movable partitions and other articles of property owned by Sublessee. Sublessee shall repair all damage to the Subleased Premises resulting from any removal.
11. Late Charges. If any installment of rent, or any other sum due from Sublessee is not be received by Sublessor within five (5) days after the amount is due, then, without any requirement for notice to Sublessee, the Sublessee shall pay to Sublessor a late charge

equal to ten percent (10%) of the overdue amount. Acceptance of the late charge shall not constitute a waiver of Sublessee's default with respect to any overdue amount, nor prevent Sublessor from exercising legal remedies.

12. Defaults and Remedies

- a. Default. Each of the following shall constitute an event of default under this Sublease.
 - i. Sublessee's failure to make any payment required under this Sublease when due;
 - ii. Sublessee defaults in the performance of any covenant or condition required by this Sublease, other than those requiring payment to Sublessor, to be performed by Sublessee and fails to cure the default within thirty (30) days following written notice of the default from Sublessor; or if any such default, other than those requiring payment to Sublessor, is not curable within thirty (30) days, and fails to commence to cure the default(s) within said thirty (30)day period and diligently pursue such cure to completion;
 - iii. Sublessee voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;
 - iv. Sublessee is adjudicated a bankrupt; and
 - v. Sublessee makes a general assignment for the benefit of creditors.
- b. Remedies. Upon default by Sublessee, Sublessor may, at its option, give Sublessee, or any person claiming rights through Sublessee, a written Three-Day Notice to Pay or Quit, or Sublessor may terminate this Sublease and all rights of Sublessee and of all persons claiming rights through Sublessee to the Subleased Premises or to possession of the Subleased Premises, and Sublessor may enter and take possession of the Subleased Premises provided, however, in the event that any default described in this Section is not curable within thirty (30) days after notice to Sublessee, Sublessor will not terminate this Sublease pursuant to the default if Sublessee immediately commences to cure the default and diligently pursues such cure to completion, and may recover from Sublessee the sum of:
 - i. the worth at the time of award of any unpaid rent that had been due at the time of termination; the worth at the time of award of the amount by which (a) the unpaid rent that would have been earned after termination until the time of award exceeds (b) the amount of rental loss, if any, and which Sublessee affirmatively proves could have been reasonably avoided;

- ii. the worth at the time of award of the amount by which (a) the unpaid rent for the balance of the term after the time of award exceeds (b) the amount of rental loss, if any as Sublessee affirmatively proves could be reasonably avoided;
- iii. any other amount necessary to compensate Sublessor for any detriment caused by Sublessee's failure to perform Sublessee's obligations or that, in the ordinary course of things, would be likely to result; and
- iv. all other amounts in addition to or in lieu of those previously stated as may be permitted from time to time by California law.

As used in clauses (i) and (ii) of this Section, the "worth at the time of award" is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause (iii) of this Section, the "worth at the time of award" is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus two percent (2%). As used in this Section the term "rent" shall include base rent, Percentage Rent and any other payments required by Sublessee.

13. Insurance. Sublessee shall, at Sublessee's expense, obtain and keep in force at all times during the term of this Sublease insurance coverage as follows:

- a. Public liability and property damage in the amount of not less than two one million dollars (\$2,000,000) Combined Single Limit Liability with an occurrence claims form. This policy shall cover all injury or damage, including death, suffered by any party or parties from acts or failures to act by Sublessor or Sublessee or by authorized representatives of Sublessor or Sublessee on or in connection with the use or operation of the Subleased Premises.
- b. Fire, extended coverage, and vandalism insurance policy on all insurable property on the Subleased Premises in an amount to cover one hundred percent (100%) of the replacement cost. Any proceeds from a loss will be payable jointly to Sublessor and Sublessee.
- c. All insurance policies will name the Sublessor as an additional insured, protect Sublessor and Lessor against any legal costs in defending claims, and will not terminate without sixty days (60) days prior written notice to Sublessor. A copy of the insurance policy will remain on file with Sublessor during the entire term of the Sublease. At least thirty (30) days prior to the expiration of each policy, Sublessee shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the terms of this Sublease.
- d. If Sublessee fails or refuses to take out and maintain its required insurance or fail to provide the proof of coverage, Sublessor has the right to obtain the insurance. Sublessee shall reimburse Sublessor for the premiums paid with interest at the

maximum allowable legal rate then in effect in California. Sublessor shall give notice of payment of premiums within thirty (30) days of payments stating the amount paid, names of the insurer (s), and rate of interest. Reimbursement and interest shall be paid by Sublessee on the first (1st) day of the month following notice of payment by Sublessor.

14. Indemnity. Sublessee agrees to defend, indemnify, protect, and hold the Sublessor and Lessor, their elected officials, representatives, agents, officers, and employees harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to Sublessee's employees, invitees, guests, agents, or officers, which arise out of or are in any manner directly or indirectly connected with the development or operation of the Subleased Premises or the work and operations to be performed under this Sublease, and all expenses of investigating and defending against same; provided, however, that Sublessee's duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of Sublessor, its agents, officers, or employees.
15. Assignment and Subleasing. Sublessee shall not assign this Sublease or sublet the Subleased Premises or any part of the Subleased Premises without the prior written consent of Lessor and Sublessor. An assignment by operation of law shall automatically terminate this Sublease.
16. Attorney's Fees. In the event of any action or proceedings brought by either party against the other under this Sublease, the prevailing party shall be entitled to recover the fees for its attorneys in any action or proceeding, in the amount as the court may adjudge reasonable as attorney's fees. In the event the Sublessor intervenes in or becomes a party or is made a party to any action or proceeding arising in connection with this Sublease in order to protect its rights, then Subleasee will pay the Sublessor the fees of Sublessor's attorneys as fixed by the court.
17. Possessory Interest Tax. Sublessee agrees to pay, before delinquency, all possessory interest taxes assessed or levied upon Sublessee or the Subleased Premises, including any structures, machines, equipment, appliances, or other improvements or property of any nature whatsoever erected, installed, or maintained by Sublessee or levied by reason of the business or other Sublessee activities related to the Subleased Premises, including any licenses or permits. Sublessee recognizes and agrees that this Sublease may create a possessory interest tax levied on such interest, and that Sublessee shall pay all such possessory interest taxes. Sublessee further agrees that payment for such taxes, fees and assessments will not reduce any rent due Sublessor.
18. Subordination. This Sublease is a sublease of a portion of the Premises, covered by the Lease dated November 1, 1995, between the Sublessor and Lessor. This Sublease is subject to the covenants and conditions of the Lease notwithstanding any provision of this Sublease contrary to or in conflict with the Lease.

19. Nondiscrimination. Sublessee agrees not to discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in Sublessee's use of the Subleased Premises, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment.
20. Notices. Any notice, consent, demand, bill, statement or other communication required or permitted to be given under this Sublease shall be in writing and mailed to Sublessor at the following address:
- Mission Bay Sport Center
Attn: Jason Boone
1010 Santa Clara Place
San Diego, California 92109.
(858) 488-1004
- Pacific Coast Marine
Attn: Joseph Hooley
1010 Santa Clara Place
San Diego, California 92109
(858) 945-8448
21. Signs. Upon approval of the Sublessor, Sublessee shall be allowed to display appropriate signage identifying its presence at the Subleased Premises.

IN WITNESS WHEREOF, this Sublease is executed by the Mission Bay Sports Center, acting by and through its lawfully authorized officers, and by Sublessee acting by and through its lawfully authorized officers.

SUBLESSOR:
MISSION BAY SPORTS CENTER
a California Corporation

SUBLESSEE:
PACIFIC COAST MARINE
a California Corporation

By:  5/1/08
Mission Bay Sports Center

By:  5-1-08
Pacific Coast Marine

EXHIBIT A

