

ADDENDUM A
to
REQUEST FOR PROPOSALS (RFP)
RFP 2026

MISSION BAY RESTAURANT, MARINA, AND RETAIL LEASE OPPORTUNITY
1617 Quivira Rd.
San Diego, CA 92109

City of San Diego
Economic Development Department – Real Estate Division
1200 Third Avenue, Suite 1400
San Diego, CA 92101

ALL INQUIRIES REGARDING THIS RFP SHALL BE DIRECTED TO:

MBrestaurant@sandiego.gov

The City of San Diego responses to questions received at the Mission Bay Restaurant email address follow:

1. What are the current rents and rental structures from restaurant & the dock boat slips?

The existing lease includes a minimum monthly rent, along with percentage rent components tied to certain revenue streams, including restaurant operations and dock/boat slip use. Under the current structure, the rent payable is the greater of the minimum rent or applicable percentage rent

This information is provided for reference purposes only. The existing lease terms reflect a prior agreement and is not intended to represent or establish terms for any future lease. The City will determine the final lease structure and economic terms through negotiations and based on current market conditions.

2. Financial information and sales from ownership for past 2-3 years.
The City does not provide tenant-specific financial or sales information as part of this solicitation.

Proposers are responsible for conducting their own independent due diligence in evaluating the opportunity.

Any request for additional records may be submitted through the California Public Records Act (CPRA) process, and the City will review and respond in accordance with applicable law.

3. Current leases

The current lease is provided as Attachment A for informational purposes only. The existing lease reflects prior agreement and is not intended to represent or establish terms for any future lease. Any future agreement will be subject to negotiation and may differ

4. A recent Mission Bay percentage rent appraisal.

A prior Mission Bay percentage rent appraisal exists; however, it was prepared for a different point in time and under different assumptions.

This has been provided as Attachment B as background information only and is not intended to establish or represent the terms of any future lease. The City will determine lease structure and economic terms through negotiations based on current market conditions and applicable City requirements

5. Will the city provide assistance/assurance on building systems and structure that both will be delivered in good condition or other ways to provide tenant with capital or by way of free rent the value if repairs or upgrades need to be made?

The City of San Diego (CoSD) will deliver the premises in its current as-is condition and cannot provide assurances regarding building systems or structural condition. However, the City is open to considering site-specific conditions as part of the overall lease negotiation and evaluating commercially reasonable terms within the full deal structure, subject to standard approvals.

6. What is the proposed lease term and structure?

The proposed lease term is anticipated to be up to 15 years. Any term exceeding 15 years would be subject to applicable Surplus Land Act requirements and approval by the California Department of Housing and Community Development. If such approval is needed, the City would work with the selected proposer through that process.

The lease structure, including rent components and other business terms, will be determined through negotiations and must be supported by market considerations and consistent with applicable City requirements and policies.

ATTACHMENT A



CITY OF SAN DIEGO PERCENTAGE LEASE

BY AND BETWEEN

**THE CITY OF SAN DIEGO,
A CALIFORNIA MUNICIPAL CORPORATION**

AND

**SPORTSMEN'S SEAFOOD COMPANY, INC.,
A CALIFORNIA CORPORATION**

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CITY OF SAN DIEGO
PERCENTAGE LEASE

THIS CITY OF SAN DIEGO PERCENTAGE LEASE ("Lease") is entered into by and between THE CITY OF SAN DIEGO, a California municipal corporation ("CITY") and SPORTSMEN'S SEAFOOD, INC., a California corporation ("LESSEE"), to be effective as of 11/27/2013 (the "Effective Date"), when signed by the parties and approved by the San Diego City Attorney.

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

SECTION 1: PREMISES; USES

- 1.1 Leased Premises. CITY leases to LESSEE and LESSEE leases from CITY all of that CITY-owned real property (the "Premises"), commonly known as "Sportsmen's Seafood, located at 1617 Quivira Road, San Diego, California 92109, Quivira Basin, Mission Bay Park consisting of approximately 32,862 square feet of land and 20,000 square feet of water, improved with a building, dock, landscaping and parking, and is more particularly described in **Exhibit A** attached hereto.
- 1.2 Allowed Building Uses. LESSEE may use the building located on the Leased Premises solely and exclusively for the purposes of:
- (a) A full service restaurant serving beer, wine and liquor;
 - (b) Retail and wholesale seafood market and seafood processing facility;
 - (c) Dive shop;
 - (d) Retail or rental store that caters to water oriented recreational activities;
 - (d) Training, classes, or certification of water related recreational activities;
 - (e) Any other lawful use so long as Sportsmen's obtains prior written consent of the City, which consent shall be at the City's sole discretion (the "Allowed Building Uses").
- 1.3 Allowed Dock Uses. LESSEE may use the dock located on the Leased Premises solely and exclusively for the purposes of:
- (a) Commercial and recreational watercraft subject to City approval in each instance;
 - (b) Rental of boat slips to commercial and recreational watercraft;
 - (c) Loading and unloading of passengers, fish and seafood;
 - (d) All uses in existing subleases that have been previously consented to by City as referenced in Section 5.2.2 below;
 - (e) Any other lawful use so long as Sportsmen's obtains prior written consent of the City, which consent shall be at the City's sole discretion. (the "Allowed Dock Uses").
- 1.4 Operating Plans - Life Guard Division Approval. At least sixty (60) days prior to each anniversary of the Effective Date, LESSEE shall, at its sole cost and expense, submit to CITY a written, annual operating plan describing how LESSEE intends to conduct both the Allowed Building and Allowed Dock Uses. Each such operating plan shall be in

form and content reasonably satisfactory to CITY, and shall be subject to the approval of CITY'S Fire-Rescue Department, Life Guard Division (the "LGD"). Except as required by law, LESSEE shall not make any changes to an existing, LGD-approved operating plan without CITY'S prior written approval in each instance, which may not be unreasonably withheld or delayed. LESSEE shall conduct each Allowed Use in accordance with its most recently LGD-approved operating plan. CITY acknowledges that LESSEE has submitted an operating plan for the first Lease Year, which has been approved by the LGD.

- 1.5 Business Objective. LESSEE shall diligently and continuously conduct its business on the Premises throughout the term of this Lease (the "Term") for both the Allowed Building and Allowed Dock Uses and to diligently conduct business to produce the most gross revenue that can be reasonably expected.
- 1.6 Superior Interests. This Lease is subject to all liens, encumbrances, covenants, conditions, restrictions, reservations, contracts, permits and licenses, easements, and rights-of-way pertaining to the Premises, whether or not of record. LESSEE shall obtain all licenses, permits, and agreements from such third parties as may be or become necessary or reasonably advisable to allow its use of the Premises, relative to any such superior interest. If LESSEE'S use of the Premises is or becomes inconsistent or incompatible with a preexisting, superior interest, LESSEE shall take such actions and pay all costs and expenses necessary to remove such inconsistency or incompatibility to the satisfaction of the holder of the superior interest.
- 1.7 Governmental Approvals. By entering into this Lease, neither CITY nor CITY'S City Council is obligating itself to any governmental agent, board, commission, or agency with regard to any other discretionary action relating to LESSEE'S occupancy, use, development, maintenance, or restoration of the Premises. Discretionary action includes without limitation re-zonings, variances, environmental clearances, and all other required governmental approvals.
- 1.8 CITY'S Consent, Approval. Unless otherwise expressly provided, CITY'S consent or approval under this Lease shall mean the written consent or approval of the Mayor of San Diego, or his or her designee ("Mayor"), which shall not be unreasonably withheld or delayed unless otherwise expressly provided. CITY'S discretionary acts hereunder shall be made in the Mayor'S discretion, unless otherwise expressly provided.
- 1.9 Quiet Possession. LESSEE, performing the covenants and agreements in this Lease, shall at all times during the term of this Lease peaceably and quietly have, hold, and enjoy the Premises. If LESSEE is temporarily dispossessed through action or claim of a title superior to CITY'S, this Lease shall not be voidable nor shall CITY be liable to LESSEE for any loss or resulting damages.

1.10 Reservation of Rights.

- 1.10.1 Mineral Rights. CITY reserves all rights, title, and interest in and to any and all subsurface natural gas, oil, minerals, and water on or within the Premises.
- 1.10.2 Easements. CITY reserves the right to grant, establish, and use easements and rights-of-way over, under, along, and across the Premises for utilities, thoroughfares, or access as it deems advisable for the public good.
- 1.10.3 Repairs. CITY may at all reasonable times enter the Premises for the purpose of making repairs to or developing municipal resources and services.
- 1.10.4 Noninterference. CITY shall not substantially unreasonably interfere with LESSEE's use of the Premises, and shall repair or reimburse LESSEE for reasonable costs incurred by LESSEE to repair any physical damages to Premises or LESSEE's personal property directly caused by CITY's exercising its rights reserved in this section. CITY shall pay the costs of maintenance and repair of all CITY installations made pursuant to these reserved rights.
- 1.10.5 Public Safety; Homeland Security. CITY reserves the right to install, repair and replace, at its own expense, secured-access video surveillance equipment for the purposes of public safety and homeland security. CITY shall have access to existing roof tops, light poles, existing electrical power and/or other structures on the Premises necessary to support this objective. CITY shall give LESSEE reasonable notice prior to entering upon the Premises for this reserved right. CITY shall pay all costs and expense related to the installation, repair and replacement of such video surveillance equipment.
- 1.11 Competent Management. LESSEE shall provide competent management of the Allowed Uses to CITY's reasonable satisfaction. "Competent management" shall mean management practices generally considered acceptable within LESSEE's industry for the management and operation of activities substantially similar to the Allowed Uses and in compliance with all applicable local, state and federal laws, rules and regulations, and in a fiscally responsible manner. "Fiscally responsible manner" shall mean in accordance with generally accepted accounting principles consistently applied and absent financial malfeasance.

SECTION 2: TERM

- 2.1 Term. The term of this Lease shall be three (3) years, commencing on the Effective Date. If the Effective Date is other than the first day of a calendar month, the partial month after the Effective Date shall be included in the following full calendar month to compose the first month of the Term so that the second month of the Term will start on the first day of a calendar month.

- 2.2 Holdover. Any holding over by LESSEE after the expiration or earlier termination of this Lease shall not be considered a renewal or extension of this Lease. The occupancy of the Premises after the expiration or earlier termination of this Lease shall constitute a month-to-month tenancy at will, and all other terms and conditions of this Lease shall continue in full force and effect, except that CITY may then demand and receive from LESSEE rent up to one hundred twenty-five percent (125%) of the rent in effect upon expiration of the Lease.
- 2.3 Surrender of Premises. Upon the expiration or earlier termination of this Lease, LESSEE shall vacate the Premises and surrender them to CITY free and clear of all liens and encumbrances, and in a decent, safe, and sanitary condition, reasonable wear and tear excepted. At any time after the expiration or earlier termination of this Lease, LESSEE shall execute, acknowledge, and deliver to CITY, within thirty (30) days after CITY's demand, a valid and recordable quitclaim deed covering all of the Premises. If LESSEE fails or refuses to deliver the required quitclaim deed, CITY may prepare and record a notice reciting LESSEE's failure to perform this Lease provision, and the notice shall be deemed conclusive evidence of the termination of this Lease and all of LESSEE's rights in and to the Premises. The City shall not record the quitclaim deed unless LESSEE vacated the Premises.

SECTION 3: OPERATIONS ON THE PREMISES

- 3.1 Operation of Facilities. LESSEE shall conduct its business and operate the Premises continuously and without interruption during the Term. A regular schedule of days and hours of operation is established by LESSEE to best serve the public. The schedule is attached as **Exhibit B: Schedule of Days and Hours of Operation**. LESSEE shall not change the schedule without CITY's prior written approval. The LESSEE shall diligently furnish services to the public in a creditable manner. The type and quality of services furnished by LESSEE shall qualify for the conditions and requirements of the "A" Card issued by the California Department of Health to operators of food-handling establishments.
- 3.2 Trash and Refuse. LESSEE shall, at its sole cost and expense, provide containers on the Premises to receive trash and refuse generated on the Premises. Refuse containers shall not be located outside the Premises. Such containers shall be covered and emptied regularly enough to prevent them from overflowing or creating unhealthful, unsightly, or unsanitary conditions. The contents of the containers shall be disposed of by LESSEE or others acting pursuant to LESSEE's direction at authorized landfills or other garbage reception areas as provided under applicable law at the time of collection.
- 3.3 Restriction on Food Containers. LESSEE shall not provide to its customers any prepared food or takeout food in polystyrene foam packaging. LESSEE's food packaging for prepared food and takeout food shall be biodegradable, and LESSEE shall deliver to

CITY upon demand evidence in the form of paid invoices for the purchase of biodegradable containers in amounts sufficient to indicate compliance with this section. If biodegradable food packaging materials are not available for purchase in the quantities required by LESSEE, LESSEE shall use biodegradable food packaging materials to the extent such items are available, and to the extent they are not, LESSEE may use other food packaging materials, subject to CITY's prior approval. "Prepared food" means food or beverage prepared on the Premises for immediate consumption. "Takeout food" means food or beverage to be consumed off the Premises. "Food packaging" means all bags, sacks, wrapping, containers, bowls, plates, trays, cartons, cups, straws, and lids which are not intended for reuse, and on or in which any prepared food or takeout food is provided to LESSEE's customers.

- 3.4 Local Coastal Program. Should a local coastal program ("Local Coastal Program") ever be adopted for the Mission Bay Park segment of CITY's Local Coastal Program, and should the Local Coastal Program provide for the collection of a traffic impact mitigation fee from commercial lessees in Mission Bay Park to fund all or a portion of the cost of a beach shuttle or other substantially similar public access improvements, LESSEE shall contribute its fair and equitable share, as calculated pursuant to the Local Coastal Program, to such a traffic impact mitigation program, provided the amount payable by LESSEE shall be reasonable and shall not exceed the amount LESSEE would have paid had the entire amount to be funded by traffic impact mitigation fees been reasonably, equitably, and fairly apportioned among all of the commercial lessees in Mission Bay Park. This section shall not be altered or amended without the prior written approval of the California Coastal Commission or an amendment to California Coastal Permit No. 6-93-75/EL.

SECTION 4: RENT

- 4.1 Rent. LESSEE shall pay rent to CITY in the amount of the greater of: (a) a percentage rent (the "Percentage Rent," defined below); and (b) a minimum monthly rent ("Minimum Monthly Rent," defined below). Within thirty (30) days after the end of each month during the Term, LESSEE shall deliver to CITY a schedule of LESSEE's "Gross Revenue" (defined below) for the month, together with a statement of the Percentage Rent payable for that month, prepared using generally accepted accounting principles consistently applied, with revenue categorized by source, and deductions categorized by type. Concurrently with the delivery of such schedule and statement, LESSEE shall pay to CITY the Minimum Monthly Rent plus the difference, if any, between the Percentage Rent and the Minimum Monthly Rent.

- 4.1.1 Minimum Monthly Rent. The minimum monthly rent shall be Four Thousand Dollars (\$4,000) (the "Minimum Monthly Rent").

If the minimum rent is greater than the percentage rent, on a calendar month basis, then the minimum rent is required to be paid for that month. Minimum rents are

to be paid monthly on or before the last day of the calendar month when rents are due pursuant to Section 4.2.

Provided, however, in the event that the combined total percentage rent payments and monthly minimum rent payments during any lease year, equal or exceed the required annual minimum rent for that year, then, for the balance of such year, LESSEE shall discontinue paying monthly minimum rents and shall continue paying only percentage rents until the beginning of the ensuing lease year. It is the intent of this provision that the LESSEE shall pay a minimum rent as a guarantee against the percentage rent requirement and the greater of the two requirements, minimum or percentage, shall prevail, whichever occurs throughout the term.

- 4.1.2 Percentage Rent. Percentage Rent will be calculated on a calendar month basis and shall be rent in an amount equal to the percentages of Gross Revenue derived from certain designated business activities, applied as follows:

<u>Percentage of Gross Revenue</u>	<u>Business Activities</u>
Fifty Percent (50%)	Sublease revenue.
Fifty Percent (50%)	Commissions or any other compensation to LESSEE for the right to install and operate coin-operated vending, game or service machines or devices on the Premises.
Fifty Percent (50%)	Wireless telecommunication equipment installed or operated on or from the Premises.
Twenty-Five Percent (25%)	Dock/slip fees.
Seven Percent (7%)	Sale of all alcoholic beverages and nonalcoholic beverages prepared or dispensed from the bars; fish processing and canning operations.
Four Percent (4%)	"Off premises" retail sale of fresh or canned seafood; and from the sale of food and nonalcoholic beverages, prepared or dispensed on the lease premises.
One Percent (1%)	Wholesaling of fish to local restaurants.

Ten Percent (10%)

All other authorized activities conducted on or from the Premises.

If LESSEE requests uses of the Premises in addition to the Allowed Uses, CITY and LESSEE shall determine by agreement the Percentage Rent calculation applicable to each such use prior to CITY's approval of the use.

4.1.3 Gross Revenue. "Gross Revenue" shall mean all revenue derived from all CITY-approved uses of the Premises, including without limitation all revenue derived from subtenants and licensees. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Revenue. Notwithstanding the foregoing, Gross Revenue shall not include: (a) federal, state, or municipal taxes collected from consumers (regardless of whether such amount is stated to the consumer as a separate charge) and paid periodically by LESSEE to a governmental agency and accompanied by a tax return or statement as required by law; or (b) refunds for goods returned for resale on the Premises or refunds of deposits. LESSEE shall clearly indicate the amount of all such taxes and refunds on its books and records.

4.2 Payment Procedure. On or before the last day of the calendar month following the calendar month in which the Gross Revenue subject to rents was earned, LESSEE will provide CITY with a correct statement together with a payment of rent on all applicable gross receipts in a form selected by CITY. The statement will be signed by LESSEE or its authorized agent, attesting to the accuracy thereof, which shall be legally binding upon LESSEE. Each statement will indicate or include.

- a. One-twelfth of the annual minimum rent until the full annual rent is achieved in any lease year.
- b. Total gross receipts for the subject month, itemized as to business categories for which separate percentage rents are established. A gross receipts breakdown of each business conducted on the premises must be included when a reported category shows gross income to be more than one business operation.
- c. the percentage rental due the CITY, computed and totaled.
- d. The accumulated total of all rents previously paid for the current lease year.
- e. Payment in the greater of the two following amounts: One-twelfth of the annual minimum rent or the total percentage rent due CITY computed as described in this section.

Any rents due CITY from sublease activities or operations will begin with the earliest of the following dates (whether or not prior approval was given by the

CITY as required by this lease, and whether or not a separate percentage rent was established by CITY):

1. Sublease commencement date.
2. Physical occupancy date.
3. Earliest activity date (i.e., sale of goods, solicitation of business, construction or alterations, etc.).

4.3 Unauthorized-Use Charge. LESSEE shall pay CITY one hundred (100%) of the gross receipts from any use of the Premises that is not allowed by this Lease, regardless of any related penalties charged LESSEE by competent governmental authorities. Such unauthorized use charge shall be payable to CITY within thirty (30) days after LESSEE receives such gross receipts. The unauthorized use charge shall be considered "rent" under this Lease, and shall be subject to all costs and penalties for delinquent payments hereunder. The existence of such unauthorized use charge and CITY's acceptance thereof shall not constitute authorization for the use in question, and shall not waive any of CITY's rights under this Lease.

4.4 Time and Place of Payment. All rent payments shall made payable to the City Treasurer and mailed to:

The Office of the City Treasurer
City of San Diego
P.O. Box 129030
San Diego, California 92112-9030

or hand-delivered to:

The Office of the City Treasurer
Civic Center Plaza
1200 Third Avenue, First Floor
San Diego, California 92101

CITY may change the place of payment at any time upon thirty (30) days written notice to LESSEE. Mailed payments shall be deemed paid upon the date the payment is postmarked by the postal authorities. If postmarks are illegible, the payment shall be deemed received only upon actual receipt.

4.5 Records. LESSEE shall, at all times during the Term, keep or cause to be kept true, accurate, and complete books, records, and accounts of all financial transactions in the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises. The records shall be supported by source documents such as sales slips, daily cash

register tapes, purchase invoices, or other documents (which may be in electronic form) as necessary to allow CITY to easily determine Gross Revenue. All retail sales or charges shall be recorded by means of cash registers or other comparable devices which display to the customer the amount of the transaction and automatically issue a receipt. Such registers or other devices shall record sales totals and other transaction numbers and sales details, and shall not be re-settable. Registered totals shall be read and recorded at the beginning and end of each business day. All sales and charges may be recorded by a system other than cash registers or other comparable devices, provided such system is approved by CITY.

4.5.1 Financial Statements. Within sixty (60) days after the end of each Lease Year, LESSEE shall, at its sole cost and expense, deliver to CITY a statement of annual Gross Revenue for the Lease Year, prepared using generally accepted accounting principles consistently applied, with revenue categorized by source, and deductions categorized by type. Each such statement shall be signed by an officer, general partner, or principal of LESSEE attesting to the accuracy and completeness thereof, which shall be legally binding upon LESSEE. LESSEE shall comply with all reasonable requests by CITY to modify the form and content of such financial statements. LESSEE shall provide such additional information reasonably requested by CITY regarding the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises.

4.5.2 CITY's Right to Inspect and Audit. LESSEE shall keep all of its books of account, records, and supporting documentation throughout the Term, plus five (5) years. LESSEE shall make such books, records, and documentation available for inspection and audit by CITY in one location within the County of San Diego. LESSEE shall maintain separate books and records related to LESSEE's use of the Premises. Upon reasonable prior notice, CITY may inspect and audit the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises as CITY may deem necessary, in its sole reasonable discretion, to protect CITY's rights under this Lease. If required by competent legal authority, LESSEE shall promptly deliver to CITY, at CITY's reasonable request and at LESSEE's sole cost and expense, any and all data reasonably needed to fully comply with such authority's requirements related to the operation of LESSEE's business and all other business activities conducted on the Premises, and all financial transactions resulting from LESSEE's use of the Premises.

4.5.3 Audit Cost. The full cost of each CITY audit shall be borne by CITY, unless one or both of the following conditions exists, in which case LESSEE shall reimburse CITY for all costs of the audit:

- (a) For any given Lease Year, if an audit reveals an underpayment of rent of more than five percent (5%) on an annual basis, calculated as the difference

between the rent reported as payable by LESSEE and the rent payable as determined by the audit; or

- (b) LESSEE failed to maintain true, accurate, and complete books, records, accounts, and supporting source documents as required by this Lease.

Any rent deficiency determined by the audit shall be delinquent rent, subject to all penalties and remedies provided to CITY for delinquent rent under this Lease. CITY shall credit any overpayment determined by the audit, without interest, against future rents due under this Lease. If no future rents are then due under this Lease, CITY shall refund to LESSEE any overpayment determined by the audit, without interest, within sixty (60) days after CITY's certification of the audit.

4.5.4 Default. LESSEE'S failure to keep complete and accurate records by means of double entry bookkeeping and make them available for CITY inspection is, like all other failures to comply with covenants of this lease, a breach of this lease and cause for termination.

- 4.6 Delinquent Payments. If LESSEE fails to make any payment under this Lease when due, LESSEE shall pay to CITY, in addition to the unpaid amount, five percent (5%) of the unpaid amount, which shall be additional rent. If any amount of such payment remains unpaid after fifteen (15) days past due, LESSEE shall pay to CITY an additional five percent (5%) of the unpaid amount [being a total of ten percent (10%)], which shall be additional rent. Notwithstanding the foregoing, in no event shall the charge for late payment of rent be less than Twenty-Five Dollars (\$25). After thirty (30) days past due, unpaid amounts due CITY under this Lease may be referred to the San Diego City Treasurer for collection, and shall be subject to San Diego Municipal Code section 22.1707, as may be amended from time to time. LESSEE shall pay to CITY any collection-referral fee and all other fees and charges plus interest as may then be charged by the CITY's City Treasurer under authority of the San Diego Municipal Code. Acceptance of late charges and any portion of the late payment by CITY shall neither constitute a waiver of LESSEE's breach or default with respect to the late payment nor prevent CITY from exercising any other rights and remedies available at law or in equity. As required by law, LESSEE is hereby notified that a negative credit report may be submitted to a credit reporting agency if amounts due CITY are not paid when due.

SECTION 5: ENCUMBRANCES; ASSIGNMENT & SUBLETTING

- 5.1 Leasehold Encumbrances. LESSEE may not encumber LESSEE's leasehold estate by deed of trust or other security instrument.
- 5.2 Assignment and Subletting. LESSEE shall not assign this Lease or any interest in this Lease, and shall not sublet the Premises or any part of the Premises, or grant any license

or other right or appurtenant privilege to the Premises, or permit any other person, except LESSEE's employees, agents, and guests, to use or occupy the Premises or any part of the Premises without CITY's prior written consent. Any such consent shall not be deemed a consent to any subsequent assignment, subletting, occupation, or use by another person. Neither this Lease nor any interest in it shall be assignable, as to LESSEE's interest, by operation of law, without CITY's written consent. "Assignment" shall include without limitation the transfer of any interest in this Lease and, if LESSEE is other than a natural person, the transfer of a controlling interest in LESSEE or any of LESSEE's general partners, principals, or controlling shareholders.

- 5.2.1 Consent Conditions. CITY may require, as a condition to consenting to any assignment, sublease or other grant of rights related to the use and occupancy of the Premises, that this Lease be revised to comply with then-current CITY lease provisions, and that the sublease be subject and subordinate to each and every provision of this Lease.
- 5.2.2 Approved Subleases. City consents to the existing subleases with Donald Correia, dba H2O Boat Rentals, Ernest and Lisa Prieto dba Chubasco Sportsfishing, Waterhorse and OEX Mission Bay, Inc. Proper records and backup of all revenue received from subtenants shall be maintained for review and audit by City.
- 5.2.3 Charter Section 225. Pursuant to San Diego City Charter section 225, LESSEE and each of its subtenants and assignees shall make a full and complete disclosure of the name and identity of any and all persons directly or indirectly involved in this Lease and the precise nature of all interests of all persons therein. Pursuant to City Charter Section 225, every person or entity which will have an interest in this Lease must be reviewed and approved by CITY.
- 5.2.4 Additional Consideration to CITY. If this Lease is assigned in full or part, or a majority of the Premises is subleased to a single sublessee, LESSEE shall pay to CITY an amount equal to: (a) for assignments, two percent (2%) of the gross amount paid for the leasehold; (b) for majority sublease to a single sublessee, two percent (2%) of all amounts paid to LESSEE in consideration of such sublease;. The amount upon which such two-percent payments shall be based shall be the total consideration resulting from the transaction, including without limitation all cash payments and the market value of non-cash consideration, including without limitation stocks, bonds, deferred payments, secured and unsecured notes, and forbearances regarding claims and judgments. Prior to CITY's consent to any assignment, majority subletting, , LESSEE shall deliver to CITY a written statement of all sums due and owing to CITY from LESSEE pursuant to the provisions of this section, together with an acknowledgment from the proposed assignee, sublessee, or the source of the refinancing as to the amount due CITY. The additional consideration payable to CITY for each assignment shall be paid concurrently with the closing of the proposed transaction. For majority subleases,

such additional consideration shall be payable to CITY when accrued regardless of actual receipt by LESSEE. The applicable two-percent payment required by this section shall not apply to:

- (a) an assignment or transfer of a beneficial interest in the leasehold resulting from devise, bequest, intestate succession, or by operation of law for the benefit of the spouse or descendants of the individual who is the owner of a controlling interest in LESSEE; or
- (b) an assignment deemed by CITY, in its sole reasonable discretion, not to materially affect the legal and equitable ownership interests in the leasehold, such as a change in LESSEE's legal or fictitious name without any other change in the equity, beneficial use of, or legal title to, the leasehold as an asset or the income produced thereby.

SECTION 6: DEFAULT AND REMEDIES

6.1 Default. LESSEE shall be in default of this Lease if any of the following occurs:

- (a) LESSEE fails to make any payment required under this Lease when due;
- (b) LESSEE breaches any of its obligations under this Lease, other than those requiring payment to CITY, and fails to cure the breach within thirty (30) days following written notice thereof from CITY, or if not curable within thirty (30) days, fails to commence to cure the breach within thirty (30) days and diligently pursue the cure to completion;
- (c) LESSEE voluntarily files or involuntarily has filed against it any petition under any bankruptcy or insolvency act or law;
- (d) LESSEE is adjudicated a bankrupt; or
- (e) LESSEE makes a general assignment for the benefit of creditors.

6.2 Remedies. Upon LESSEE's default, CITY may, at its option, give LESSEE, or any person claiming rights through LESSEE, a written "Three Day Notice to Pay or Quit," or CITY may terminate the Lease and all rights of LESSEE, and all persons claiming rights through LESSEE, to the Premises or to possession of the Premises. Upon termination, CITY may enter and take possession of the Premises, and may recover from LESSEE the sum of:

- (a) the worth at the time of award of any unpaid rent that was due at the time of termination;

- (b) the worth at the time of award of the amount by which the unpaid rent that would have been earned after termination until the time of award exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could have been reasonably avoided;
- (c) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss, if any, that LESSEE affirmatively proves could be reasonably avoided;
- (d) any other amount necessary to compensate CITY for all the detriment proximately caused by LESSEE's breach and default, or that in the ordinary course of things, would be likely to result; and
- (e) 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 6.2(a) and 6.2(b), above, 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 6.2(c), above, 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 rent and any other amounts payable by LESSEE under this Lease.

6.3 Default if Leasehold is Encumbered. If there is a CITY-approved encumbrance on LESSEE's leasehold interest, CITY shall give the mortgagee or beneficiary written notice of LESSEE's default under this Lease, and the same mortgagee or beneficiary shall have thirty (30) days from the notice to cure the default, or, if the default is not curable within thirty (30) days, to commence to cure the default and diligently pursue the cure to completion. CITY may extend the cure period if the mortgagee or beneficiary uses reasonable diligence to pursue a cure. If the mortgagee or beneficiary chooses to cure the default through litigation or foreclosure, then CITY may exercise any of the following options:

- (a) CITY may correct the default and charge the costs to the account of LESSEE, which charge shall be due and payable on the date that the rent is next due after CITY's notice of such costs to LESSEE, and mortgagee or beneficiary;
- (b) CITY may correct the default and pay the costs from the proceeds of any insurance fund held by CITY, CITY and LESSEE, or by CITY and mortgagee or beneficiary, or CITY may use the funds of any faithful performance or cash bond on deposit with CITY, or CITY may call on the bonding agent to correct the default or to pay the costs of correction performed by or at the direction of CITY; and
- (c) CITY may terminate this Lease as to the rights of LESSEE by assuming or causing the assumption of liability for any trust deed or mortgage. LESSEE shall assume

and pay any and all penalties or bonuses required by the beneficiaries, trustees or mortgagees as a condition of early payoff of the related obligations by CITY. CITY may, as an alternative, substitute the terminated LESSEE with a new lessee reasonably satisfactory to the mortgagee or beneficiary. LESSEE shall pay to CITY all reasonable costs incurred by CITY in re-leasing to a new lessee.

If the default is non-curable by LESSEE, then any lender holding a beneficial interest in the Premises, whose qualifications as an assignee have been approved by CITY, shall have the absolute right to substitute itself to the estate of LESSEE hereunder and to commence performance of this Lease. If the mortgagee or beneficiary gives notice in writing of its election to substitute itself within the thirty (30) day period after receiving CITY's written notice of a default, and the default, if curable, is cured by the mortgagee or beneficiary, then this Lease will not terminate pursuant to the default. In that event, CITY consents to the substitution and authorizes the mortgagee or beneficiary to perform under this Lease with all the rights, privileges, and obligations of LESSEE, subject to the curing of the default, if possible, by mortgagee or beneficiary. In that event, LESSEE shall assign to mortgagee or beneficiary all of its interest in and to the leasehold estate under this Lease.

- 6.4 Abandonment by LESSEE. If LESSEE abandons the Premises, this Lease shall continue in effect as long as CITY does not terminate this Lease, and CITY may enforce all of its rights and remedies under this Lease, including without limitation the right to recover rent as it becomes due, plus damages.
- 6.5 Waiver. Any waiver by CITY of a breach or default by LESSEE shall not be a waiver of any other breach or default. No waiver shall be valid and binding unless in writing and executed by CITY. CITY's delay or failure to enforce a right or remedy shall not be a waiver of that or any other right or remedy under this Lease. The enforcement of a particular right or remedy for a breach or default shall not waive any other right or remedy for the same breach or default, or for any other or later breach or default. CITY's acceptance of any rents shall not be a waiver of any default preceding such payment. LESSEE acknowledges that the Premises are a part of publicly-owned property held in trust for the benefit of the citizens of the City of San Diego, and that any failure by CITY to discover a breach or default, or take prompt action to require the cure of any breach or default, shall not result in an equitable estoppel, but CITY shall at all times, have the legal right to require the cure of any breach or default. CITY's acceptance of a partial payment of rent shall not constitute a waiver of the balance of the rent payment due.

SECTION 7: EMINENT DOMAIN

- 7.1 Eminent Domain. If all or part of the Premises are taken through condemnation proceedings or under threat of condemnation by any public authority with the power of eminent domain, the interests of CITY and LESSEE (or beneficiary or mortgagee) shall be as follows:

- 7.1.1 Full Taking. If the entire Premises are taken, this Lease shall terminate on the date of the transfer of title or possession to the condemning authority, whichever first occurs.
- 7.1.2 Partial Taking - Remainder Usable. If a partial taking of the Premises occurs, and in the opinion of CITY, the remaining part of the Premises are suitable for continued Lease operation, this Lease shall terminate in regard to the portion taken on the date of the transfer of title or possession to the condemning authority, whichever first occurs, but shall continue for the portion not taken. The rent shall be equitably reduced to reflect the portion of the Premises taken, only to the extent that LESSEE's operations are reduced or impaired.
- 7.1.3 Award. All monies awarded in any taking shall belong to CITY, whether the taking results in diminution in value of the leasehold or the fee or both. LESSEE shall be entitled to any award attributable to the taking of, or damages to LESSEE's then remaining leasehold interest in installations or improvements of LESSEE. CITY shall have no liability to LESSEE for any award not provided by the condemning authority.
- 7.1.4 Transfer. CITY has the right to transfer CITY's interests in the Premises in lieu of condemnation to any authority entitled to exercise the power of eminent domain. If a transfer occurs, LESSEE shall retain whatever interest it may have in the fair market value of any improvements placed by it on the Premises in accordance with this Lease.
- 7.1.5 No Inverse Condemnation. The exercise of any CITY right under this Lease shall not be interpreted as an exercise of the power of eminent domain and shall not impose any liability upon CITY for inverse condemnation.

SECTION 8: INDEMNITY; HOLD HARMLESS; INSURANCE

- 8.1 Indemnification & Hold Harmless. LESSEE shall protect, defend, indemnify, and hold CITY and its elected officials, officers, employees, representatives, and agents harmless from and against any and all claims asserted or liability established for damages or injuries to any person or property, including injury to LESSEE's officers, employees, invitees, guests, agents, or contractors, which arise out of or are in any manner directly or indirectly connected with LESSEE's acts or omissions in the performance of its obligations under this Lease, and all expenses of investigating and defending against same, including without limitation attorney fees and costs; provided, however, that LESSEE's duty to indemnify and hold CITY harmless shall not include any claims or liability arising from the sole negligence or intentional misconduct of CITY and its elected officials, officers, employees, representatives, and agents.

8.2 Insurance. LESSEE shall deliver to CITY's Real Estate Assets Department a current certificate of insurance for:

- (1) Commercial General Liability Insurance, providing coverage on the Premises for bodily injury, including death, personal injury, and property damage with limits of at least Two Million Dollars (\$2,000,000) per occurrence, subject to an annual aggregate of at least Four Million Dollars (\$4,000,000);
- (2) Automobile Liability Insurance, providing coverage on the Premises for all bodily injury and property damage, with a limit of at least One Million Dollars (\$1,000,000) per occurrence. Such insurance shall cover liability arising out of any vehicle (including owned, hired, and non-owned vehicles) operated in performing any and all work pursuant to this Permit. Coverage shall be written on *ISO form CA 00 01 12 90*, or a substitute form providing equivalent liability coverage; and
- (3) Workers' Compensation Insurance, as required by the laws of the State of California for all of LESSEE's employees who are subject to this Permit, with Employers' Liability coverage with a limit of at least One Million Dollars (\$1,000,000).

8.2.1 Additional Insureds. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], "The City of San Diego, its elected officials, officers, employees, representatives, and agents" shall be named as additional insureds in all policies.

8.2.2 Primary & Non-Contributory. Insurance policies shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by CITY.

8.2.3 Qualified Insurer(s). All insurance required by the terms of this Permit must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to CITY. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet CITY requirements.

8.2.4 Deductibles/Retentions. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of LESSEE and must be disclosed and acceptable to CITY at the time evidence of insurance is provided.

8.2.5 Continuity of Coverage. All policies shall be in effect on or before the first day of the Term, except "course of construction fire insurance" shall be in force on commencement of all authorized construction, and full applicable fire insurance coverage shall be effective upon completion of each insurable improvement. The policies shall be kept in force for the duration of the Term. At least thirty (30)

days prior to the expiration of each insurance policy, LESSEE shall furnish a certificate(s) showing that a new or extended policy has been obtained which meets the requirements of this Permit. LESSEE shall provide proof of continuing insurance at least annually during the Term. If insurance lapses or is discontinued for any reason, LESSEE shall immediately notify CITY and obtain replacement insurance as soon as possible.

- 8.2.6 Modification. To assure protection from and against the kind and extent of risk existing with the allowed uses of the Premises under this Lease or the Premises, CITY, at its discretion, may require the revision of amounts and coverage at any time during the Term by giving LESSEE thirty (30) days prior written notice. LESSEE shall also obtain any additional insurance required by CITY for new improvements, changed circumstances, or CITY's reasonable re-evaluation of risk levels related to the allowed uses of the Premises under this Lease or the Premises.
- 8.2.7 Accident Reports. LESSEE shall immediately report to CITY any accident causing property damage or injury to persons and related to the allowed uses of the Premises under this Lease or the Premises. Such report shall contain the names and addresses of the involved parties, a statement of the circumstances, the date and hour of the accident, the names and addresses of any witnesses, and other pertinent information.
- 8.2.8 Causes of Loss - Special Form Property Insurance. LESSEE shall obtain and maintain, at its sole cost, Causes of Loss - Special Form Property Insurance on all of LESSEE's insurable property related to the allowed uses of the Premises under this Lease or the Premises in an amount to cover 100 percent (100%) of the replacement cost. LESSEE shall deliver to CITY a certificate of such insurance.

SECTION 9: IMPROVEMENTS; ALTERATIONS; REPAIRS; MAINTENANCE

- 9.1 Waste, Damage, or Destruction. LESSEE shall not commit or allow to be committed any waste or any public or private nuisance on the Premises, shall keep the Premises clean and clear of refuse and obstructions, and shall dispose of all garbage, trash, and rubbish in a manner satisfactory to CITY. If the Premises are put into a condition which is not decent, safe, healthy, and sanitary, LESSEE shall restore the Premises to their prior condition within a reasonable time.
- 9.2 Acceptance of Premises. LESSEE acknowledges that the Premises are in good order and condition and shall take possession of the Premises "as is." CITY has not made and makes no representation or warranty as to the condition or suitability of the Premises for LESSEE's intended use, and assumes no obligation to alter or improve the Premises. LESSEE has relied solely on its own independent investigations of the condition and suitability of the Premises, and is satisfied with the condition thereof.

- 9.3 Asbestos Disclosure. Portions of the structural components of the Building may contain asbestos. LESSEE acknowledges receipt of notice from CITY of the presence of such asbestos in accordance with Health and Safety Code Section 25915. LESSEE shall disclose to all appropriate parties the existence of asbestos on the Premises, as required by Health and Safety Code Section 25915. LESSEE shall protect, defend, indemnify and hold CITY harmless from any loss or claim which may result from the existence of asbestos on the Premises.
- 9.4 Asbestos. If either CITY or LESSEE makes improvements, alterations or repairs to the Building or the Premises, the party causing such improvements, alterations or repairs shall be responsible for any asbestos removal, management, or containment, and shall pay all costs associated therewith. Asbestos removal, management or containment shall be conducted in accordance with all applicable laws and as approved by CITY. CITY reserves the right to inspect any improvements, alterations or repairs to the Premises or the Building made by LESSEE. CITY may, at its discretion, station supervisory personnel at the work site to ensure that LESSEE's obligations under this section are fulfilled. Each party shall coordinate with the other any improvement, alteration or repair, and except in the event of an emergency, the party responsible for such work shall provide written notice to the other party at least fifteen (15) days prior to commencing the work.
- 9.5 Entry and Inspection. CITY may at all times enter and inspect the Premises and the operations conducted on the Premises.
- 9.6 Maintenance. LESSEE shall maintain the Premises in a decent, safe, healthy, and sanitary condition reasonably satisfactory to CITY, including without limitation performing all major maintenance and repair to the structural components of the Premises, such as interior wall supports, exterior wall supports, the roof, floor supports, and building-wide mechanical systems. LESSEE shall, at its cost and expense, obtain and maintain trash receptacles and trash-removal service. LESSEE shall be responsible for installation and maintenance of the grease interceptor and connection to basement sewer lines.
- 9.7 Planting Strips. LESSEE shall be responsible, at its sole cost, to landscape and maintain all areas adjoining the leased Premises which are located between said premises and the improved portion of adjacent streets.
- 9.8 Improvements/Alterations. No improvements, structures, or installations shall be constructed on the Premises, and the Premises may not be altered, by LESSEE without CITY's prior written approval. LESSEE shall not make any structural or architectural design alterations to approved improvements, structures, or installations on the Premises without CITY's prior written approval. This provision shall not relieve LESSEE of any maintenance obligation under this Lease. CITY shall not be obligated by this Lease to make or assume any expense for any improvements or alterations to the Premises.

- 9.9 Utilities. LESSEE shall order, obtain, and pay for all water, utilities, and service and installation charges in connection with the operation of the Premises. All utilities shall be installed underground.
- 9.10 Construction Bond. If LESSEE constructs improvements on the Premises, CITY may require LESSEE to deposit with CITY, prior to commencement of the construction, a faithful performance bond in the amount of one hundred percent (100%) of the estimated construction cost of the work to be performed. The bond may be in cash or may be a corporate surety bond or other security satisfactory to CITY. The bond shall insure that the construction commenced by LESSEE shall be completed in accordance with the plans approved by CITY or, at the option of CITY that the uncompleted construction shall be removed and the Premises restored to a condition satisfactory to CITY. The bond or cash shall be held in trust by CITY for the purpose specified above, or at CITY's option may be placed in an escrow approved by CITY.
- 9.11 Liens. LESSEE shall protect, defend, indemnify, and hold CITY harmless from and against all claims for labor or materials in connection with operations, improvements, alterations, or repairs on or to the Premises and the costs of defending against such claims, including without limitation reasonable attorneys' fees. If LESSEE causes improvements, alterations, or repairs to be made to the Premises, and a lien or notice of lien is filed against the property, LESSEE shall notify CITY of the lien within five (5) days after LESSEE first becomes aware of the existence of the lien, and within thirty (30) days after the filing either: (a) take all actions necessary to record a valid release of the lien; or (b) file with CITY a bond, cash, or other security acceptable to CITY sufficient to pay in full all claims of all persons seeking relief under the lien.
- 9.12 Taxes. Subject to the provisions of Article XIII, Section 3(d) of the California Constitution and Section 202.2 of the California Revenue and Taxation Code, LESSEE shall pay, before delinquency, all taxes, assessments and fees assessed or levied upon the Premises or upon LESSEE's use and occupancy of the Premises, including without limitation licenses and permits, and including the land and any improvements or fixtures installed or maintained by LESSEE thereon. LESSEE acknowledges that this Lease may create a possessory interest subject to property taxation and that LESSEE may be subject to the payment of taxes levied on that possessory interest. LESSEE shall pay all such possessory interest taxes. LESSEE's payment of taxes, fees and assessments shall not reduce any rent due to the CITY. CITY shall not assume any responsibility for any taxes whatsoever resulting from LESSEE's possession, use, or occupancy of the Premises.
- 9.13 Signs. LESSEE shall not erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings, or similar devices or advertising without CITY's prior written consent. If any such unauthorized item is found on the Premises, LESSEE shall remove the item at its expense within twenty-four (24) hours after notice by CITY, or CITY may thereafter remove the item at LESSEE's cost.

9.14 Ownership of Improvements and Personal Property.

9.14.1 Improvements. LESSEE shall own all improvements, fixtures, structures, and installations or additions to the Premises constructed or installed on the Premises by LESSEE. Upon expiration or termination of this Lease, all such improvements, fixtures, structures, and installations or additions shall be deemed a part of the Premises and owned by CITY. Notwithstanding the foregoing, CITY may, upon notice to LESSEE at Lease termination or at any time prior to the expiration of the Term, elect to have part or all of such improvements, fixtures, structures, and installations or additions removed by LESSEE at the end of the Term. In that case, LESSEE shall, at LESSEE's sole cost and expense, remove those items designated for removal in CITY's notice and restore the Premises to CITY's reasonable satisfaction as soon as practicable, but in no event later than sixty (60) days after the expiration or earlier termination of this Lease. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of such items. If LESSEE fails to remove the items as required herein, CITY may, at its option, remove them at LESSEE's sole cost and expense.

9.14.2 Personal Property. LESSEE shall remove LESSEE-owned machines, appliances, equipment, trade fixtures, and other items of personal property upon the expiration of the Term, or as soon as practicable after termination, but in no event later than thirty (30) days after the expiration or earlier termination of this Lease. Any such items which LESSEE fails to so remove shall be deemed abandoned and become CITY's property free of all claims and liens, or CITY may, at its option, remove such items at LESSEE's sole cost and expense. LESSEE, at its sole cost and expense, shall be responsible for the repair of any and all damage resulting from the removal of its personal property from the Premises.

9.14.3 Late Removal. Notwithstanding any provision of this Lease to the contrary, LESSEE shall pay rent to CITY for any period of time after the expiration or termination of this Lease needed to remove improvements or personal property as required by this Lease, whether by CITY or LESSEE. Such rent shall be calculated on a per diem basis using the then-current fair market rental rate as determined by an appraisal prepared by competent CITY staff.

9.14.4 CITY's Right to Acquire Personal Property. If LESSEE wants to dispose of any of its personal property used in its operations on the Premises upon expiration or termination of this Lease, CITY shall have the first right to acquire such personal property.

9.15 Unavoidable Delay. If the performance of an act required by this Lease is directly prevented or delayed by a cause beyond the reasonable control of the party required to perform the act, that party shall be excused from performing the act for a period equal to the period of the prevention or delay. This provision shall not apply to obligations to pay

rent. The party claiming a delay shall notify the other party in writing within ten (10) days after the beginning of any claimed delay.

9.16 Hazardous Substances. LESSEE shall not allow the illegal installation, storage, utilization, generation, sale or release of hazardous or otherwise regulated substances in, on, under, or from the Premises. LESSEE and LESSEE's agents and contractors shall not install, store, utilize, generate, or sell any hazardous substance on the Premises without CITY's prior written consent. LESSEE shall obtain and maintain all required licenses and permits from applicable regulatory agencies, including without limitation the San Diego County Department of Environmental Health, local fire agencies, the San Diego County Department of Weights and Measures, the San Diego County Air Pollution Control District, and the San Diego Regional Water Quality Control Board. Installing, utilizing, storing, or any other presence of a hazardous substance includes boxes, bags, bottles, drums, cylinders, above or below ground tanks, equipment with tanks, or any other type of container, equipment, or device which holds or incorporates a hazardous substance or hazardous waste.

9.16.1 Release. For the purposes of this provision, a release shall include without limitation any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping, or otherwise disposing of hazardous substances. "Hazardous substances" shall mean any hazardous liquid, solid, or gaseous material substances listed by the Environmental Protection Agency or the State of California as a hazardous substance, and any type of petroleum-related substances and their chemical constituents.

9.16.2 Remediation. If LESSEE's occupancy, use, development, maintenance, or restoration of the Premises results in a release of a hazardous substance, or petroleum related substance or its chemical constituents, LESSEE shall pay all costs of remediation and removal to the CITY's satisfaction for unrestricted reuse of the Premises, and in accordance with all applicable laws, rules, and regulations of governmental authorities.

9.16.3 Removal. If LESSEE or LESSEE's contractor or agent has received approval and permits to store, utilize, generate, or install, or otherwise bring hazardous materials or hazardous wastes to the Premises, LESSEE and/or LESSEE's contractor or agent shall remove all hazardous substances and hazardous wastes in any type of container, equipment, or device from the Premises immediately upon or prior to the expiration or earlier termination of this Lease. CITY reserves the right to conduct inspections of the Premises and/or request documentation demonstrating the legal removal and/or disposal of the hazardous materials, wastes or other containers, equipment, or devices from the Premises. LESSEE shall be responsible for any and all costs incurred by CITY to remove any container, equipment, or device requiring disposal or removal as required by this provision.

- 9.16.4 Indemnity. LESSEE shall protect, defend, indemnify, and hold CITY harmless from any and all claims, costs, and expenses related to environmental liabilities resulting from LESSEE's occupancy, use, development, maintenance, or restoration of the Premises, including without limitation: (i) costs of environmental assessments; (ii) costs of regulatory remediation oversight; (iii) costs of remediation and removal; (iv) any necessary CITY response costs; (v) all fines, penalties, or fees assessed by any regulatory agency; (vi) damages for injury to natural resources, LESSEE's officers, employees, invitees, guests, agents, or contractors, or the public; and (vii) all costs of any health assessments or health effect studies.
- 9.16.5 Notice of Release. If LESSEE knows or has reasonable cause to believe that a hazardous substance or petroleum related substance or its chemical constituents has been released on, from, or beneath the Premises, LESSEE shall immediately notify CITY and any appropriate regulatory or reporting agency per California Administrative Code Title 19 and any other applicable laws or regulations. LESSEE shall deliver a written report thereof to CITY within three (3) days after receipt of the knowledge or cause for belief and submit any required written reports to regulatory or reporting agencies as required by regulation or law. If LESSEE knows or has reasonable cause to believe that such substance is an imminent release or is an imminent substantial danger to public health and safety, LESSEE shall take all actions necessary to alleviate the danger. LESSEE shall immediately notify CITY in writing of any violation, notice to comply, or notice of violation received or the initiation of environmental actions or private suits related to the Premises.
- 9.16.6 Environmental Assessment. Upon reasonable cause to believe that LESSEE's occupancy, use, development, maintenance, or restoration of the Premises ("LESSEE's Operations"), resulted in any hazardous substance being released on, from or beneath the Premises, CITY may cause an environmental assessment under regulatory oversight of the suspect area to be performed by a professional environmental consultant registered with the State of California as a Professional Engineer, Certified Engineering Geologist, or Registered Civil Engineer. The environmental assessment shall be obtained at LESSEE's sole cost and expense, and shall establish what, if any, hazardous substances have more likely than not been caused by LESSEE's Operations on, in, from or under the Premises, and in what quantities. If any such hazardous substances exist in quantities greater than allowed by city, county, state, or federal laws, statutes, ordinances, or regulations, or require future restricted re-use of the Premises, then the environmental assessment shall include a discussion of such substances with recommendations for remediation and removal necessary to effect unrestricted re-use and in compliance with those laws or statutes, and estimates of the cost of such remediation or removal. LESSEE shall cause, or if LESSEE fails to do so within a reasonable period of time, as determined by CITY in its sole discretion, CITY may cause the remediation and/or removal recommended in the environmental assessment such that unrestricted re-use of the Premises and compliance with environmental law and

regulations are achieved, and LESSEE shall pay all costs and expenses therefor.

SECTION 10: DEVELOPMENT PLAN

10.1 Development Plan for Improvements. LESSEE shall complete all building improvements, including storefront improvements per the **Storefront Improvement Program Plan (Exhibit C)** and building improvements and dock improvements in accordance with the **Development Plan Summary (Exhibit D)**.

10.2 Failure to Meet Schedules; Termination.

10.2.1 Failure of Development Plan. Notwithstanding any provision of this Lease to the contrary, CITY may, in its sole discretion, terminate this Lease if any of the following occurs:

- (a) LESSEE fails to commence construction within two (2) months after the scheduled date of commencement for the improvements identified in the Storefront Improvement Program Plan (Exhibit C) and the Development Plan Summary (Exhibit D); provided, however, that City shall not terminate the Lease if LESSEE's failure to commence construction is the result of LESSEE's inability to secure requisite permits or approvals due to delays caused by approving authorities.
- (b) LESSEE fails to complete construction within two (2) months after the scheduled completion date for the improvements identified in the Storefront Improvement Program Plan (Exhibit C) and the Development Plan Summary (Exhibit D); or
- (c) after commencement of construction for the improvements identified in the Storefront Improvement Program Plan (Exhibit C) and/or the Development Plan Summary (Exhibit D), said construction is stopped for more than three (3) months, unless such work stoppage is caused by a *force majeure*.

10.2.2 Liquidated Damages. The parties agree that the damages to CITY resulting from LESSEE's failure to complete the improvements identified in the Storefront Improvement Program Plan (Exhibit C) and the Development Plan Summary (Exhibit D) by the scheduled completion dates would be extremely difficult to determine. Therefore, if LESSEE fails to complete the Development Plans as required by this Lease by the scheduled completion dates, and CITY does not exercise its right to terminate the lease as provided in Section 10.2.1, above, LESSEE shall pay to CITY liquidated damages in the amount of Two Hundred Eighty-Four Dollars (\$284) for each day after the applicable scheduled completion date until completion of development. Such liquidated damages shall be deemed additional rent due and payable upon CITY's demand therefor.

10.2.3 Permits. LESSEE shall, at its sole cost and expense, seek and obtain all necessary permits for the construction of the improvements pursuant to the Development Plans.

SECTION 11: GENERAL PROVISIONS

11.1 Notices. Any notice required or permitted to be given under this Lease shall be in writing and may be served personally or by United States mail, postage prepaid, addressed as follows:

If to LESSEE:

SPORTSMEN'S SEAFOOD COMPANY, INC
ATTN: Joe Busalacci, President
1617 Quivira Road,
San Diego, CA 92106

If to CITY:

THE CITY OF SAN DIEGO
Attention: Director, Real Estate Assets Department
1200 Third Avenue, Suite 1700 (MS 51A)
San Diego, California 92101
(619) 236-6020

11.2 Compliance with Law. LESSEE shall at all times in the construction, maintenance, occupancy, restoration and operation of the Premises comply with all applicable laws, rules, regulations, and requirements of competent legal authority at LESSEE's sole cost and expense. LESSEE shall promptly deliver to City copies of all documentary evidence of such compliance received by or otherwise available to LESSEE (e.g., validation of periodic inspection of LESSEE's fire-suppression equipment in the Premises).

11.3 California Public Records Act. CITY shall determine, in its sole discretion, whether information provided to CITY by LESSEE pursuant to this Lease is or is not a public record subject to disclosure under the California Public Records Act. LESSEE shall hold CITY, its elected officials, officers and employees harmless for CITY's disclosure of any such information in response to a request for information under the CPRA.

11.4 Equal Opportunity. LESSEE shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations. LESSEE shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition, or

place of birth. Upon CITY's request, LESSEE shall submit a current Workforce Report and, if required, an Equal Opportunity Plan which set forth the actions LESSEE will take to achieve the CITY's goals for the employment of African Americans, Native Americans, Asians, Latinos, women, and people with disabilities. LESSEE shall cause the foregoing provisions to be inserted in all subleases and all contracts for any work covered by this Lease so that such provisions will be binding upon each sublessee and contractor. LESSEE acknowledges that failure to comply with the requirements of this section and/or submitting false information in response to these requirements may result in termination of this Lease and debarment from participating in CITY contracts for a period of not less than one (1) year.

11.5 Equal Benefits. LESSEE shall comply with San Diego Municipal Code sections 22.4301-22.4308, which require lessees of City-owned property to offer the same employment benefits to employees with spouses and employees with domestic partners. LESSEE shall certify that it will maintain such equal benefits throughout the term of this Lease. LESSEE's failure to maintain equal benefits shall be a default of this Lease.

11.6 Disabled Access Compliance. LESSEE shall, as applicable to the Premises and LESSEE's possession, use and occupancy thereof, comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, Section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. LESSEE's compliance shall include but not necessarily be limited to the following:

11.6.1 LESSEE shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.

11.6.2 No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, services, programs, or activities of LESSEE.

LESSEE shall post a statement addressing the requirements of the ADA in a prominent place at the work site.

11.6.3 Where required by law, any improvements made to the Premises by LESSEE shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Premises which deny access to disabled persons. All improvements and alterations shall be at the sole cost of LESSEE.

a. LESSEE shall include language in each sublease agreement which indicates the sublessee's agreement to abide by the foregoing provisions. LESSEE and

sublessees shall be individually responsible for their own ADA employment programs.

- b. LESSEE understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Lease.

11.7 Schedule of Prices. All prices of merchandise, equipment and services of LESSEE and its sublessees shall be comparable with prices of like merchandise, equipment and services offered in Mission Bay or San Diego Bay. However, LESSEE and its sublessees shall not be required to sell any merchandise at a loss.

11.8 Damaged Equipment. LESSEE shall salvage within 24 hours, any property, real or personal of LESSEE'S declared by CITY to be a menace to navigation or a nuisance within Mission Bay and to salvage or cause to be salvaged any sunken vessel or property upon the leased premises irrespective of ownership. CITY may require that any boats not kept in a clean and operable condition be removed from the leased premises.

11.9 Enforcement of Live-Aboard Regulation. LESSEE shall be responsible for the enforcement, both within and in connection with the Premises of the following live-aboard regulation:

No person shall remain overnight on board any watercraft or houseboat in Mission Bay Park unless the watercraft or houseboat has a self-contained toilet on board that does not discharge into the waters of the Bay. No owner of any watercraft or houseboat shall allow it to be occupied over night in Mission Bay Park for a period of more than 90 days, whether successive or cumulative, during any one calendar year. A watercraft or houseboat is presumed to be occupied overnight when there are one or more persons on board after midnight. The lessees of Mission Bay Park lands are primarily responsible for the enforcement of this subsection on the water abutting their leased lands.

11.10 Drug-free Workplace. LESSEE shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

11.10.1 Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Permit Area and specifying the actions that will be taken against employees for violations of the prohibition.

11.10.2 Establish a drug-free awareness program to inform employees about all of the following:

- a. The dangers of drug abuse in the workplace;
- b. LESSEE's policy of maintaining a drug-free workplace;

- c. Any available drug counseling, rehabilitation, and employee assistance programs; and
- d. The penalties that may be imposed upon employees for drug abuse violations.

LESSEE shall include in each of its subleases and contracts related to this Permit language obligating each sublicensee and contractor to comply with the provisions of this section to maintain a drug-free workplace. LESSEE, and each of its subleases and contractors, shall be individually responsible for their own drug-free workplace program.

- 11.11 CITY Employee Participation Policy. CITY may unilaterally and immediately terminate this Lease if LESSEE employs an individual who, within the twelve (12) months immediately preceding such employment did, in their capacity as a CITY officer or employee, participate in negotiations with or otherwise have an influence on a recommendation made to the San Diego City Council related to the selection of LESSEE for this Lease. It is not the intent of this policy that these provisions apply to members of the City Council.
- 11.12 Local Business and Employment. LESSEE acknowledges that CITY seeks to promote employment and business opportunities for local residents and firms in all CITY contracts. For work associated with this Lease and to the extent legally possible, LESSEE shall use its best efforts to solicit applications for employment and bids and proposals for contracts from local residents and firms as opportunities occur. LESSEE shall use its best efforts to hire qualified local residents and firms whenever practicable.
- 11.13 Water Quality- Best Management Practices. The CITY and LESSEE are committed to the implementation of controls known as Best Management Practices (BMP's) to manage activities on the Premises in a manner which aids in the protection of the City of San Diego's precious water resources. It is the LESSEE'S responsibility to identify and implement an effective combination of BMP's so as not to cause pollutant discharges to the storm drain system in violation of the Stormwater Ordinance (San Diego Municipal Code Sections 43.0301 through 43.0312).

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

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

- 11.14 Nondiscrimination. This Lease is made and accepted upon and subject to the covenant and condition, which shall run with the land, that LESSEE or any person claiming under

or through LESSEE shall not establish or allow any discrimination against or segregation of any person or group of persons on account of race, color, religion, gender, disability, sexual orientation, marital status, national origin, ancestry, familial status, or source of income in the possession, use and occupancy of the Premises or in the selection, location, number, use or occupancy of tenants, subtenants or vendees in the Premises.

- 11.15 Cumulative Remedies. Except as expressly provided in this Lease, CITY's rights and remedies under this Lease are cumulative and shall not limit or otherwise waive or deny any of CITY's rights or remedies at law or in equity.
- 11.16 Survival. Any obligation which accrues under this Lease prior to its expiration or termination shall survive such expiration or termination.
- 11.17 Joint and Several Liability. If LESSEE is comprised of more than one person or legal entity, such persons and entities, and each of them, shall be jointly and severally liable for the performance of each and every obligation of LESSEE under this Lease.
- 11.18 No Affiliation. Nothing contained in this Lease shall be deemed or construed to create a partnership, joint venture or other affiliation between CITY and LESSEE or between CITY and any other entity or party, or cause CITY to be responsible in any way for the debts or obligations of LESSEE or any other party or entity.
- 11.19 Entire Agreement. This Lease constitutes the entire agreement between the parties and supersedes any and all prior understandings, representations, warranties, and agreements between them pertaining to this Lease and LESSEE's occupancy, use, development, maintenance, and restoration of the Premises. Any modification, alteration, or amendment of this Lease shall be in writing and signed by all the parties hereto.
- 11.20 Partial Invalidity. If any term, covenant, condition, or provision of this Lease is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
- 11.21 Authority to Contract. Each individual executing this Lease on behalf of another person or legal entity represents and warrants that they are authorized to execute and deliver this Lease 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 Lease is binding upon such person or entity in accordance with its terms. Each person executing this Lease on behalf of another person or legal entity represents and warrants 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.

IN WITNESS WHEREOF, this Lease is executed to be effective as of the Effective Date.

SPORTSMEN'S SEAFOOD COMPANY, INC., a
California corporation

Date: 10/12/13

By: J. Busalacci
Joe Busalacci
President

THE CITY OF SAN DIEGO, a California
municipal corporation

Date: 11/21/13

By: J. Barwick
James F. Barwick, CCIM
Director, Real Estate Assets Department

Environmental Analysis Section Environmental Clearance:

This activity is categorically exempt from CEQA pursuant to State CEQA Guidelines, Section 15301.

Date: 11/19/2013

By: M. Blake
Name: MARTHA BLAKE
Title: Senior Planner

Approved as to form and legality:

JAN I GOLDSMITH, CITY ATTORNEY

Date: 11/27/13

By: Debra Bevier
Name: Debra Bevier
Title: Deputy City Attorney

- Exhibit A: Legal Description of Premises
- Exhibit B: Schedule of Days and Hours of Operation
- Exhibit C: Storefront Improvement Program Plan
- Exhibit D: Development Plan Summary

Exhibit A: Legal Description of Premises

PREMISES: That portion of the tidelands and submerged or filled lands of Mission Bay (formerly False Bay) and a portion of the Pueblo Lands of San Diego according to map thereof made by James Pascoe in 1870, a copy of which said Map was filed in the Office of the County Recorder of San Diego County, November 14, 1921, and is known as Miscellaneous Map No. 36, all being in the City of San Diego, County of San Diego, State of California and described as a whole as follows:

Commencing at the Southeast corner of Lot 24 in Block 10 of re-subdivision of Blocks 7, 8 & 10 and a portion of Block 9 and Lot "A", Inspiration Heights according to map thereof No. 1700, filed in the Office of the County Recorder of San Diego County, December 27, 1917; thence along the Southerly line of said Lot 24, South 89°55'56" West (record = mark South 89°59'00" West) 25.00 feet to a point of tangent curve in the boundary of said Lot 24; thence South 00°04'04" East 2 00 feet to an intersection with a line which is parallel with and 2.00 feet Southerly at right angles to the Southerly line of said Block 10; thence along said parallel line North 89°55'56" East, 249.70 feet; thence North 05°30'02" West, 104.06 feet to the United States Coast and Geodetic Survey Triangulation Station "Old Town (Lambert Grid Co-ordinates, California Zone 6 for said Station "Old Town" are X=1,712,415 7 and Y=213,819.22) and said Triangulation Station is located at Latitude 32°45'02.45" North and Longitude 117°11'07 200" West being also the point or origin for the San Diego City Engineer's Mission Bay Park Co-ordinate System; thence North 5160.53 feet and West 16030.79 feet, being at Mission Bay Park Co-ordinates; North 5160.53 feet and West 16030.79 feet and being also the TRUE POINT OF BEGINNING; thence South 66°35'46" East, 352.89 feet, being at Mission Bay Park Co-ordinates; North 5020.42 feet and West 150706.89 feet; thence South 40°00'00" West, 69.16 feet, being at Mission Bay Park Co-ordinates; North 4967.44 feet and West 15751.35 feet; thence North 50°00'00" West, 20.00 feet, being at Mission Bay Park Co-ordinates; North 4980.29 feet and West 157666.67 feet; thence South 40°00'00" West, 86.50 feet, being at Mission Bay Park Co-ordinates; North 4914.03 feet and West 15822.27 feet; thence North 50°00'00" West 87.00 feet, being at Mission Bay Park Co-ordinates; North 4969.95 feet and West 15888.92 feet; thence South 40°00'00" West 200.00 feet, being at Mission Bay Park Co-ordinates; North 4316.74 feet and West 16017.48 feet; thence North 50°00'00" West, 100.00 feet, being at Mission Bay Park Co-ordinates; North 4881.02 feet and West 10094.08 feet; thence North 40°00'00" East, 200.00 feet, being at Mission Bay Park Co-ordinates: North 5034.23 feet and West 15965.52 feet; thence North 50°00'00" West 90.60 feet, being at Mission Bay Park Co-ordinates; North 5092.47 feet, and West 16034.92 feet; thence South 81°50'22" West, 16.09 feet, being at Mission Bay Park Co-ordinate; North 5090.18 feet, and West 16050.85 feet; thence North 15°55'11" East, 73.15 feet, to the TRUE POINT OF BEGINNING.

Note: The parcel of land described above is delineated on City of San Diego Engineering Department Drawing No. 4823-D dated January 17, 1958, (revised - February 16, 1968) and being more particularly portions of Lot 4 and 5 and all of Lots 2 and 3, together with portions of those certain unnumbered Lots lying Southwesterly of and adjoining Lot 3 and encompassed with the above description of said parcel as said numbered and unnumbered Lots are shown on said drawing number 4823-D.

Exhibit B: Schedule of Days and Hours of Operation

Tuesday through Sunday 11:00 a.m. to 8:00 p.m.
Closed on Mondays

Exhibit C: Storefront Improvement Program Plan

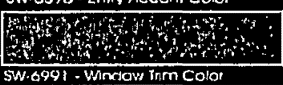
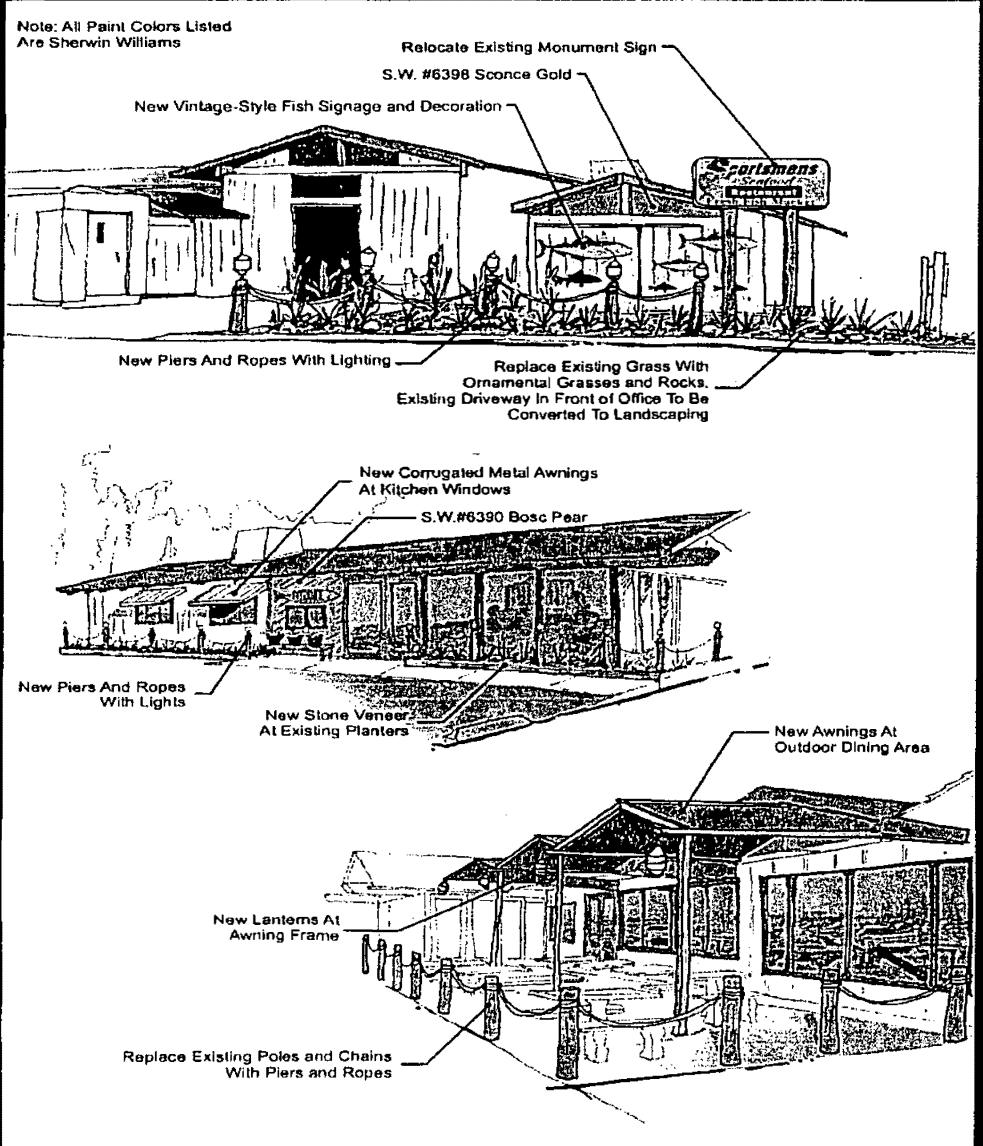


Exhibit D: Development Plan Summary

Improvements estimated in the amount of \$125,000 are to be (or with respect to the Premises bathroom improvements have already been invested) in the following manner:

Building Improvements

Scope of Work: LESSEE shall update all the bathrooms on the Premises. The work shall consist of replacing tile on floors and walls of all bathrooms; painting all bathrooms, installing new stall door in women's bathroom, and replacing fixtures as needed in all bathrooms. Cost of the bathroom update was approximately \$15,000. In addition, the LESSEE shall construct the improvements depicted in the Storefront Improvement Program Plan (see Exhibit C). Estimated cost of the Storefront Improvement Program Plan is \$15,000.

Commencement Date: The parties acknowledge the bathroom improvements have already commenced and been completed. The improvements described on the Storefront Improvement Program Plan shall commence on or before April 1, 2014.

Completion Date: The parties acknowledge the bathroom improvements have already commenced and been completed. The improvements described on the Storefront Improvement Program Plan shall be completed on or before August 1, 2014.

Dock Improvements

Scope of Work: LESSEE shall resurface all the existing dock; resurface the existing ramp; and replace all worn or non-functioning floats. Estimated cost of the Dock Improvements is \$95,000.

Commencement Date: On or before August 1, 2014.

Completion Date: On or before April 1, 2015.

SUBLEASE AGREEMENT

This Sublease Agreement ("Agreement") is made this 1st day of April, 2018 ("Effective Date"), by and between Sportsmen's Sea Food Company, Inc., a California corporation ("Sportsmen's"), and Cruise San Diego LLC ("Cruise SD").

RECITALS

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

B. WHEREAS, Sportsmen's desires to grant to Cruise SD authority to utilize a portion of the Premises to operate a harbor viewing, dolphin and whale watching, and sunset cruise business consisting of one (1) boat. The portion of the Premises to be utilized is a dock slip designated by Sportsmen's as more particularly described and depicted on Exhibit "B" ("Subleased Premises");

C. WHEREAS, Cruise SD is a locally owned and operated company which provides passengers with various length bay cruises that highlight the beauty, wildlife, and history of Mission Bay, including but not limited to whale watching and dolphin cruises, private charters, nature tours, sunset cruises, bay cruises, and ocean cruises. Cruise SD's operation will be referred to herein as the "Business"; and

D. WHEREAS, Cruise SD desires to operate the Business from the Subleased Premises.

TERMS

Now, therefore, in consideration of the covenants and agreements in this Agreement and other good and valuable consideration, and subject to the consent by the City of San Diego ("City"), Sportsmen's hereby grants and Cruise SD hereby accepts the grant of a right to lease the Subleased Premises for the purpose of operating the Business for the use and enjoyment of the general public on the following terms:

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

1.1.1 Subject to the consent of the City, Sportsmen's grants Cruise SD the right to lease the Subleased Premises to operate the Business from.

1.1.2 Cruise SD agrees to operate the Business and otherwise use the Subleased Premises in accordance with policies, standards, and procedures established from time to time by Sportsmen's or City. Cruise SD further agrees to maintain all necessary licenses, certificates, authorizations, and/or approvals which are necessary to conduct the Business in full accordance

with any and all applicable U.S. Coast Guard rules, and any rules, regulations, or statutes imposed by the U.S. Coast Guard, City, County of San Diego, State of California, United States.

1.1.3 This Agreement is a sublease of a portion of the Premises covered by the lease agreement between Sportsmen's and the City ("Master Lease"). This Agreement is subject to the covenants and conditions of the Master Lease, which Cruise SD shall abide by to the extent applicable, notwithstanding any contrary or conflicting provision in this Agreement.

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

2. CRUISE SD'S OBLIGATIONS

2.1 Equipment.

2.1.1 Cruise SD will provide, at its own cost, all equipment needed to operate the Business.

2.1.2 Cruise SD shall be responsible for the normal safekeeping of all equipment and supplies used in or related to the Business. The harbor cruise boat and all related equipment of Cruise SD shall be maintained in good condition sufficient to satisfy and pass all equipment-related safety and inspection requirements of the U.S. Coast Guard, the State of California, the City, and/or any other governmental agency.

2.1.3 Cruise SD shall keep any and all boat registrations current and in accordance with all laws.

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

2.1.5 All vessels used in the Business shall meet applicable Coast Guard standards for passenger operations.

2.1.6 Cruise SD shall maintain and keep the back parking lot in good condition and in accordance with any rules and regulations set forth by Sportsmen's and City. Cruise SD shall bear the cost and expense of maintaining the back parking lot on a pro rata basis divided among Cruise SD and other sublessees.

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

2.2 Operation of Business.

2.2.1 Cruise SD shall have use of the Subleased Premises for operation of the Business. The Premises and the Subleased Premises may be modified or changed by Sportsmen's at any time at the sole discretion of Sportsmen's.

2.2.2 Cruise SD shall in no way alter the Subleased Premises without express written permission of Sportsmen's.

2.2.3 Upon termination of this Agreement, Cruise SD shall return the Subleased Premises in good and clean condition, normal wear and tear excepted.

2.2.4 Cruise SD shall promote guest safety.

2.2.5 Cruise SD shall not operate any cruises or dolphin and whale watching trips in adverse weather conditions.

2.2.6 Cruise SD will immediately report to Sportsmen's, its Manager, or in his or her absence, the Assistant Manager, any injury or accidents to guests, property, or known or discovered defects in the Subleased Premises.

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

2.2.8 Cruise SD agrees to provide notice to all customers and patrons that it is operating as an independent contractor.

2.3 Personnel.

2.3.1 Cruise SD will recruit, employ, train, direct, and supervise, employees who will keep the harbor cruise vessel, related equipment and supplies, and all Cruise SD's equipment properly cared for and maintained, and who will be qualified to assist guests in the proper use of equipment.

2.3.2 All employees, contractors, guests, invitees, or agents of Cruise SD entering the Premises or the Subleased Premises will abide by Sportsmen's rules and shall conduct themselves in a manner consistent with standards, quality, and image of the Premises.

2.3.3 Cruise SD's personnel shall satisfy all Coast Guard standards for applicable passenger operations and be trained in safety procedures to meet Association of Commercial Operators standards.

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

2.5 **Liens.** Cruise SD shall be responsible for and promptly discharge any liens which arise from, occur in connection with, or result of or from Cruise SD's Business.

2.6 **Equal Opportunity.** Cruise SD shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Acts; and any other applicable federal or state laws and regulations. Cruise SD shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition, place of birth, or any other protected class. Upon Sportsmen's request, Cruise SD shall submit a current Workforce Report, and if required, the Equal Opportunity Plan which sets forth the actions Cruise SD will take to achieve the City's goals for the employment of African Americans, Native Americans, Asians, Latinos, women, and people with disabilities, among others. Cruise SD acknowledges that failure to comply with the requirements of this section and/or submitting false information in response to these requirements may result in termination of the Agreement.

2.7 Disabled Access Compliance. Cruise SD shall, as applicable to the Subleased Premises and Cruise SD's possession, use, and occupancy thereof, comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. Cruise SD's compliance shall include but not necessarily be limited to the following:

2.7.1 Cruise SD shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.

2.7.2 No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, service, programs, or activities of Cruise SD.

2.7.3 Cruise SD, if applicable, shall post a statement addressing the requirements of the ADA in a prominent place at the work site.

2.7.4 Where required by law, any improvements made to the Subleased Premises by Cruise SD shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Subleased Premises which deny or render more difficult access to disabled persons. All improvements and alterations shall be at the sole cost of Cruise SD.

Cruise SD understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Agreement.

2.8 Drug-free Workplace. Cruise SD shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

2.8.1 Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Subleased Premises and specifying the actions that will be taken against employees for violations of the prohibition.

2.8.2 Establish a drug-free awareness program to inform employees about all of the following:

- a. The dangers of drug abuse in the workplace;
- b. Cruise SD's policy of maintaining a drug-free workplace;
- c. Any available drug counseling, rehabilitation, and employee assistance programs; and
- d. The penalties that may be imposed upon employees for drug abuse violations.

2.9 Equal Pay Ordinance. Unless an exception applies, Cruise SD shall comply with the Equal Pay Ordinance codified in San Diego Municipal Code sections 22.4801 through 22.4809. By signing this Agreement, Cruise SD certifies it will comply with the requirements of

the Equal Pay Ordinance so long as this Agreement is in effect.

3. SPORTSMEN'S OBLIGATIONS

3.1 Business Rights and Use of Premises

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

3.1.2 Cruise SD agrees to use the Subleased Premises solely for the operation of the Business. Changes to the Business operations shall not be made without prior written approval of Sportsmen's.

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

3.3 Utilities. Sportsmen's shall provide reasonable access to the utilities necessary to the operation of the Business. Sportsmen's shall provide utilities of water and electricity reasonably necessary for the Subleased Premises. Temporary failure to supply utilities shall not be deemed a breach of this Agreement and Sportsmen's shall not be liable for any interruption in utility service.

4. INSURANCE AND INDEMNIFICATION

4.1 Liability Insurance. On or before the Effective Date, as later defined in Section 6.1, "Term", herein, Cruise SD shall have obtained, as evidenced by a current certificate of insurance, a **Commercial Liability** insurance policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Cruise SD's ownership, maintenance, operation, and/or use of its boat and the Subleased Premises in the conduct and/or operation of the Business, with limits of at least TWO MILLION DOLLARS (\$2,000,000) per occurrence with at least FOUR MILLION DOLLAR (\$4,000,000) aggregate. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do

business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Cruise SD and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided.

4.2 Other Insurance. On or before the Effective Date, as later defined in Section 6.1, "Term", herein, Cruise SD shall have obtained, as evidenced by a current certificate of insurance, a **Professional Liability** policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Cruise SD's use of the Subleased Premises or operation of the Business, with limits of at least TWO MILLION DOLLARS (\$2,000,000) per occurrence, subject to an annual aggregate of at least FOUR MILLION DOLLARS (\$4,000,000). Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Cruise SD and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided. Additionally, Cruise SD shall, at its own cost and expense, obtain and keep in force during the term of this Agreement a **Workers Compensation Insurance** policy covering all of its employees.

4.3 Hold Harmless. Cruise SD shall protect, defend, indemnify, and hold Sportsmen's and City, and City's elected officials, officers, representatives, agents, and employees harmless from and against any and all claims asserted or liability established which arise out of or are in any manner directly or indirectly related to the granting of this right to Cruise SD to lease the Subleased Premises or the operation of the Business on the Subleased Premises, the use and operation of the Subleased Premises, or the operation of the Business, and all costs and expenses of investigating and defending against same, including without limitation attorney fees and costs and including any claims related to the ADA or other similar accessibility statutes; provided, however, that Cruise SD's duty to indemnify and hold harmless shall not include any claims or

liability arising from the established active negligence, sole negligence, or sole willful misconduct of Sportsmen's or City, or City's elected officials, officers, representatives, agents, and employees.

5. FINANCIAL

5.1 Compensation. Beginning on the Effective Date of this Agreement, Cruise SD shall pay Sportsmen's monthly rent calculated as the greater of (1) seventeen percent (17%) of monthly Gross Income received from the sale of goods and services and from all other authorized activities and uses of the Subleased Premises, or (2) \$925. Cruise SD shall pay such rent to Sportsmen's, monthly in arrears, and prior to the tenth (10th) day of the calendar month following that month in which the revenue subject to rent was earned, accompanied by the report described in Paragraph 5.4 herein. If rent paid to the City by Sportsmen's should increase due to moneys generated by Cruise SD while operating the Business on the Subleased Premises, then an amount equal to such increase shall be paid to Sportsmen's by Cruise SD 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 Cruise SD or by its agent(s), and all gross income received by Cruise SD as a result of occupancy or operation of the Subleased Premises, 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 Cruise SD to a governmental agency accompanied by a tax return or statement as required by law. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Income. Gross Income shall not include income received from the sale of goods that is subsequently refunded when the goods are returned for resale on the Subleased Premises or deposits that are later refunded. The amount of the taxes and refunds shall be clearly shown on the books and records of Cruise SD. The percentage rent shall be calculated and paid by Cruise SD 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 Cruise SD or its agent(s), and all Gross Income received by any other party as a result of occupancy of the Subleased Premises or the operation of the Business shall be regarded as Gross Income of Cruise SD for the purpose of calculating the percentage rent required to be paid by Cruise SD 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 cash register, or other machine that registers sales and produces receipts. Booking procedures shall be in accordance with City requirements set forth in the Master Lease or otherwise required by City and be open for inspection by Sportsmen's upon seven days written request. Percentage of agreed rents due the City for sales occurring from this location shall be distributed as follows: to be paid monthly by Cruise SD as directed by Sportsmen's and/or City. Rents shall be paid to Sportsmen's on or before the tenth (10th) day of the month following the month in which the income was earned.

5.4 Gross Income Sales Report. On or before the tenth (10th) of the calendar month following the calendar month in which the Gross Income subject to the rents was earned, Cruise SD shall provide Sportsmen's with a gross income sales statement together with a payment of rent on all gross income in the form attached to this Agreement as Exhibit A. The statement shall be signed by Cruise SD or its authorized agent, attesting to the accuracy thereof, which shall be legally binding on Cruise SD. Each statement shall include:

- 5.4.1 Total gross receipts for the subject month;
 - 5.4.2 The percentage of rent due to Sportsmen's, computed and totaled;
 - 5.4.3 The accumulated total of all rents previously paid for the current sublease year;
- and
- 5.4.4 Payment of the rent as defined by Paragraph 5.1 herein.

6. TERM AND TERMINATION

6.1 Term. This Agreement is effective upon the Effective Date, which must be after consent to this Agreement by the City, and shall be a month-to-month tenancy beginning on the first of the month following the Effective Date.

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

- 6.2.1 By Cruise SD, upon thirty (30) days written notice.
- 6.2.2 By Sportsmen's at any time if Cruise SD violates any terms or conditions of this Agreement or its incorporated obligations. Sportsmen's also retains the right to terminate this Agreement without cause, at any time, upon thirty (30) days written notice to Cruise SD. In such case, any prepaid fees shall be prorated and any surplus returned to Cruise SD.
- 6.2.3 Immediately and automatically upon termination of the Master Lease.

6.3 Redevelopment of Dock. Cruise SD acknowledges that at some point the docks where the Leased Premises is located will be redeveloped. Cruise SD further acknowledges that during this redevelopment period, Cruise SD may not be able or permitted to use the Leased Premises. Rent shall be prorated during the time in which Cruise SD is unable or not permitted to use the Leased Premises.

7. MISCELLANEOUS

7.1 Cruise SD an Independent Contractor. Cruise SD 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 Cruise SD be considered an agent, servant, or employee of Sportsmen's in providing the services specified in this Agreement.

7.2 Notices. Any notice given hereunder by either party to the other shall be in writing and shall be delivered by personal delivery or by certified mail, return receipt requested. Such notice shall be deemed given and effective on the date of delivery if personally delivered or five (5) days after the date of mailing. Notices shall be delivered to:

Sportsmen's Sea Food Company, Inc.
1617 Quivira Road
San Diego, CA 92109

Cruise San Diego LLC
5427 Thunderbird Lane
La Jolla, CA 92037

Either party may change its address by giving notice thereof to the other party in conformity with this paragraph.

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

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

7.5 Assignment and Subletting. Cruise SD shall not be entitled to assign this Agreement or sublet any space on, or portion of, the Premises or Subleased Premises.

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

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

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

7.9 Attorney's Fees to Party. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provision of this Agreement between Sportsmen's and Cruise SD, the prevailing party shall be entitled to recover reasonable attorney's fees.

7.10 Compliance with Law. Cruise SD shall at all times in the operation of the Business comply with all applicable laws, statutes, ordinances, and regulations of City at Cruise SD's sole cost and expense. In addition, Cruise SD shall comply with all notices issued by City's mayor or his authorized representative under the authority of any such law, statute, ordinance, or regulation.


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

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

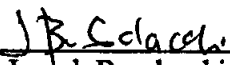
IN WITNESS WHEREOF, the undersigned, having read and understood the contents of the Agreement, do agree to be bound according to its terms and conditions.

Cruise San Diego LLC,

Sportsmen's Sea Food Company, Inc.



Ulka Pandya
Title: Manager



By: Joseph Busalacchi
Title: President

SUBLEASE AGREEMENT

This Sublease Agreement ("Agreement") is made this 15th day of MARCH, 2018~~9~~ ("Effective Date"), by and between Sportsmen's Sea Food Company, Inc., a California corporation ("Sportsmen's"); and Jeff Tiglio, owner and operator of Pacific Bounty Sportfishing ("Pacific Bounty").

RECITALS

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

B. WHEREAS, Sportsmen's desires to grant to Pacific Bounty authority to utilize a portion of the Premises to operate a sportfishing charter business consisting of one (1) boat. The portion of the Premises to be utilized is a dock slip designated by Sportsmen's as more particularly described and depicted in Exhibit "B" ("Subleased Premises");

C. WHEREAS, Pacific Bounty is a sportfishing charter business which conducts sportfishing excursions within Mission Bay, San Diego and the surrounding offshore Pacific Ocean waters targeting fish species including tuna, yellowtail, dorado/mahi mahi, rockfish, white seabass, and other local species. Pacific Bounty's operation will be referred to herein as the "Business"; and

D. WHEREAS, Pacific Bounty desires to operate the Business from the Subleased Premises.

TERMS

Now, therefore, in consideration of the covenants and agreements in this Agreement and other good and valuable consideration, subject to the consent by the City of San Diego ("City"), Sportsmen's hereby grants and Pacific Bounty hereby accepts the grant of a right to lease the Subleased Premises for the purpose of operating the Business for the use and enjoyment of the general public on the following terms:

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

1.1.1 Subject to the consent of the City, Sportsmen's grants Pacific Bounty the right to lease the Subleased Premises to operate the Business from.

1.1.2 Pacific Bounty agrees to operate the Business and otherwise use the Subleased Premises in accordance with policies, standards, and procedures established from time to time by Sportsmen's or City. Pacific Bounty further agrees to maintain all necessary licenses, certificates, authorizations, and/or approvals which are necessary to conduct the Business in full

accordance with any and all applicable U.S. Coast Guard rules, and any rules, regulations, or statutes imposed by the U.S. Coast Guard, City, County of San Diego, State of California, United States.

1.1.3 This Agreement is a sublease of a portion of the Premises covered by the lease agreement between Sportsmen's and the City ("Master Lease"). This Agreement is subject to the covenants and conditions of the Master Lease, which Pacific Bounty shall abide by to the extent applicable, notwithstanding any contrary or conflicting provision in this Agreement.

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

2. PACIFIC BOUNTY'S OBLIGATIONS

2.1 Equipment.

2.1.1 Pacific Bounty will provide, at its own cost, all equipment needed to operate the Business.

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

2.1.3 Pacific Bounty shall keep any and all boat registrations current and in accordance with all laws.

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

2.1.5 All vessels used in the Business shall meet applicable Coast Guard standards for passenger operations.

2.1.6 Pacific Bounty shall maintain and keep the back parking lot in good condition and in accordance with any rules and regulations set forth by Sportsmen's and City. Pacific Bounty shall bear the cost and expense of maintaining the back parking lot on a pro rata basis divided among Pacific Bounty and other sublessees.

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

2.2 Operation of Business.

2.2.1 Pacific Bounty shall have use of the Subleased Premises for operation of the Business. The Premises and the Subleased Premises may be modified or changed by Sportsmen's at any time at the sole discretion of Sportsmen's.

2.2.2 Pacific Bounty shall in no way alter the Subleased Premises without express written permission of Sportsmen's.

2.2.3 Upon termination of this Agreement, Pacific Bounty shall return the Subleased Premises in good and clean condition, normal wear and tear excepted.

2.2.4 Pacific Bounty shall promote guest safety.

2.2.5 Pacific Bounty shall not operate any fishing trips in adverse weather conditions.

2.2.6 Pacific Bounty will immediately report to Sportsmen's, its Manager, or in his or her absence, the Assistant Manager, any injury or accidents to guests, property, or known or discovered defects in the Subleased Premises.

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

2.2.8 Pacific Bounty agrees to provide notice to all customers and patrons that it is operating as an independent contractor.

2.3 Personnel.

2.3.1 Pacific Bounty will recruit, employ, train, direct, and supervise, employees who will keep the harbor cruise vessel, related equipment and supplies, and all Pacific Bounty's equipment properly cared for and maintained, and who will be qualified to assist guests in the proper use of equipment.

2.3.2 All employees, contractors, guests, invitees, or agents of Pacific Bounty entering the Premises or the Subleased Premises will abide by Sportsmen's rules and shall conduct themselves in a manner consistent with standards, quality, and image of the Premises.

2.3.3 Pacific Bounty's personnel shall satisfy all Coast Guard standards for applicable passenger operation and be trained in safety procedures to meet Association of Commercial Operators standards.

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

2.5 Liens. Pacific Bounty shall be responsible for and promptly discharge any liens which arise from, occur in connection with, or result of or from Pacific Bounty's Business.

2.6 Equal Opportunity. Cruise SD shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Acts; and any other applicable federal or state laws and regulations. Cruise SD shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition, place of birth, or any other protected class. Upon Sportsmen's request, Cruise SD shall submit a current Workforce Report, and if required, the Equal Opportunity Plan which sets forth the actions Cruise SD will take to achieve the City's goals for the employment of African Americans, Native Americans, Asians, Latinos, women, and people with disabilities, among others. Cruise SD acknowledges that failure to comply with the requirements of this section and/or submitting

false information in response to these requirements may result in termination of the Agreement.

2.7 Disabled Access Compliance. Pacific Bounty shall, as applicable to the Subleased Premises and Pacific Bounty's possession, use, and occupancy thereof, comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. Pacific Bounty's compliance shall include but not necessarily be limited to the following:

2.7.1 Cruise SD shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.

2.7.2 No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, service, programs, or activities of Pacific Bounty.

2.7.3 Pacific Bounty, if applicable, shall post a statement addressing the requirements of the ADA in a prominent place at the work site.

2.7.4 Where required by law, any improvements made to the Subleased Premises by Pacific Bounty shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Subleased Premises which deny or render more difficult access to disabled persons. All improvements and alterations shall be at the sole cost of Pacific Bounty.

Pacific Bounty understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Agreement.

2.8 Drug-free Workplace. Pacific Bounty shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

2.8.1 Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Subleased Premises and specifying the actions that will be taken against employees for violations of the prohibition.

2.8.2 Establish a drug-free awareness program to inform employees about all of the following:

- a. The dangers of drug abuse in the workplace;
- b. Pacific Bounty's policy of maintaining a drug-free workplace;
- c. Any available drug counseling, rehabilitation, and employee assistance programs; and
- d. The penalties that may be imposed upon employees for drug abuse violations.

2.9 Equal Pay Ordinance. Unless an exception applies, Cruise SD shall comply with the Equal Pay Ordinance codified in San Diego Municipal Code sections 22.4801 through 22.4809. By signing this Agreement, Cruise SD certifies it will comply with the requirements of the Equal Pay Ordinance so long as this Agreement is in effect.

3. SPORTSMEN'S OBLIGATIONS

3.1 Business Rights and Use of Premises

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

3.1.2 Pacific Bounty agrees to use the Subleased Premises solely for the operation of the Business. Changes to the Business operations shall not be made without prior written approval of Sportsmen's.

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

3.3 Utilities. Sportsmen's shall provide reasonable access to the utilities necessary to the operation of the Business. Sportsmen's shall provide utilities of water and electricity reasonably necessary for the Subleased Premises. Temporary failure to supply utilities shall not be deemed a breach of this Agreement and Sportsmen's shall not be liable for any interruption in utility service.

4. INSURANCE AND INDEMNIFICATION

4.1 Liability Insurance. On or before the Effective Date, as later defined in Section 6.1, "Term", herein, Pacific Bounty shall have obtained, as evidenced by a current certificate of insurance, a **Commercial Liability** insurance policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Pacific Bounty's ownership, maintenance, operation, and/or use of its boat and the Subleased Premises in the conduct and/or operation of the Business, with limits of at least TWO MILLION DOLLARS (\$2,000,000) per occurrence with at least FOUR MILLION DOLLAR (\$4,000,000) aggregate. Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried

or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Pacific Bounty and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided.

4.2 Other Insurance. On or before the Effective Date, as later defined in Section 6.1, "Term", herein, Pacific Bounty shall have obtained, as evidenced by a current certificate of insurance, a **Professional Liability** policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Pacific Bounty's use of the Subleased Premises or operation of the Business, with limits of at least TWO MILLION DOLLARS (\$2,000,000) per occurrence, subject to an annual aggregate of at least FOUR MILLION DOLLARS (\$4,000,000). Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Pacific Bounty and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided. Additionally, Pacific Bounty shall, at its own cost and expense, obtain and keep in force during the term of this Agreement a **Workers Compensation Insurance** policy covering all of its employees.

4.3 Hold Harmless. Pacific Bounty shall protect, defend, indemnify, and hold Sportsmen's and City, and City's elected officials, officers, representatives, agents, and employees, harmless from and against any and all claims asserted or liability established which

arise out of or are in any manner directly or indirectly related to the granting of this right to Pacific Bounty to lease the Subleased Premises or the operation of the Business on the Subleased Premises, the use and operation of the Subleased Premises, or the operation of the Business, and all costs and expenses of investigating and defending against same, including without limitation attorney fees and costs and including any claims related to the ADA or other similar accessibility statutes; provided, however, that Pacific Bounty's duty to indemnify and hold harmless shall not include any claims or liability arising from the established active negligence, sole negligence, or sole willful misconduct of Sportsmen's or City, or City's elected officials, officers, representatives, agents, and employees.

5. FINANCIAL

5.1 Compensation. Beginning on the Effective Date of this Agreement, Pacific Bounty shall pay Sportsmen's monthly rent calculated as the greater of (1) seventeen percent (17%) of monthly Gross Income received from the sale of goods and services and from all other authorized activities and uses of the Subleased Premises, or (2) \$700. Pacific Bounty shall pay such rent to Sportsmen's, monthly in arrears, and prior to the fifth (5th) day of the calendar month following that month in which the revenue subject to rent was earned, accompanied by the report described in Paragraph 5.4 herein. If rent paid to the City by Sportsmen's should increase due to moneys generated by Pacific Bounty while operating the Business on the Subleased Premises, then an amount equal to such increase shall be paid to Sportsmen's by Pacific Bounty 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 Pacific Bounty or by its agent(s), and all gross income received by Pacific Bounty as a result of occupancy or operation of the Subleased Premises, 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 Pacific Bounty to a governmental agency accompanied by a tax return or statement as required by law. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Income. Gross Income shall not include income received from the sale of goods that is subsequently refunded when the goods are returned for resale on the Subleased Premises or deposits that are later refunded. The amount of the taxes and refunds shall be clearly shown on the books and records of Pacific Bounty. The percentage rent shall be calculated and paid by Pacific Bounty 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 Pacific Bounty or its agent(s), and all Gross Income received by any other party as a result of occupancy of the Subleased Premises or the operation of the Business shall be regarded as Gross Income of Pacific Bounty for the purpose of calculating the percentage rent required to be paid by Pacific Bounty 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 cash register, or other machine that registers sales and produces receipts. Booking procedures shall be in accordance with City requirements set forth in the Master Lease or otherwise required by City and be open for inspection by Sportsmen's upon seven (7) days written request. Percentage of agreed rents due the City for sales occurring from this location shall be distributed as follows: to be paid monthly by Pacific Bounty as directed by Sportsmen's and/or City. Rents shall be paid to Sportsmen's on or before the 5th day of the month following the month in which the income was earned.

5.4 Gross Income Sales Report. On or before the 5th of the calendar month following the calendar month in which the Gross Income subject to the rents was earned, Pacific Bounty shall provide Sportsmen's a gross income sales statement together with a payment of rent on all gross income in the form attached to this Agreement as Exhibit A. The statement shall be signed by Pacific Bounty or its authorized agent, attesting to the accuracy thereof, which shall be legally binding on Pacific Bounty. Each statement shall include:

- 5.4.1 Total gross receipts for the subject month;
 - 5.4.2 The percentage of rent due to Sportsmen's, computed and totaled;
 - 5.4.3 The accumulated total of all rents previously paid for the current sublease year;
- and
- 5.4.4 Payment of the rent as defined by Paragraph 5.1 herein.

6. TERM AND TERMINATION

6.1 Term. This Agreement is effective upon Effective Date, which must be after consent to this Agreement by City, and shall be a month-to-month tenancy beginning on the first of the month following the Effective Date.

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

- 6.2.1 By Pacific Bounty, upon ten (10) days written notice.
- 6.2.2 By Sportsmen's at any time if Pacific Bounty violates any terms or conditions of this Agreement or its incorporated obligations. Sportsmen's also retains the right to terminate this Agreement without cause, at any time, upon ten (10) days written notice to Pacific Bounty. In such case, any prepaid fees shall be prorated and any surplus returned to Pacific Bounty.

6.2.3 Immediately and automatically upon termination of the Master Lease.

6.3 Redevelopment of Dock. Cruise SD acknowledges that at some point the docks where the Leased Premises is located will be redeveloped. Cruise SD further acknowledges that during this redevelopment period, Cruise SD may not be able or permitted to use the Leased Premises. Rent shall be prorated during the time in which Cruise SD is unable or not permitted to use the Leased Premises.

(Continued on next page)

7. MISCELLANEOUS

7.1 Pacific Bounty an Independent Contractor. Pacific Bounty 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 Pacific Bounty be considered an agent, servant, or employee of Sportsmen's in providing the services specified in this Agreement.

7.2 Notices. Any notice given hereunder by either party to the other shall be in writing and shall be delivered by personal delivery or by certified mail, return receipt requested. Such notice shall be deemed given and effective on the date of delivery if personally delivered or five (5) days after the date of mailing. Notices shall be delivered to:

Sportsmen's Sea Food Company, Inc.
1617 Quivira Road
San Diego, CA 92109

Pacific Bounty Sportfishing
1192 Caren Rd.
Vista, CA 92083

Either party may change its address by giving notice thereof to the other party in conformity with this paragraph.

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

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

7.5 Assignment and Subletting. Pacific Bounty shall not be entitled to assign this Agreement or sublet any space on, or portion of, the Premises or Subleased Premises.

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

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

7.8 Severability. If any provision of this Agreement is held to be invalid, illegal, or

unenforceable, the remaining provisions shall remain in full force and effect.

7.9 Attorney's Fees to Party. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provision of this Agreement between Sportsmen's and Pacific Bounty, the prevailing party shall be entitled to recover reasonable attorney's fees.

7.10 Compliance with Law. Pacific Bounty shall at all times in the operation of the Business comply with all applicable laws, statutes, ordinances, and regulations of City at Pacific Bounty's sole cost and expense. In addition, Pacific Bounty shall comply with all notices issued by City's mayor or his authorized representative under the authority of any such law, statute, ordinance, or regulation.

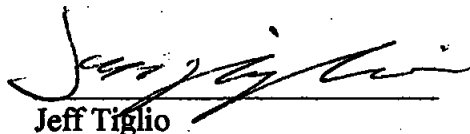
7.11 Sole Agreement. This Agreement constitutes the sole and only agreement between the parties with respect to the rights and obligation conferred hereunder, and there are no representations or understandings not contained herein.

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

7.13 Utilities. Pacific Bounty shall pay Sportsmen's a monthly fee for utilities and water in the amount of \$110, to be paid on the same date as monthly rent. The monthly fee may be increased by Sportsmen's in its sole discretion in the event (1) the price of utilities or water increase, (2) Pacific Bounty's use of utilities and water increase, or (3) should the monthly fee paid by Pacific Bounty not be sufficient to cover the actual expense to Sportsmen's relating to Pacific Bounty's use of utilities and water.

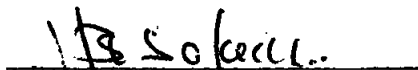
IN WITNESS WHEREOF, the undersigned, having read and understood the contents of the Agreement, do agree to be bound according to its terms and conditions.

Jeff Tiglio



Jeff Tiglio
Title: Owner of Pacific Bounty
Sportfishing

Sportsmen's Sea Food Company, Inc.



By: Joseph Busalacchi
Title: President

AMENDMENT TO SUBLEASE AGREEMENT

This Amendment to the Sublease Agreement, dated April 1, 2019, ("Amendment") is entered into by and between Sportsmen's Sea Food Co., Inc. ("Sportsmen's") and Cruise San Diego, LLC. This Amendment shall be effective on June 1, 2019 ("Effective Date").

RECITALS

- A. WHEREAS, Sportsmen's and Cruise SD entered into the Sublease Agreement on April 1, 2019, relating to Cruise SD's sublease of a certain area of Sportsmen's dock located at 1617 Quivira Road, San Diego, California.
- B. WHEREAS, the parties have met and conferred with respect to the insurance requirements set out in the Sublease Agreement and found them to be excessive.
- C. WHEREAS, the parties desire to amend the Sublease Agreement to reflect the newly agreed upon insurance requirements.

NOW, WHEREFORE, in consideration of the covenants and agreements in this Amendment and other good and valuable consideration, Sportsmen's and Cruise SD hereby amend the Sublease Agreement as to the following particulars only:

AMENDMENT

The following provisions shall be modified in the Sublease Agreement.

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

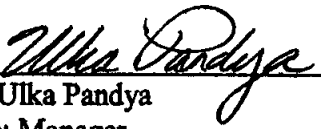
SD and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided.


4.2 Other Insurance. On or before the Effective Date, Cruise SD shall have obtained, as evidenced by a current certificate of insurance, a **Professional Liability** policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Cruise SD's use of the Subleased Premises or 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 ONE MILLION DOLLARS (\$1,000,000). Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Cruise SD and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided. Additionally, Cruise SD shall, at its own cost and expense, obtain and keep in force during the term of this Agreement a **Workers Compensation Insurance** policy covering all of its employees.

IN WITNESS WHEREOF, Sportsmen's and Cruise SD agree to the above terms and conditions.

CRUISE SAN DIEGO, LLC

SPORTSMEN'S SEA FOOD CO., INC.


By: Ulka Pandya
Title: Manager


By: Joseph Busalacchi
Title: President

AMENDMENT TO SUBLEASE AGREEMENT

This Amendment to the Sublease Agreement, dated March 1, 2019, ("Amendment") is entered into by and between Sportsmen's Sea Food Co., Inc. ("Sportsmen's") and Jeff Tiglio, owner and operator of Pacific Bounty Sportsfishing ("Pacific Bounty"). This Amendment shall be effective on June 1, 2019 ("Effective Date").

RECITALS

- A. WHEREAS, Sportsmen's and Pacific Bounty entered into the Sublease Agreement on March 1, 2019, relating to Pacific Bounty's sublease of a certain area of Sportsmen's dock located at 1617 Quivira Road, San Diego, California.
- B. WHEREAS, the parties have met and conferred with respect to the insurance requirements set out in the Sublease Agreement and found them to be excessive.
- C. WHEREAS, the parties desire to amend the Sublease Agreement to reflect the newly agreed upon insurance requirements.

NOW, WHEREFORE, in consideration of the covenants and agreements in this Amendment and other good and valuable consideration, Sportsmen's and Pacific Bounty hereby amend the Sublease Agreement as to the following particulars only:

AMENDMENT

The following provisions shall be modified in the Sublease Agreement.

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

certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Pacific Bounty and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided.

4.2 Other Insurance. On or before the Effective Date, Pacific Bounty shall have obtained, as evidenced by a current certificate of insurance, a **Professional Liability** policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from Pacific Bounty's use of the Subleased Premises or 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 ONE MILLION DOLLARS (\$1,000,000). Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of Pacific Bounty and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided. Additionally, Pacific Bounty shall, at its own cost and expense, obtain and keep in force during the term of this Agreement a **Workers Compensation Insurance** policy covering all of its employees.


IN WITNESS WHEREOF, Sportsmen's and Pacific Bounty agree to the above terms and conditions.

PACIFIC BOUNTY

SPORTSMEN'S SEA FOOD CO., INC.


By: Jeff Tiglio

Title: Owner and Operator


By: Joseph Busalacchi

Title: President

SUBLEASE AGREEMENT

This Sublease Agreement ("Agreement") is made this ___ day of _____, 2023 ("Effective Date"), by and between Sportsmen's Sea Food Company, Inc., a California corporation ("Sportsmen's"), and Gone Whale Watching, Inc ("GWW").

RECITALS

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

B. WHEREAS, Sportsmen's desires to grant to GWW authority to utilize a portion of the Premises to operate a whale watching business consisting of three (3) boats. The portion of the Premises to be utilized is a dock slip designated by Sportsmen's as more particularly described and depicted on Exhibit "B" ("Subleased Premises");

C. WHEREAS, GWW is a locally owned and operated company which provides passengers with private charters for whale watching. GWW's operation will be referred to herein as the "Business"; and

D. WHEREAS, GWW desires to operate the Business from the Subleased Premises.

TERMS

Now, therefore, in consideration of the covenants and agreements in this Agreement and other good and valuable consideration, and subject to the consent by the City of San Diego ("City"), Sportsmen's hereby grants and GWW hereby accepts the grant of a right to lease the Subleased Premises for the purpose of operating the Business for the use and enjoyment of the general public on the following terms:

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

1.1.1 Subject to the consent of the City, Sportsmen's grants GWW the right to lease the Subleased Premises to operate the Business from.

1.1.2 GWW agrees to operate the Business and otherwise use the Subleased Premises in accordance with policies, standards, and procedures established from time to time by Sportsmen's or City. GWW further agrees to maintain all necessary licenses, certificates, authorizations, and/or approvals which are necessary to conduct the Business in full accordance with any and all applicable U.S. Coast Guard rules, and any rules, regulations, or statutes imposed by the U.S. Coast Guard, City, County of San Diego, State of California, United States.

1.1.3 This Agreement is a sublease of a portion of the Premises covered by the lease agreement between Sportsmen's and the City ("Master Lease"). This Agreement is subject

to the covenants and conditions of the Master Lease, which GWW shall abide by to the extent applicable, notwithstanding any contrary or conflicting provision in this Agreement.

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

2. GWW'S OBLIGATIONS

2.1 Equipment.

2.1.1 GWW will provide, at its own cost, all equipment needed to operate the Business.

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

2.1.3 GWW shall keep any and all boat registrations current and in accordance with all laws.

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

2.1.5 All boats used in the Business shall meet applicable Coast Guard standards for passenger operations.

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

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

2.2 Operation of Business.

2.2.1 GWW shall have use of the Subleased Premises for operation of the Business. The Premises and the Subleased Premises may be modified or changed by Sportsmen's at any time at the sole discretion of Sportsmen's.

2.2.2 GWW shall in no way alter the Subleased Premises without express written permission of Sportsmen's.

2.2.3 Upon termination of this Agreement, GWW shall return the Subleased Premises in good and clean condition, normal wear and tear excepted.

2.2.4 GWW shall promote guest safety.

2.2.5 GWW shall not operate any cruises or dolphin and whale watching trips in adverse weather conditions.

2.2.6 GWW will immediately report to Sportsmen's, its Manager, or in his or her absence, the Assistant Manager, any injury or accidents to guests, property, or known or

discovered defects in the Subleased Premises.

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

2.2.8 GWW agrees to provide notice to all customers and patrons that it is operating as an independent contractor.

2.3 Personnel.

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

2.3.2 All employees, contractors, guests, invitees, or agents of GWW entering the Premises or the Subleased Premises will abide by Sportsmen's rules and shall conduct themselves in a manner consistent with standards, quality, and image of the Premises.

2.3.3 GWW's personnel shall satisfy all Coast Guard standards for applicable passenger operations and be trained in safety procedures to meet Association of Commercial Operators standards.

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

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

2.6 Equal Opportunity. GWW shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Acts; and any other applicable federal or state laws and regulations. GWW shall not discriminate against any employee or applicant for employment based on race, religion, color, ancestry, age, gender, sexual orientation, disability, medical condition, place of birth, or any other protected class. Upon Sportsmen's request, GWW shall submit a current Workforce Report, and if required, the Equal Opportunity Plan which sets forth the actions GWW will take to achieve the City's goals for the employment of African Americans, Native Americans, Asians, Latinos, women, and people with disabilities, among others. GWW acknowledges that failure to comply with the requirements of this section and/or submitting false information in response to these requirements may result in termination of the Agreement.

2.7 Disabled Access Compliance. GWW shall, as applicable to the Subleased Premises and GWW's possession, use, and occupancy thereof, comply with the California Government Code, Sections 11135-11139.5; the Federal Rehabilitation Act of 1973, section 504, Title V; the Americans with Disabilities Act of 1990 (ADA); and any other applicable state and federal laws and regulations hereafter enacted protecting the rights of people with disabilities. GWW's compliance shall include but not necessarily be limited to the following:

2.7.1 GWW shall not discriminate against qualified persons with disabilities in any aspects of employment, including recruitment, hiring, promotions, conditions and privileges of employment, training, compensation, benefits, discipline, layoffs, and termination of employment.

2.7.2 No qualified individual with a disability may be excluded on the basis of disability from participation in, or be denied the benefits of, service, programs, or activities of GWW.

2.7.3 GWW, if applicable, shall post a statement addressing the requirements of the ADA in a prominent place at the work site.

2.7.4 Where required by law, any improvements made to the Subleased Premises by GWW shall comply with municipal disabled access requirements by bringing up to code and making accessible any areas of the Subleased Premises which deny or render more difficult access to disabled persons. All improvements and alterations shall be at the sole cost of GWW.

GWW understands that failure to comply with the above requirements and/or submitting false information in response to these requirements shall constitute a default under this Agreement.

2.8 Drug-free Workplace. GWW shall abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:

2.8.1 Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited on the Subleased Premises and specifying the actions that will be taken against employees for violations of the prohibition.

2.8.2 Establish a drug-free awareness program to inform employees about all of the following:

- a. The dangers of drug abuse in the workplace;
- b. GWW's policy of maintaining a drug-free workplace;
- c. Any available drug counseling, rehabilitation, and employee assistance programs; and
- d. The penalties that may be imposed upon employees for drug abuse violations.

2.9 Equal Pay Ordinance. Unless an exception applies, GWW shall comply with the Equal Pay Ordinance codified in San Diego Municipal Code sections 22.4801 through 22.4809. By signing this Agreement, GWW certifies it will comply with the requirements of the Equal Pay Ordinance so long as this Agreement is in effect.

3. SPORTSMEN'S OBLIGATIONS

3.1 Business Rights and Use of Premises

3.1.1 In connection with Sportsmen's grant to GWW of the right to lease the

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

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

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

3.3 Utilities. Sportsmen's shall provide reasonable access to the utilities necessary to the operation of the Business. Sportsmen's shall provide utilities of water and electricity reasonably necessary for the Subleased Premises. Temporary failure to supply utilities shall not be deemed a breach of this Agreement and Sportsmen's shall not be liable for any interruption in utility service.

4. **INSURANCE AND INDEMNIFICATION**

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

insurance policy are the sole responsibility of GWW and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided.

4.2 Other Insurance. On or before the Effective Date, GWW shall have obtained, as evidenced by a current certificate of insurance, a **Professional Liability** policy providing coverage for bodily injury, including death, personal injury, and property damage, arising from GWW's use of the Subleased Premises or 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 ONE MILLION DOLLARS (\$1,000,000). Pursuant to a separate endorsement [CG2010 (11/85) or equivalent form], the certificate of insurance shall name "Sportsmen's Sea Food Company, Inc." and "The City of San Diego, its elected officials, officers, employees, representatives, and agents" as additional insureds. The insurance policy shall be endorsed such that the coverage is primary and non-contributory to any coverage carried or maintained by Sportsmen's and City. The policy shall be kept in force throughout the term of this Agreement and any extended term. The certificate of insurance shall be filed with Sportsmen's and the City's Real Estate Assets Department upon execution of this Agreement. All insurance required by the terms of this Agreement must be provided by insurers licensed to do business in the State of California which are rated at least "A-, VI" by the current AM Best Ratings Guide and which are acceptable to Sportsmen's and the City. Non-admitted surplus lines insurers may be accepted provided they are included on the most recent list of California eligible surplus lines insurers (LESLI list) and otherwise meet City requirements; evidence of an insurer's inclusion on the most recent LESLI list must be presented at the time the certificate of insurance is filed with Sportsmen's and the City's Real Estate Assets Department. All deductibles and self-insured retentions on any insurance policy are the sole responsibility of GWW and must be disclosed and acceptable to Sportsmen's and the City at the time evidence of insurance is provided. Additionally, GWW shall, at its own cost and expense, obtain and keep in force during the term of this Agreement a **Workers Compensation Insurance** policy covering all of its employees.

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

5. FINANCIAL

5.1 Compensation. Beginning on the Effective Date of this Agreement, GWW shall pay Sportsmen's monthly rent calculated as the greater of (1) seventeen percent (17%) of

monthly Gross Income received from the sale of goods and services and from all other authorized activities and uses of the Subleased Premises, or (2) \$925. GWW shall pay such rent to Sportsmen's, monthly in arrears, and prior to the tenth (10th) day of the calendar month following that month in which the revenue subject to rent was earned, accompanied by the report described in Paragraph 5.4 herein. If rent paid to the City by Sportsmen's should increase due to moneys generated by GWW while operating the Business on the Subleased Premises, then an amount equal to such increase shall be paid to Sportsmen's by GWW 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 GWW or by its agent(s), and all gross income received by GWW as a result of occupancy or operation of the Subleased Premises, 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 GWW to a governmental agency accompanied by a tax return or statement as required by law. Possessory interest taxes or other property taxes shall not be deducted in computing Gross Income. Gross Income shall not include income received from the sale of goods that is subsequently refunded when the goods are returned for resale on the Subleased Premises or deposits that are later refunded. The amount of the taxes and refunds shall be clearly shown on the books and records of GWW. The percentage rent shall be calculated and paid by GWW 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 GWW or its agent(s), and all Gross Income received by any other party as a result of occupancy of the Subleased Premises or the operation of the Business shall be regarded as Gross Income of GWW for the purpose of calculating the percentage rent required to be paid by GWW 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 cash register, or other machine that registers sales and produces receipts. Booking procedures shall be in accordance with City requirements set forth in the Master Lease or otherwise required by City and be open for inspection by Sportsmen's upon seven days written request. Percentage of agreed rents due the City for sales occurring from this location shall be distributed as follows: to be paid monthly by GWW as directed by Sportsmen's and/or City. Rents shall be paid to Sportsmen's on or before the tenth (10th) day of the month following the month in which the income was earned.

5.4 Gross Income Sales Report. On or before the tenth (10th) of the calendar month following the calendar month in which the Gross Income subject to the rents was earned, GWW shall provide Sportsmen's with a gross income sales statement together with a payment of rent on all gross income in the form attached to this Agreement as Exhibit A. The statement shall be signed by GWW or its authorized agent, attesting to the accuracy thereof, which shall be legally binding on GWW. Each statement shall include:

- 5.4.1 Total gross receipts for the subject month;
- 5.4.2 The percentage of rent due to Sportsmen's, computed and totaled;

- 5.4.3 The accumulated total of all rents previously paid for the current sublease year;
and
- 5.4.4 Payment of the rent as defined by Paragraph 5.1 herein.

6. TERM AND TERMINATION

6.1 Term. This Agreement is effective upon the Effective Date, which must be after consent to this Agreement by the City, and shall be a month-to-month tenancy beginning on the first of the month following the Effective Date.

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

6.2.1 By GWW, upon thirty (30) days' written notice.

6.2.2 By Sportsmen's at any time if GWW violates any terms or conditions of this Agreement or its incorporated obligations. Sportsmen's also retains the right to terminate this Agreement without cause, at any time, upon thirty (30) days' written notice to GWW. In such case, any prepaid fees shall be prorated and any surplus returned to GWW.

6.2.3 Immediately and automatically upon termination of the Master Lease.

6.3 Redevelopment of Dock. GWW acknowledges that at some point the docks where the Leased Premises is located will be redeveloped. GWW further acknowledges that during this redevelopment period, GWW may not be able or permitted to use the Leased Premises. Rent shall be prorated during the time in which GWW is unable or not permitted to use the Leased Premises.

7. MISCELLANEOUS

7.1 GWW is an Independent Contractor. GWW 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 GWW be considered an agent, servant, or employee of Sportsmen's in providing the services specified in this Agreement.

7.2 Notices. Any notice given hereunder by either party to the other shall be in writing and shall be delivered by personal delivery or by certified mail, return receipt requested. Such notice shall be deemed given and effective on the date of delivery if personally delivered or five (5) days after the date of mailing. Notices shall be delivered to:

Sportsmen's Sea Food Company,
Inc.
1617 Quivira Road
San Diego, CA 92109

Gone Whale Watching, Inc.
16914 Torbett Lane #15
San Diego, CA 92127

Either party may change its address by giving notice thereof to the other party in conformity with this paragraph.

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

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

7.5 Assignment and Subletting. GWW shall not be entitled to assign this Agreement or sublet any space on, or portion of, the Premises or Subleased Premises.

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

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

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

7.9 Attorney's Fees to Party. If any action at law or in equity, including an action for declaratory relief, is brought to enforce or interpret the provision of this Agreement between Sportsmen's and GWW, the prevailing party shall be entitled to recover reasonable attorney's fees.

7.10 Compliance with Law. GWW shall at all times in the operation of the Business comply with all applicable laws, statutes, ordinances, and regulations of City at GWW's sole cost and expense. In addition, GWW shall comply with all notices issued by City's mayor or his authorized representative under the authority of any such law, statute, ordinance, or regulation.

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

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

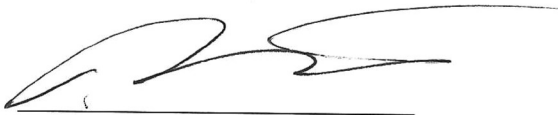
8. PERSONAL GUARANTY OF LEASE

Domenic Biagini(the "Guarantor"), president of GWW, hereby unconditionally guarantees the performance of, and unconditionally promises to perform, all of the obligations of GWW under this Agreement and the Master Lease and any and all extensions and modifications thereof, including, but not limited to, the obligation to pay rent thereunder.

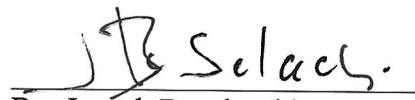
IN WITNESS WHEREOF, the undersigned, having read and understood the contents of the Agreement, do agree to be bound according to its terms and conditions.

Gone Whale Watching, Inc.

Sportsmen's Sea Food Company, Inc.



Domenic Biagini
Title: President



By: Joseph Busalacchi
Title: President

Guarantor

Domenic Biagini

SUBLEASE AGREEMENT

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

WITNESSETH

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

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

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

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

1. APPOINTMENT

1.1 Agreement for Non-Exclusive Use of Premises.

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

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

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

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

2. OPERATOR'S OBLIGATIONS

2.1 Equipment.

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

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

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

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

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

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

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

2.2 Operation of Business.

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

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

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

(d) OPERATOR shall promote guest safety.

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

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

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

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

2.3 Personnel.

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

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

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

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

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

3. SPORTSMEN'S OBLIGATIONS

3.1 Business Rights and Use of Subleased Premises

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

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

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

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

4. INSURANCE AND INDEMNIFICATION

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

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

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

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

5. FINANCIAL

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

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

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

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

6. TERM AND TERMINATION

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

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

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

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

year period and thereafter by mutual agreement of the Parties.

7. MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF,

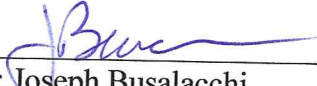
We, the undersigned, having read and understood the contents of the Agreement, do agree to be bound according to its terms and conditions.

OPERATOR



Donald Correia

Sportsmen's Seafood Co., Inc.



By: Joseph Busalacchi
Its President

ATTACHMENT B



RESTRICTED APPRAISAL REPORT - MARKET RENT

TO Jim Mandler, Program Manager - Lease Administration, City of San Diego
Economic Development Department

FROM Michael D. Keagy, MAI – Principal Appraiser/Program Manager, Valuations
City of San Diego Economic Development Department

PROPERTY Market rent analysis for the approximate 2,000 sf Mission Bay Golf Course
Café, 2702 N. Mission Bay Dr., San Diego, CA 92019.

Dear Mr. Mandler,

This Restricted Appraisal Report is provided based on your recent request. Its purpose is to estimate the market rent of the approximate 2,000 sf café building (“subject property”) to aid in lease negotiations. Some information in this report is taken from two prior market rent appraisals conducted by Colliers International (“Colliers Appraisal”); the information will be presented in italics for identification. Subsequent to the appraisals, the subject property was marketed for lease in May 2025 by Retail Insight, commercial real estate company. The prospective tenant was selected in August 2025 as providing an advantageous combination of operator, base and percentage rent to the City. Negotiated rental rate and terms supersedes the conclusions in the appraisal report since the subject property was exposed to the market for a reasonable timeframe and is actually achieves more rent than concluded in the report. The analysis in this report summarizes prior appraisal information and marketing efforts and researches any changes in the market from August 2025 through the February 2026 date of value (market rent conclusion). Unlike typical retail properties, the subject property does not rely on exposure to vehicle traffic or the draw of an anchor tenant; golfers playing the executive golf course or using the driving range/practice game facilities are the primary source of patrons.

The following conclusions are based on my investigation and examination of the property, data gathered and provided by various parties, and on my experience and judgment as a real estate appraiser. I am communicating my conclusions in this Restricted Appraisal Report format as defined in the Uniform Standards of Professional Appraisal Practice (USPAP). The depth of discussion in this report is specific to the needs of the City of San Diego Economic Development Department (EDD), the client and intended user. This format briefly summarizes the investigation, data, and relevant analysis, and may not be completely understood by others without information contained in my work file.

EFFECTIVE DATE OF THE APPRAISAL	February 20, 2026
DATE OF REPORT	February 23, 2026
INTEREST APPRAISED	Leased fee interest – City’s interest
MARKET RENT CONCLUSION	Base Rent: \$4.25/sf/mo. or \$51/sf/yr Percentage Rent: 7% over breakpoint revenue

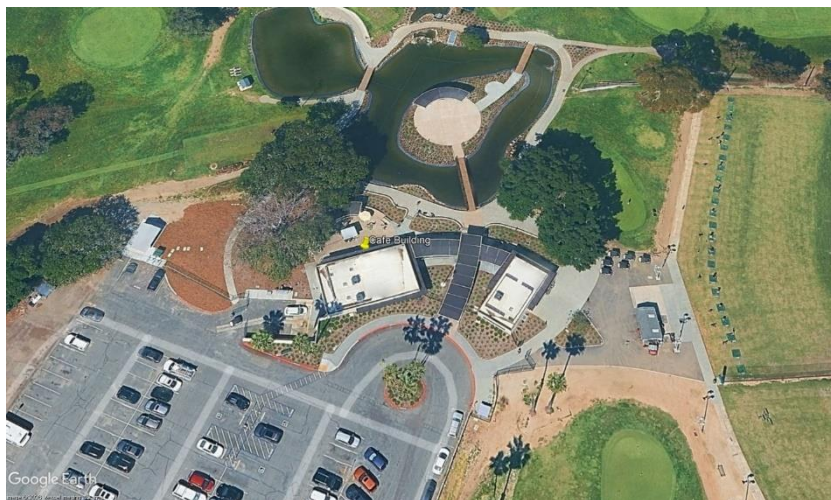
MARKET RENT DEFINITION

The most probable rent that a property should bring in a competitive and open market under all conditions requisite to a fair lease transaction, the lessee and lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby

- Lessee and lessor are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their best interests;
- Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
- The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs).¹

SUBJECT PROPERTY

The subject property is an approximate 2,000 sf building as part of the Mission Bay Golf Course facility. The building is designed for a restaurant use. For purposes of this appraisal, the building will be referred to as a café.



¹ Source: The Dictionary of Real Estate Appraisal, 7th Edition

INTENDED USE

This Restricted Appraisal Report will be used to aid the client in lease negotiations.

CLIENT

City of San Diego Economic Development Department

INTENDED USER

City of San Diego Economic Development Department

SCOPE OF THE APPRAISAL

The scope of this appraisal included the following:

- Reviewed two prior appraisal reports
- Reviewed the proposed lease rental rate section
- Researched the competitive market for rent trends from August 2025 through the date of the market rent estimate
- Reviewed information provided by a commercial lease specialist working for retail Insite
- Reviewed other percentage rent leases in the City's Reportfolio
- Researched percentage rent rate data for uses comparable to the subject
- Provided an estimate of base rent and percentage rent over breakpoint revenue
- Presented the results in the Restricted Appraisal Report

AREA AND GOLF COURSE INFORMATION

Information on the community and golf market is located in a Colliers International appraisal completed for the City of San Diego.

HIGHEST & BEST USE

The highest and best use as improved, is the use of the building for a café as an amenity to the Mission Bay Golf Course.

MISSION BAY GOLF COURSE AND SUBJECT PROPERTY DESCRIPTION

Mission Bay Golf Course

The Colliers Appraisal describes the golf course property as follows: *The Golf Course was designed by golf course architect William P. Bell and opened in 1955. The original course was built as a 9-hole course in 1955. Several golf course renovations have taken place over the years, with the course being substantially altered in recent years to an 18-hole executive, stadium-lit course. The property and golf course are a 15-minute drive from downtown hotels, the San Diego Convention & Visitor Center, Petco Park, Little Italy, and the Gaslamp District. Covering 2,719 yards and occupying 46 acres in the central part of the city, it is the only golf course in San Diego with night lighting and where Tiger Woods won a junior world title.*

Other improvements include a pro shop, driving range, putting green, a vacant café building, a concrete island, parking lot, landscaping and miscellaneous office, maintenance and storage buildings.

Café Building

A building plan for the café is located on a following page. Improvements include a full-service kitchen, men's/women's restroom, supply room and ordering area. The rentable area of 2,000 sf was provided by the Lease Administration team and confirmed by the commercial broker consultant. Outside patio seating is also available to patrons. Detailed information on the turnkey improvements delivered to the lessee are taken from the proposed lease as follows. A building layout plan is presented after the building improvement information.

LANDLORD'S TURNKEY IMPROVEMENTS

1. General Description

Landlord shall deliver to Tenant a turnkey food service facility located at 2702 North Mission Bay Drive, San Diego, CA 92109. All improvements have been constructed in accordance with the stamped and approved permit plans referenced herein.

2. Description of Delivered Improvements

The following improvements have been fully constructed and are included as part of the delivered premises. This list reflects the actual completed work as shown in the approved plans and as physically constructed.

3. Plans

The following stamped plans have been provided to the Tenant and are available for reference in the City files:

- *HCD Approved FS Kitchen Plans (02/07/2025)*
- *SD County DEH2024-FFPP-017487 Restamped Plans (dated 02/03/2025) -Sheet K-1.0 – Equipment Plan, Equipment List, Door & Window Schedule, Corner Guard Detail*
- *SD County DEH Restamped Plans (02/03/2025)*

These documents control the definition of completed improvements delivered with the Premises.

4. Clarification

Any work not shown on the approved plans is not included in the delivered improvements. All items described below represent completed construction delivered to the Tenant for the Permitted Use, not obligations for future work.

A. Building Structure and Exterior

- *Approximately 2,000 sq. ft. restaurant building with exterior patio area and loading area*
- *Complete structural system: foundation, framing, roof assembly, shear walls*
- *Exterior doors and windows installed per the **Approved Drawings***
- *Weatherproofing, exterior finishes, and egress paths*
- *ADA-compliant entrances, walkways, ramps, and restroom access*
- *Exterior lighting and security lighting as required*

- *Trash enclosure with washable, sealed surfaces*

B. Interior Build-Out (Fully Completed)

- *All interior partitions constructed per plans*
- *Wall finishes including FRP/washable surfaces in food preparation areas*
- *Approved ceiling materials including washable ceiling in kitchen*
- *Commercial-grade flooring with integral cove base*
- *Millwork and cabinetry shown on Approved Drawings, including service counter and shelving*
- *Installed corner guards at all required locations per **Approved Drawings Corner Guard Detail***
- *Lighting fixtures throughout, including shatter-proof lamps in food areas*

C. Kitchen & Foodservice Equipment

(All equipment shown on Approved Drawings is installed and connected)

*Delivered improvements include every equipment item in the **Approved Drawings Equipment List**, including but not limited to:*

- *Ventless Type 1 hood, associated make-up air, and fire suppression*
- *Complete cooking line with required appliances*
- *Walk-in cooler (installed, operational)*
- *Ice machine, prep tables, overshelves, equipment stands*
- *Stainless-steel worktables*
- *Hand sinks, prep sinks, 3-compartment sink, pot sink, mop sink*
- *Warewashing area including dishwasher and clean/dirty tables*
- *Dump sink, mop storage station, and janitor fixtures*
- *All other equipment numbered E-01 through E-96 on Approved Drawings*

All equipment has been installed in the locations specified in the approved plan.

D. Plumbing Systems (Completed)

- *Plumbing rough-ins and final connections to all equipment*
- *Floor sinks, trench drains, indirect waste with air gaps*
- *Hot water system capable of maintaining 120°F at required fixtures*
- *Grease interceptor installed per plumbing plans*
- *Backflow prevention devices*
- *Condensate drains for walk-in units and ice machine*
- *Mop sink and janitor room plumbing*

- Restroom fixtures and accessories installed and operational

E. Electrical Systems (Completed)

- Electrical service sized to meet full kitchen load
- Dedicated outlets and circuits for all kitchen equipment
- Final electrical connections to all equipment listed on Approved Drawings
- POS station power and data outlets
- General lighting and emergency lighting
- Exit signage installed per code
- Panelboards, breakers, conduit, and wiring completed per approved plans

F. HVAC and Ventilation Systems

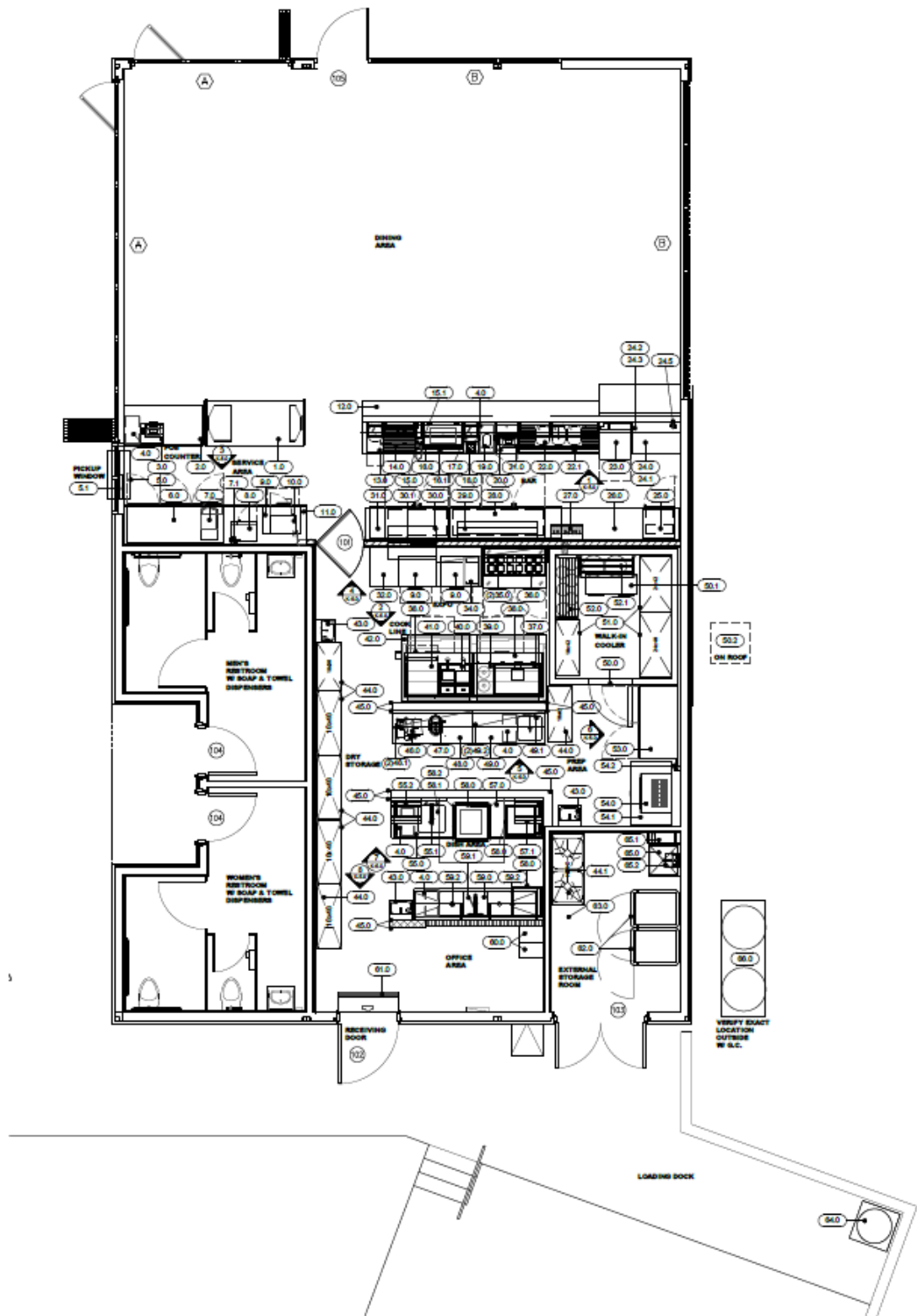
- Ventless hood system installed and operational
- Make-up air unit and exhaust system balanced per mechanical plans
- Air balance report completed
- Restroom exhaust fans installed
- Heating and cooling per approved mechanical plan set

G. Fire-Life Safety Systems

- Approved kitchen fire suppression system integrated with the hood
- Fire alarm devices and pull stations as required
- Type K fire extinguisher(s) installed
- Emergency lighting and illuminated exit signs

Fire-rated doors and assemblies where applicable

Café Building Floorplan



MARKET RENT ANALYSIS – BASE RENT & PERCENTAGE RENT

Appraisal methodology used to value a property includes the sale comparison, income approach and cost approach. Since market value is not the purpose of this appraisal, only a portion of the income approach, estimating base market rent and a percentage rent over breakpoint revenue is concluded in this appraisal. The sales comparison and cost approaches are not applicable.

Market Base Rent

Prior Appraisal

In the Colliers November 2024 appraisal, the base market rent range, and midpoint (assumed anticipated) base rental rate was concluded.

MISSION BAY GOLF COURSE CAFÉ MARKET RENT STUDY

LOW		MID	HIGH
<u>LEASE TERM (Yrs)</u>	5.0	7.5	10.0
<u>EXSCALATIONS (ANNUAL)</u>	3.0%	3.5%	4.0%
<u>RENTAL RATE (SF/Mo)</u>	\$2.00	\$2.50 - \$2.70	\$4.00
<u>EXPENSE REIMBURSEMENT TYPE</u>		NNN	
<u>FREE RENT (Mo)</u>	2.0	3.5	5.0
<u>TI (\$/SF)</u>	\$0.00	\$12.50	\$25.00

A rental range of \$2.00 to \$4.00 per/sf/mo. was concluded; annual rent is \$24.00 to \$48.00 per sf. Midpoint rent is \$2.50-\$2.70 per sf/mo. or \$30-\$32.40 per/sf/yr. The midpoint rent represents the appraiser’s anticipated market rent range.

Retail Insite Marketing

The following table summarizes the marketing efforts for the subject property.

LISTING HISTORY

Event	Discussion
Listing Broker:	Blake Moser, Retail Insight
List Date:	May 27, 2025
Off Market Date:	December 2025
Interested Parties:	Karl Strauss, Par 72, Pure Taco, Mike Hess, Harland Brewing Company, The Purple Elephant, and 7 additional restaurant tenants.
Range of Proposed Offers:	\$5,000/month + a percentage rent, up to \$9,000/month, fixed rent. The current (proposed) tenant was the second-highest offer. The highest at \$9,000/month had conditions including an upgrade to the golf course. However, after negotiations, the proposed rental schedule (\$8,500/SF/month + 7.0% over breakpoint revenue) is stronger and above the offers/discussions with the 13 interested tenants.

Retail Insite was retained by EDD as a real estate consultant to market the subject property and locate a tenant. In May 2025, the subject property was actively marketed on CoStar and other platforms. The listing period ended in December 2025. The listing brochure (copy located in the Addenda) did not include an asking rent. By the end of August 2025, Retail Insite had received multiple offers to lease the café building.

The best combination of restaurant type to serve primarily golfers and lease terms was selected, as summarized below.

Proposed Tenant: Harland Brewing Co., LLC

LOI Signed:	8/28/2025
Proposed Rent:	\$8,500/month, NNN* + 7.0% over breakpoint
Term:	10 years
Escalations	3.5%/year
Options:	None
Size	2,000±SF, newly renovated restaurant space

* Tenant will pay all expenses (i.e., possessory taxes, repairs/maintenance, utilities, insurance, etc.) Water is included in the rent.

Through negotiation, the starting base rental rate is \$8,500 per month (\$4.25/sf/mo. or \$51/sf/mo.). The lease states the percentage rent is calculated as follows - **Percentage Rent** means and refers to seven percent (7%) of the Gross Revenue in excess of the amount equal to the Base Rent divided by seven percent (7%). The Lease states - Beginning on the date that is 60 calendar days after the Rent Commencement Date and continuing throughout the remainder of the Term, Tenant shall pay the Percentage Rent to Landlord, in addition to Base Rent. The Percentage Rent shall be paid monthly in arrears on or before the last day of each calendar month following the month in which the Percentage Rent accrued during the Term, without Notice.

Based on review of market data and a discussion with a market professional, percentage rents are not prevalent in retail leases. This is advantageous to the Lessor, the City of San Diego; the City participates in the success of the lessee. The expense base is typical of the market when the water cost is included in the rental rate. The term allows the tenant to establish a connection to their primary customer base. Annual escalations are also within market norms.

Comments

The negotiated rent is greater than the high end of the range concluded in the Colliers International appraisal. In the opinion of the EDD Principal Appraiser, Valuations, an appraisal of market rent is the starting point for negotiations with prospective tenants. The property is marketed for lease with the anticipation of achieving a rent within the range of the market data. Once the property has been reasonably marketed, interested tenants contacted and a tenant/market rent negotiated, the appraisal becomes secondary to these market actions. The best method to achieve market rent is actively marketing the property for a reasonable timeframe and negotiate with prospective tenants to achieve the best combination of tenant and lease terms.

Market Analysis – Third Quarter 2025 to February 2026

As a test of reasonableness for the negotiated market rent of \$4.25/sf/mo. or \$51/sf/yr information was extracted from CoStar, a subscription real estate database of listings, sales and rents for San Diego County and information provided by Retail Insight.

CoStar Retail Market Analysis

The search covered the City of San Diego north of Downtown in the stated time frame. Following tables and graphs present the available market data (rent on a per/sf/yr basis).

Lease and Building Size

Total Leased SF	150.3K
Average Leased SF	1,952
Total Building SF	3.0M
Average Building SF	39,182

Average Asking Rent

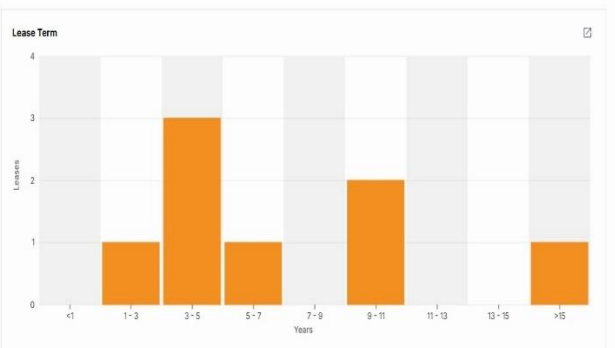
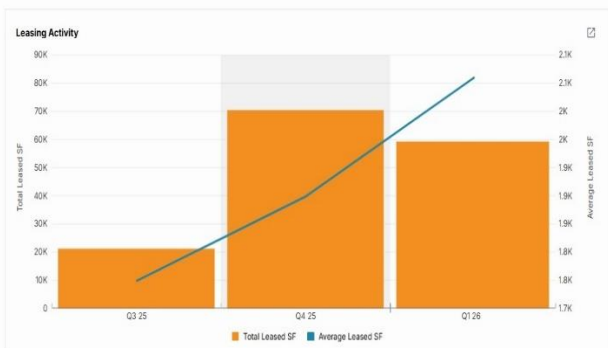
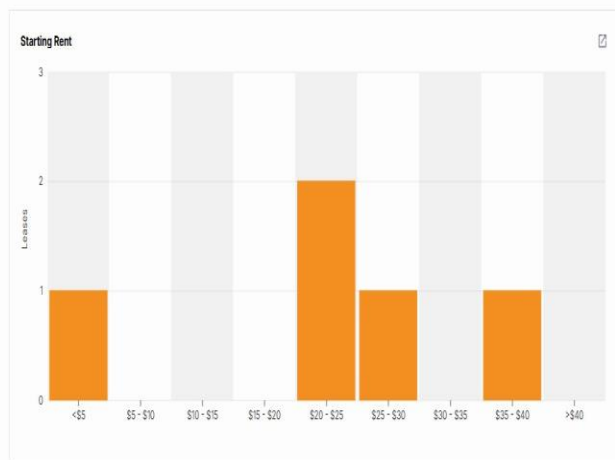
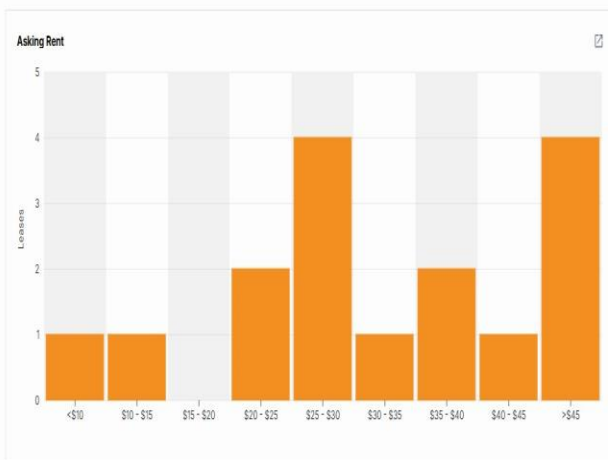
Asking Rent	\$33.15
Triple Net (9)	\$35.77
Full Service (3)	\$39.51
Modified Gross (3)	\$20.28
Plus Utilities (1)	\$27.00

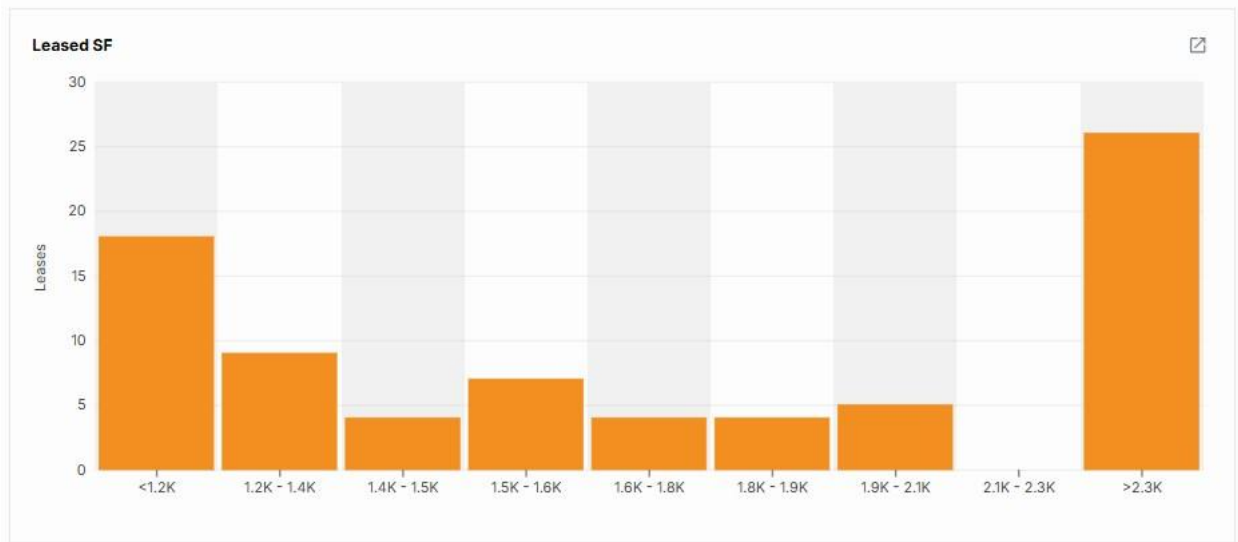
Lease Term and Lease-Up

Lease Term Months	82.5
Months to Lease	13.4
Months Vacant	13.0

Average Starting Rent

Starting Rent	\$25.13
Modified Gross (2)	\$16.13
Triple Net (2)	\$33.07
Plus Electric (1)	\$22.44





Comments

Information presented indicates that the subject property lease is significantly above the average retail rental rate over the analysis period.

Retail Insight - Retail Market Analysis

The following information was provided by the City’s consultant, Retail Insight on currently negotiated retail transactions.

Tenant	Rent PSFA	Square Feet	Lease Year	Center	Term	Space type	TIA	% Rent	Type	Address Number	Address Street	Zip Code
Pho Leo	\$ 25.60	6,374	2023	Loma Square	10	2nd gen	\$35.00/sf	5%	Community	3365	Rosecrans st.	92110
Cocina 35	\$ 48.00	3,936	2021	Liberty Station	10	2nd gen	none	none	Lifestyle	2750	Dewey Rd	92110
Paris Baguette	\$ 48.00	3,542	2025	Loma Square	10	2nd gen	\$20.00/sf	none	Community	3369	Rosecrans St.	92110
Krispy Kreme	\$ 71.12	3,515	2024	Loma Square	10	2nd gen	none	none	Community	3381	Rosecrans St.	92110
Chick FilA	\$ 60.00	3,330	2023	Liberty Station	5	2nd gen	\$50.00/sf	none	Lifestyle	2401	Truxtun Rd	92106
Liberty Public Market expansion	\$ 39.00	3,132	2021	Liberty Station	4yr10mo	Existing	none	none	Lifestyle	2820	Historic Decatur Rd	92106
Chef Jun	\$ 48.00	3,000	2024	Loma Square	10	2nd gen	none	none	Community	3309	Rosecrans st.	92110
Madi	\$ 45.00	2,850	2024	910 Grand	10	2nd gen	\$10.00/sf	none	Strip	910	Grand Ave	92109
Incredible Egg	\$ 42.00	2,429	2021	Liberty Station	5	2nd gen	none	none	Lifestyle	2556	Laning Rd	92106
Mike's Red Tacos	\$ 48.00	2,100	2023	Loma Square	7	2nd gen	none	none	Community	3365	Rosecrans Street	92110
Chin Szechwan	\$ 42.00	2,100	2024	Loma Square	8	2nd gen	none	none	Community	3373	Rosecrans St	92110
DaCafe	\$ 39.00	1,650	2025	Loma Square	5	2nd gen	\$35.00/sf	none	Community	3345	Rosecrans Street	92110
ZoZo's N. Y. Pizza	\$ 68.57	1,400	2023	N/A	3	2nd gen	none	none	Street Retail	728	Ventura Pl	92109
Birdrock Coffee Roasters	\$ 48.00	1,394	2021	Liberty Station	5	2nd gen	None	6%	Lifestyle	2445	Truxtun Rd	92106
Oakberry	\$ 39.00	1,200	2023	N/A	5	retail	1/2 rent for 6 months.	none	Street Retail	959	Garnet Ave	92109
Hawaiian Fresh Poke	\$ 39.00	1,052	2021	Liberty Station	3	2nd gen	none	none	Lifestyle	2400	Historic Decatur rd	92106
Healthy Hub	\$ 31.80	877	2021	Promenade at Pacific Beach	2	2nd gen	none	none	Neighborhood	4150	Mission Boulevard	92109
Shake & Wake Smoothies	\$ 60.00	692	2021	910 Grand	5	2nd gen	none	none	Strip	910	Grand Ave	92109

Blake Moser

O: 858.523.2092 C: 619.977.5694
 405 S. Highway 101, #150, Solana Beach, CA 92075
 www.retailinsite.net | Lic: #07154612

All deals NNN
 Percentage rent on the two deals are set at their natural breakpoint.

Comments

The provided market data ranges in size from 692 sf to 6,374 sf. Leasing terms range from 2-10 years. Rental rates are \$25.60/sf/yr to \$71.12/sf/yr with a large group in the range of \$39/sf/yr to \$48/sf/yr. Only two of the 18 retail leases included a percentage rent; these were 5% and 6% at a natural breakpoint. The subject property's negotiated market rent is within the range of the market data.

Retail Market Rent Analysis Conclusion

The subject property's negotiated rental rate of \$4.25/sf/yr or \$51.00/sf/yr is at the upper-end of the presented retail market data. The analysis supports the negotiated market rent for the subject property.

Retail Percentage Rent Analysis

The proposed lease includes a 7% percentage rent over breakpoint revenue. The analysis of percentage rent will include a discussion of retail lease information provided by Retail Insight and information contained in EDD Valuations Team's files.

Retail Insight

The City's real estate consultant provided information on 18 current lease transactions. The two transactions that included a percentage rent were negotiated at 5% and 6% at a natural breakpoint. The subject property negotiated rate is 7% over breakpoint revenue.

Other Percentage Rent Information

Percentage Rent Study

The purpose of this section is to evaluate the percentage rent rate for the proposed lease agreement. Percentage rent coastal properties in Southern California were researched to review existing leases or obtain new or renewal lease information. The locations and agencies surveyed are summarized as follows:

- San Diego Unified Port District
- Orange County
- City of Oceanside
- City of Carlsbad
- Hotel and retail percentage rent leasing broker, Josh Tammen (Marcus & Millichap)
- City of Monterrey
- City of Carmel-by-the-Sea
- Newport Beach and Newport Harbor
- Long Beach
- Port of Los Angeles
- Marina Del Rey

Several of the surveyed entities provided rental details for municipality owned properties. The category of interest is gross retail sales, non-acholic/alcoholic beverages which range from 2% to 7%. Percentage rent information is summarized on the following page.

MARKET PERCENTAGE RENT COMPARABLE TABLE

Data Number		1	2	3	4	5	6	7	8
City/Lessor		Port of SD 1000 H St	Oceanside Main Harbor Village Dock	Port of SD 1450 Harbor Island Dr	Port of SD 1551 Shelter Island Dr	Port of SD 825 E Street	Port of SD 2091 Shelter Island Dr	Port of LA 22905 Lockness Ave	Orange County 1131 Back Bay Dr
Property Address		Chula Vista 5/26/2022	Oceanside 8/24/2022	San Diego 5/31/2021	San Diego 11/1/2020	Chula Vista 9/16/2019	San Diego 10/14/1017	Torrance 6/19/2016	Newport Beach 7/1/1989
Property City									
Lease/Lease Option Date	Range of Market								
Category	Comparables	Hotel & Convention Center	Boat Rentals of America	400-Slip Marina	Resort & Marina	RV Rental Park	Marina	Marina	Campsite/RV Rental Park
Campsites	5.0%-20.0%						5.0%-15.0%		20.0%
RV Park	20.0%								20.0%
RV Park Mobile Cabins	10.0%								10.0%
Room revenue	7.0%				7.0%				
Income from Model stall rentals	5.0%-7.0%						5.0%-7.0%		
Gross retail sales	3.0%-7.0%		7.0%					3.0%	
Recreation Vehicles:									
Operation of recreational facilities	2.0%-7.0%		7.0%				2.0%-6.0%		
Operation and rental of boat slips and boating operations	20.0%-25.0%				22.0%	22.0%		20.0%	25.0%
Boat rental concessions	10.0%-20.0%				10.0%				20.0%
Rentals of bikes and recreational	10.0%-15.0%	15.0%			15.0%	10.0%			
Bike and scooter/golf cart rentals	2.0%-15.0%					10.0%	2.0%-15.0%		
Auto rental and travel commission	6.0%					6.0%			
Sales from car rental and health club/spa services	5.0%-10.0%	5.0%			10.0%				
Dry Boat Storage (open and closed)	11.0%								11.0%
Equipment Rentals	10.0%								10.0%
Aquatic equipment rentals	7.0%		7.0%						
Third Party Equipment Rentals	5.0%								5.0%
Boat Slips	25.0%								25.0%
Sales of new and used boats	Varies				\$0.55/SF/mo for land used for boat sales	\$0.55/SF/mo for land used for boat sales		\$150 -10.0% whichever is greater for new and used boat sales	
Boat charters or fishing rent/equipment	5.0%-6.0%				6.0%	6.0%			5.0%
General merchandise store	2.0%-3.0%						2.0%-3.0%		3.0%
Operation of gift shop or lobby shops	2.0%-50.0%	5.0%			5.0%		2.0%-50.0%		
Operations serving of meals, dispensing of food or snack bar	2.0%-5.0%				3.0%-5.0%	3.0%	2.0%-3.0%		5.0%
Non-alcoholic	2.0%-5.0%					5.0%	2.0%-5.0%		3.0%
Alcoholic beverages	2.0%-5.0%				3.0%-5.0%	3.0%-5.0%	2.0%-5.0%		3.0%-5.0%
Sales of recreation lessons	10.0%	10.0%							
Sales from any entertainment charges (i.e., youth camps)	3.0%-10.0%	3.0%			5.0%	10.0%		5.0%	
Parking services including valet	15.0%				15.0%				
Auto parking revenue	2.0%-10.0%						2.0%-10.0%		20.0%
Locker and Storage Rentals	10.0%							10.0%	25.0%
Yacht club membership	10.0%-22.0%				10.0%	22.0%			
Operation of game rooms	2.0%-5.0%						2.0%-5.0%		
Operation from vending machines, coin operated telephones/telephone	2.0%-25.0%	5.0%			5.0%	5.0%	2.0%-25.0%	25.0%	10.0%
Movie commission and room phones	25.0%	25.0%			25.0%				
Income conference room and office space	10.0%	10.0%			10.0%	10.0%			10.0%
Conference and banquet rooms and sales of such	7.5%				7.5%				
Income from telecommunications uses	50.0%	50.0%			50.0%	50.0%			
Utility fees	2.0%-10.0%						2.0%-10.0%		
All other authorized activities	2.0%-20.0%	10.0%	7.0%		20.0%	10.0%	2.0%-10.0%		
Unauthorized activities	2.0%-100.0%	20.0%				20.0%	2.0%-20.0%		100.0%

City of San Diego Owed Properties – Percentage Rents

The City of San Diego owns additional ground leased properties also with a percentage rent provision that are used as comparables. Despite the comparables being different property types, the business activities are considered similar to the subject property and are representative of market rates. Based on this, the five comparables are summarized in the table below.

CITY-OWNED PROPERTIES PERCENTAGE RENT COMPARABLE TABLE

Address		4500 Ocean Blvd	8110 Aero Drive	2727 De Anza Rd	Site Code P201RD	Site Code N508PA
Property Type	Range of City	Motel/Cottages	Hotel	RV Park	RV Park (Campland)	Restaurant
Lease/Lease Option Date	Comparables	11/8/2023 (appraisal DOV)	4/5/2021	6/1/2019	7/1/2017	8/19/2019
Campsites	20.0%			20.0%	20.0%	
Room revenue	6.5%-10.0%	10.0%	6.5%			
Banquet room gross income	6.5%-10.0%		6.5%			10.0%
Mandatory banquet service charges or gratuities	3.5%-4.0%		3.5%			4.0%
Operation and rental of boat slips and boating operations	25.0%				25.0%	
Recreation rentals/boat or equipment rentals	10.0%			10.0%	10.0%	
Operation of recreational facilities	5.0%			5.0%	5.0%	
Aquatic equipment rentals	10.0%			10.0%		
Operation of gift shop	7.0%		7.0%	7.0%	7.0%	
Front desk revenue	5.0%			5.0%	5.0%	
General merchandise store	5.0%-10.0%			5.0%	5.0%	10.0%
Dry boat and boat trailer storage	20.0%			20.0%	20.0%	
Boat slip rental and boat storage	25.0%				25.0%	
Sales of food/snack bar and non-alcoholic beverages	3.5%		3.5%	3.5%	3.5%	3.5%
Alcoholic beverages	6.0%-7.0%		6.0%	6.5%	6.5%	7.0%
Commissions or any other compensation to Lessee for the right to install and operate coin-operated vending, game, or service machines or devices	50.0%					50.0%
Coin-operated vending, game, or service machines	5.0%-25.0%		25.0%	5.0%	5.0%	10.0%
Paid parking, movies commission, coin-operated telephones, telephone commission	10.0%-50.0%		10.0%	50.0%	50.0%	
Auto Parking Revenue	20.0%			20.0%	20.0%	
Auto rental and travel commission	10.0%			10.0%	10.0%	
Banquet room audio/visual equipment charges	10.0%		10.0%			
Wireless telecommunication equipment installed	50.0%			50.0%	50.0%	50.0%
Laundry revenue	7.0%			7.0%	7.0%	
Propane	3.0%			3.0%	3.0%	
All other authorized activities	10.0%-20.0%	10.0%	10.0%	10.0%	10.0%	20.0%

The food and non-acholic beverage revenue section is 3.5% based on the above summarized information.

Comparable Agreement Summary provided by Colliers International

Colliers International performed an appraisal of percentage rents in their April 2024 appraisal. The Comparable Agreement Summary of the percentage rental data used in that report is shown as follows:

COMPARABLE AGREEMENT SUMMARY		
LOCATION	OPERATION FOCUS	RENTAL TERMS
Crystal Cove SP	F&B	\$50,000/year or 2.1% of gross receipts, whichever is greater for various services plus 12% of gross receipts for facility improvements
Hearst San Simeon SHM	F&B	\$1,000,000/year or percentage of gross receipts (10% for dining, 15% for catering, 22% for museum, 25% for garden shop, 30% for gift shop), whichever is greater
Malibu Lagoon SB	F&B, Boat Tour	\$250,000/year or percentage of gross receipts (7% on premises F&B, 10% take-out F&B, 10% retail sales, 15% off-premises catering and sales, 3% boat tours/fishing)
Old Town San Diego SHP	F&B	\$1,250,000/year or 8.5% of gross receipts up to \$18,000,000 and 9% of gross receipts over \$18,000,000, whichever is greater plus \$900,000 for facility improvements
Pfeiffer Big Sur SP	F&B	\$675,000/year or 16% of gross receipts, whichever is greater plus 3.7% of gross receipts for facility improvements
Cayucos SB	F&B (GC)	5% of gross receipts
Monterey Peninsula RPD	F&B (GC)	The rent is the greater of: 8% of concessionaire's gross revenues (excluding service charges/gratuities and sales taxes) or the minimum rent payment as set forth in the agreement
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 8%, alcoholic bev 10.50% special events 10%, vending 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4% alcoholic bev 4% special events 4%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 6%, alcoholic bev 12%, special events 12%, vending 6%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4%, alcoholic bev 8%, special events 10%, catering/to-go 6%, optional valet service 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 10%, alcoholic bev 12.50%, special events 10%, vending 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 10%, alcoholic bev 12.50%
The City of Los Angeles	F&B (GC)	Food, non-Alcohol Bev 3.5%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4.25 %
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4.25 %
The City of Los Angeles	F&B (GC)	Alcoholic Bev 10%, happy hour and not club discount 4.25%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 3%, alcoholic bev 3%, special events 3%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 6%, alcoholic Bev 6%
Will Rogers State Beach	F&B	10% from the restaurant, 12% from the bar, 12% from parking fees, 12% from retail sales, 25% from service enterprise (e.g., coin-operated vending machines), and 12% from misc.
LAX	F&B	Minimum rent of \$733.33 per square foot per year for fast casual dining and \$700 per square foot per year for branded coffee spaces, 21.5% for alcoholic bev and 16.5% for all other items

The subject's lease revenue category is restaurant sales which includes both non-alcoholic and alcoholic beverages. Excluding the extreme ends of the rates, percentage rents range from 3.5% to 12.5% of food and beverage revenues. The subject property's negotiated percentage rent is within the range of the market data.

Percentage Rent Conclusion

Based on information contained in the Colliers International appraisal reports and supported with additional market data, a percentage rent of 7% of over breakpoint revenue is concluded to be a market percentage rate.

MARKET BASE RENT & PERCENTAGE RENT CONCLUSION

Information presented in this report supports a base rental rate of \$4.25/sf/mo. or \$51/sf/yr for the subject property with a percentage rent of 7% over breakpoint revenue as of February 20, 2026.

Base Rent: \$4.25/sf/mo. or \$51/sf/yr
% Rent: 7% over breakpoint revenue

Thank you for the opportunity of submitting this report.

Sincerely,



Michael D. Keagy, MAI
CA Certificate No. AG025851

ASSUMPTIONS AND LIMITING CONDITIONS

1. This is a restricted appraisal report which is intended to comply with the reporting requirements set forth under Standard Rule 2-2c of the Uniform Standards of Professional Appraisal Practice. It does not include discussions of the data, reasoning, and analyses that were used in the appraisal process to develop opinions of value. Supporting documentation is retained in our files. The opinions expressed in this restricted use report may not be understood properly without additional information in the work file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report or its use by third parties.
2. The information furnished by others is believed to be true, correct, and reliable. A reasonable effort was made to verify such information; however, no warranty is given for its accuracy.
3. No responsibility is assumed for matters legal in character such as the legal description or title considerations such as title defects, liens, encroachments or overlapping boundaries other than those addressed in the appraisal. No opinion is rendered as to title which is assumed to be in fee simple interest as of the date of value unless otherwise noted.
4. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements, and restrictions except those specifically discussed in the report. Responsible ownership and competent property management are assumed.
5. Soils engineering studies were not provided. It is assumed that there are no hidden or unapparent conditions which would render the properties more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such conditions.
6. The appraisers are not qualified to detect hazardous wastes, toxic materials or soil/sub-soil conditions. Such determination would require an investigation by qualified experts in those fields. This analysis is made assuming no such problems exist.
7. It is assumed that there are no environmental or ecological factors that will prevent the use of the properties to their highest and best use.
8. No warranty is made as to the seismic stability of the subject properties.
9. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor part of the contents of this report (especially any conclusions of value, the identity of the appraisers, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent.
10. Submission of this report constitutes completion of the services authorized. By reason of this appraisal, we are not required to give further consultation, depositions, testimony, or be in attendance in court with reference to the subject, unless arrangements have been previously made and the client agrees to provide customary compensation.

EXTRAORDINARY ASSUMPTIONS²

² No extraordinary assumptions were used in the appraisal report

CERTIFICATION

I certify, to the best of my knowledge and belief that:

1. The statements of fact contained in this report are true and correct.
2. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
3. I have not performed services, as an appraiser, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this report.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
9. I have not personally inspected the area that is the subject of this Appraisal Report.
10. No one aside from the signers of this report provided significant professional assistance to the individual signers in the preparation of this Appraisal Report.
11. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
12. Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.



Michael D. Keagy, MAI

Certified General Real Estate Appraiser No. AG025851

ADDENDA



RETAIL
INSITE



MISSION BAY GOLF COURSE

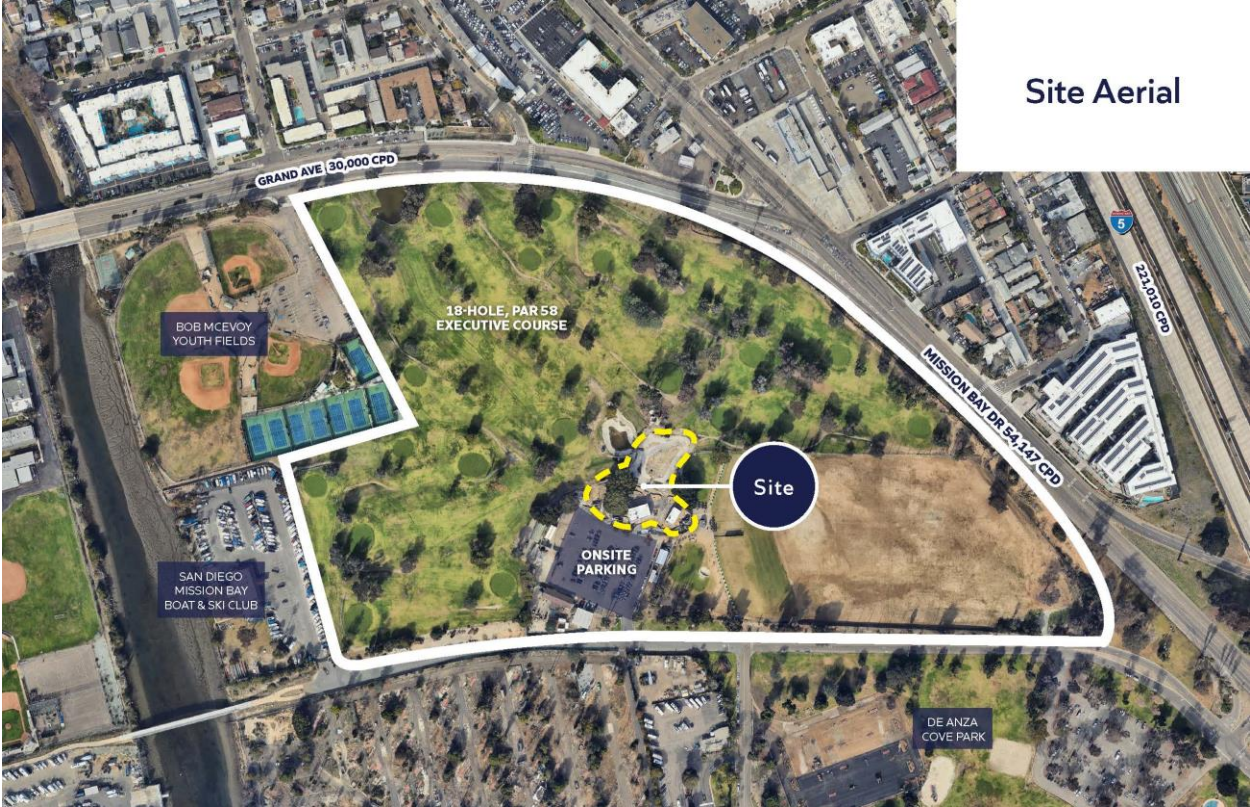
RESTAURANT OPPORTUNITY | ±2,000 SF

2702 NORTH MISSION BAY DRIVE, SAN DIEGO CA 92109

Trade Aerial



Site Aerial



Mission Bay Golf Course

- Mission Bay Golf Course and Practice Center is an 18-hole, par 58 executive course located in the Pacific Beach area of San Diego. Designed by Ted Robinson, the course spans 2,719 yards over 46 acres and is notable for being the only golf course in SD equipped with night lighting, allowing for extended play hours.
- Amenities include a Pro shop offering rentals, hand/power golf carts, golf balls, tees, gloves, and other merchandise. Driving range, practice putting greens, sand traps, and chipping greens and professional golf instruction by Loin Golf Academy.
- 100,000+ golf rounds per year at **Mission Bay Golf Course**
 - Only lighted public course in San Diego – open until 9:30 PM
 - Hosting night golf leagues, tournaments, and high junior participation



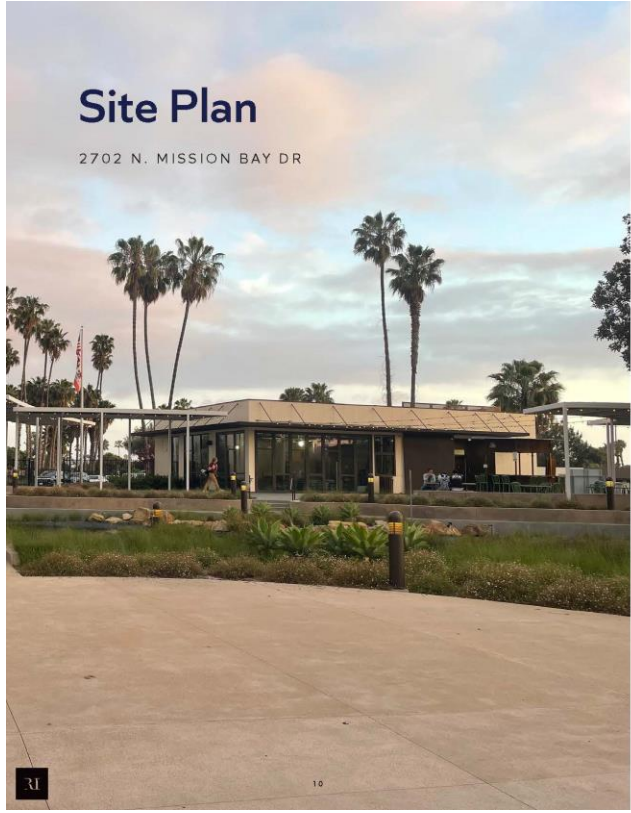
BIRDSEYE RENDERING OF SITE



The Opportunity

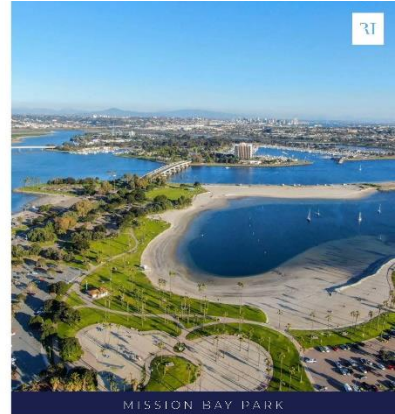
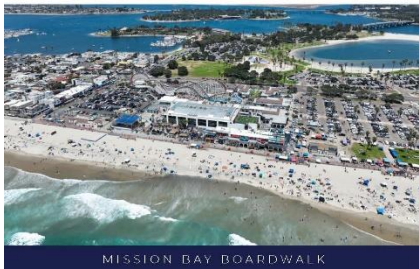
- Fully Built out 2,000 sf restaurant space includes ventless hood system, walk-in cooler, counter infrastructure, ADA restrooms, and carefully curated finishes currently under construction
- Gorgeous golf course-facing patio perfect for casual dining, live music, or family-friendly events
- Ample surface parking accessible directly from N. Mission Bay Drive — convenient for guests, staff, and deliveries
- Exclusive opportunity to serve all on site users breakfast, lunch, dinner, and drinks





Built-In Audience & Surrounding Demand

- Centrally located in San Diego's premier coastal recreation zone
- Surrounded by a dense and diverse blend of residential, hotels, Airbnbs, and tourist traffic
- Adjacent to:
 - Mission Bay Park: the largest aquatic park of its kind in the U.S.
 - Tecolote Shores Park: volleyball, fields, kite festivals
 - Mission Bay bike and walking trails: 15+ miles of connected paths
 - SeaWorld, Pacific Beach, and I-5 Fwy
 - Youth sports fields, fishing areas, kayak rentals and paddleboarders





MISSION BAY GOLF COURSE CAFÉ MARKET RENT STUDY

2702 N Mission Bay Dr
San Diego, California 92109

Date of Study: April 22, 2024

Colliers File #: LAX240040



PREPARED FOR
Mike Keagy, MAI - Principal Appraiser/Program Manager
City of San Diego Department of Real Estate and Airport
Management
1200 Third Avenue
Suite 1700
San Diego, CA 92101

PREPARED BY
COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES



LETTER OF TRANSMITTAL

April 22, 2024

Mike Keagy, MAI - Principal Appraiser/Program Manager
**City of San Diego Department of Real Estate and
Airport Management**
1200 Third Avenue
Suite 1700
San Diego, CA 92101

RE: Mission Bay Golf Course Café Market Rent Study
2702 N Mission Bay Dr
San Diego, California 92109

Colliers File #: LAX240040

Mr. Keagy:

This market study satisfies the scope of work and requirements agreed upon by City of San Diego Department of Real Estate and Airport Management and Colliers International Valuation & Advisory Services. At the request of the client, this appraisal is presented in an Appraisal Report format as defined by *USPAP* Standards Rule 2-2(a). Our market study provides a detailed description of the appraisal process, subject and market data and valuation analyses.

The purpose of this market study is to assist the City of San Diego, Department of Real Estate and Airport Management in determining rental rates for the Mission Bay Golf Course Café. The rental rates are on a price per square foot basis. The survey methodology included contacting retail and restaurant brokers active in the City of San Diego and conducting an interview regarding their opinion on rental rates.

The subject property is a recently built café comprising 5,805 square feet. This establishment includes a 1,625 square foot food service building, 260 square feet dedicated to restrooms, a 1,960 square foot service patio, and a 1,960 square foot island. It is currently in a warm shell state. Situated within the Mission Bay Municipal Golf Course complex, the property is positioned on the southeastern periphery of Mission Bay Park, in close proximity to Pacific Beach and the bay.

The following table includes a summary of our findings from the survey.

MISSION BAY GOLF COURSE CAFÉ MARKET RENT STUDY

MINIMUM RENT

	LOW	CONCLUSION	HIGH
LEASE TERM (Yrs)	5.0	7.5	10.0
ESCALATIONS (ANNUAL)	3.0%	3.5%	4.0%
RENTAL RATE (SF/Mo)	\$2.00	\$2.25	\$4.00
EXPENSE REIMBURSEMENT TYPE		NNN	
FREE RENT (Mo)	2.00	3.50	5.00
TI (\$/SF)	\$0.00	\$12.50	\$25.00
PERCENTAGE RENT			
ALL FOOD	3.0%	7.0%	16.5%
ALL BEVERAGES INCLUDING ALCOHOLIC	1.0%	10.0%	21.5%
ALL SERVICE CHARGES NOT RELATED TO GRATUITIES GOING TO STAFF	1.0%	10.0%	25.0%
ALL REVENUE RECEIVED FROM GAME/VENDING MACHINES AND LESSEE-OWNED MACHINES	3.0%	11.0%	30.0%
ALL OTHER AUTHORIZED OPERATIONS AND ACTIVITIES	2.1%	12.0%	12.0%

Key Findings

1. Comparable lease listings and transactions range from \$2.13 to \$3.81 per square foot on an adjusted triple-net basis (NNN), with an average of \$2.61. Overall, comparable lease transactions indicate a market rental rate of \$2.25 per square foot NNN.
2. Local brokers specializing in the leasing of retail/restaurant/café space indicate a range \$2.00 to \$4.00 per square foot on a triple-net basis (NNN), with a midpoint of \$2.50.
3. Comparable triple-net leases and brokers indicate that lease terms range between 5 to 10 years and annual escalations typically set at 3% or 4%. Further, shorter lease terms will have a negative effect on the base lease rate as well as escalations, indicating that the lower lease rate indicated by comparables is reasonable.
4. Tenant Improvement (TI) allowances and free rent periods are on a case-by-case basis depending on the generation of the space. Market participants expect some level of TI allowance for first-generation space. A reasonable TI amount given a three-year term of the lease is \$12.50 per square foot.
5. Percentage rents may be offered where the rental rate is the greater of minimum rent or percentage rent. Percentage rent rate ranges vary based on the location and type of concession offered. Typical medians range from approximately 7.0% to 12.0% of gross revenues.

The signatures below indicate our assurance to the client that the development process and extent of analysis for this assignment adhere to the scope requirements and intended use of the market study. If you have any

specific questions or concerns regarding the attached appraisal report, or if Colliers International Valuation & Advisory Services can be of additional assistance, please contact the individuals listed below.

Sincerely,

**COLLIERS INTERNATIONAL
VALUATION & ADVISORY SERVICES**



Brian Tankersley, MAI, MRICS
Senior Valuation Services Director
Certified General Real Estate Appraiser
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OVERVIEW

SAN DIEGO RETAIL MARKET ANALYSIS

GOLF MARKET ANALYSIS

MARKET RENT ANALYSIS

SURVEY RESPONSES

CERTIFICATION

ASSUMPTIONS & LIMITING CONDITIONS

SCOPE OF WORK

The scope of work for this appraisal assignment is outlined below:

Prepare a market rent study of space rent per square foot for the Café at Mission Bay Golf Course located in the Mission Bay District of San Diego.

CLIENT IDENTIFICATION

The client of this specific assignment is the City of San Diego Department of Real Estate and Airport Management.

PURPOSE

The purpose of this market study is to research market rental rates as defined in the scope of work.

INTENDED USE

The intended use of this appraisal is to assist the client in determining market rent for the subject property.

INTENDED USERS

Use of this report by third parties and other unintended users is not permitted. This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.

The analyses, opinions and conclusions communicated within this appraisal report were developed based upon the requirements and guidelines of the current Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The report, in its entirety, including all assumptions and limiting conditions, is an integral part of, and inseparable from, this letter. *USPAP* defines an Extraordinary Assumption as, “an assignment specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions”. *USPAP* defines a Hypothetical Condition as, “that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis”.

The Extraordinary Assumptions and/or Hypothetical Conditions that were made during the appraisal process to arrive at our opinion of value are fully discussed below. We advise the client to consider these issues carefully given the intended use of this appraisal, as their use might have affected the assignment results.

EXTRAORDINARY ASSUMPTIONS

This Appraisal Report is not contingent on any extraordinary assumptions.

HYPOTHETICAL CONDITIONS

This Appraisal Report is not contingent on any hypothetical conditions.

RELIANCE LANGUAGE

The market study is for the sole use of the Client; however, Client may provide only complete, final copies of the market study in its entirety (but not component parts) to third parties who shall review such reports in connection with loan underwriting or securitization efforts. Colliers International Valuation & Advisory Services is not required to explain or testify as to appraisal results other than to respond to the Client for routine and customary questions. Please note that our consent to allow the market study prepared by Colliers International Valuation & Advisory

Services or portions of such market study, to become part of or be referenced in any public offering, the granting of such consent will be at our sole and absolute discretion and, if given, will be on condition that Colliers International Valuation & Advisory Services will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to Colliers International Valuation & Advisory Services, by a party satisfactory to Colliers International Valuation & Advisory Services. Colliers International Valuation & Advisory Services does consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide Colliers International Valuation & Advisory Services with an Indemnification Agreement and/or Non-Reliance letter.

Our opinion of value reflects current conditions and the likely actions of market participants as of the date of value. It is based on the available information gathered and provided to us, as presented in this report, and does not predict future performance. Changing market or property conditions can and likely will have an effect on the subject's value.

EXPOSURE TIME & MARKETING PERIOD

Exposure time is defined as "An opinion, based on supporting market data, of the length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal." (The Dictionary of Real Estate Appraisal, Appraisal Institute, 2022). Reasonable exposure time is impacted by the aggressiveness and effectiveness of a property's exposure to market participants, availability and cost of financing, and demand for similar investments. Exposure time is best established based the recent history of marketing periods for comparable sales, discussions with market participants and information from published surveys.

The following information was taken into consideration to develop estimates of exposure time and marketing period for the subject property:

EXPOSURE TIME & MARKETING PERIOD				
SOURCE	QUARTER	RANGE		AVG
PriceWaterhouse Coopers				
National Strip Shopping Center	4Q 23	1.0 to	15.0	7.2
National Net Lease	4Q 23	3.0 to	18.0	8.2
AVERAGE		2.0 to	16.5	7.7

The availability of acquisition financing factors into exposure time. In recent quarters, financing has been available for well-positioned commercial real estate, particularly for stabilized assets within core MSAs and owner/user deals. For second tier or marginal properties, financing has been available but subject to more stringent requirements.

Exposure Time Conclusion

The preceding information generally supports an exposure time range from 2 to 16 months for Retail / Commercial (Limited Service Restaurant) properties. The subject property is of good quality and is in good condition. Further, the subject property's location places downward pressure on the subject's likely exposure time. Based on its overall physical and locational characteristics, the subject has above average overall appeal. Considering these factors, a reasonable estimate of exposure time for the subject property is six months or less.

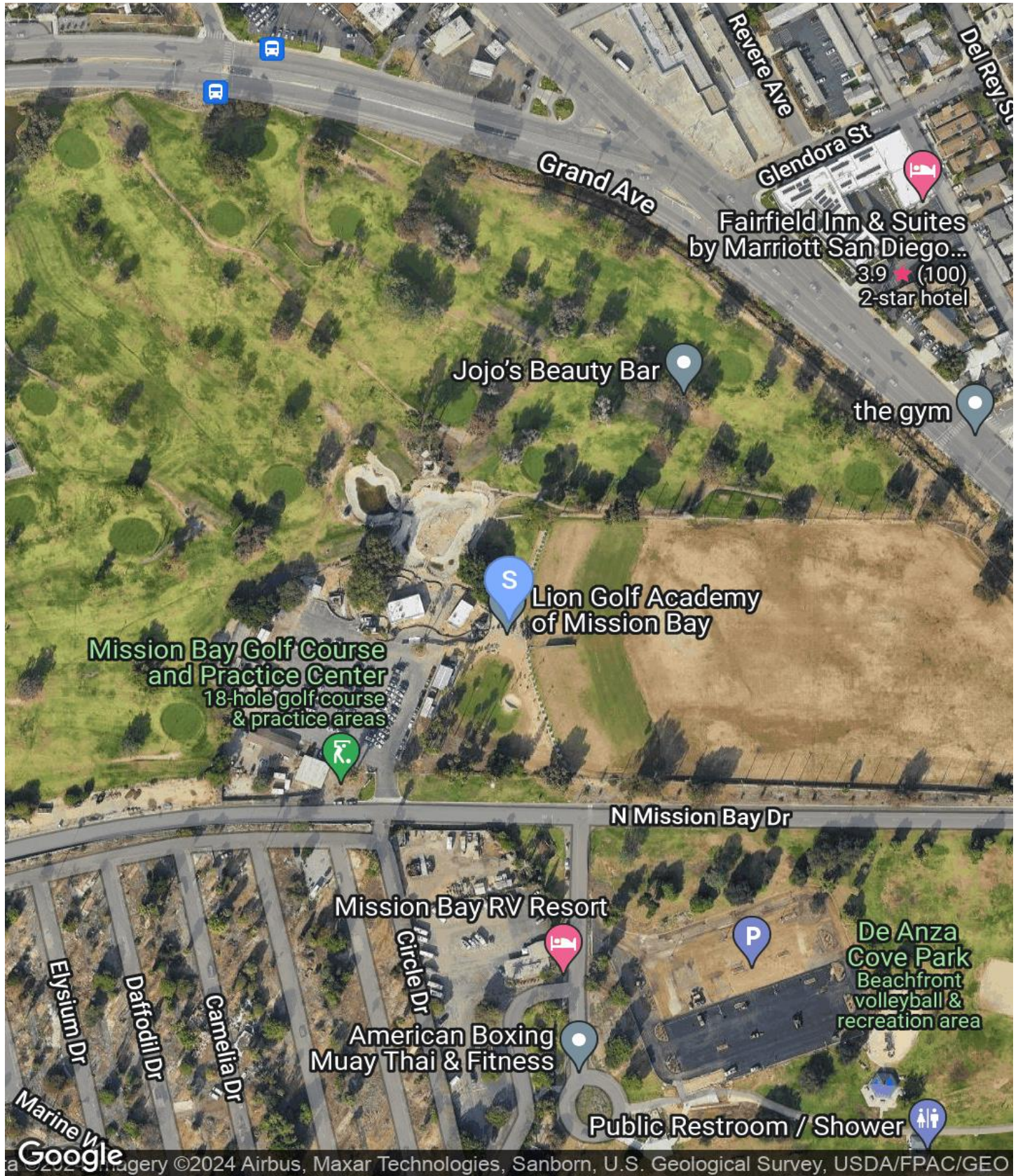
Marketing Period Conclusion

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. We have reviewed open listings and discussed the market with local participants, and given the nature of the subject property, we feel that a time period of three months or less is supported for the subject's marketing period.

SAN DIEGO

San Diego, the second-largest city in California and the eighth largest in the U.S., has a citywide population of nearly 1.3 million and over 3 million countywide. The county spans 4,200 sq. miles, encompassing 18 cities, including Chula Vista, Oceanside, Carlsbad, Escondido, and others. San Diego is known for its favorable climate, 70 miles of beaches, and attractions like the San Diego Zoo, SeaWorld, and Legoland. East County offers diverse terrain, while North County has an agricultural community and growing wine industry. The 70-mile coastline supports outdoor activities, and to the south, Mexico adds cultural richness. The county caters to sports enthusiasts with 92 golf courses, beachfront resorts, spas, gaming, and a downtown district.

MISSION BAY GOLF COURSE CAFÉ LOCATION



GENERAL INFORMATION

Property Name	Mission Bay Golf Course Café Market Rent Study
Property Type	Retail / Commercial - Limited Service Restaurant
Address	2702 N Mission Bay Dr
City	San Diego
State	California
Zip Code	92109
County	San Diego
Core Based Statistical Area (CBSA)	San Diego-Carlsbad, CA
Market	San Diego
Submarket	Mission Valley
Latitude	32.799664
Longitude	-117.216213
Number Of Parcels	1
Assessor Parcel	760-035-13-00
Ad Valorem Taxable Interest	Possessory Interest
Census Tract Number	76.01

SITE INFORMATION

	Acres	Square Feet
Land Area		
Usable	109.10	4,752,396
Unusable	0.00	0
Excess	0.00	0
Surplus	0.00	0
Total	109.10	4,752,396
Topography	Level at street grade	
Shape	Irregular	
Access	Fair/Average	
Parking Type	Surface	
Total Golf Course Number of Parking Spaces	150	
Allocated Parking Spaces	19	
Parking Ratio per 1,000SF of NRA	10	
Exposure	Fair/Average	
Current Zoning	Single Dwelling (RS-1-7)	
Flood Zone	Zone X (Shaded)	
Seismic Zone	Highest Risk	

IMPROVEMENT INFORMATION

Gross Building Area SF (GBA)	1,885 SF
Net Rentable Area (NRA)	1,885 SF
Total Number Of Stories	1
Year Built	2024
Quality	Good
Condition	Good
Type Of Construction	Steel and masonry
Land To Building Ratio	2521.2 : 1

Land to Building Ratio Note: The land to building ratio presented is based on the total land area and the area of the subject property. Other permanent structures on the site include a pro shop / check in area as well as a maintenance building.

Parking Ratio Note: The parking ratio presented is based on the total number of parking spaces and the square feet of the subject property. The parking lot is primarily for the golf course users, and is shared with the subject property.

The subject property is a recently built café comprising 5,805 square feet. This establishment includes a 1,625 square foot food service building as well as 260 square feet dedicated to restrooms for a total rentable area of 1,885 square feet. The property also features a 1,960 square foot service patio, and a 1,960 square foot island suitable for event space. It is currently in a warm shell state. Situated within the Mission Bay Municipal Golf

Course complex, the property is positioned on the southeastern periphery of Mission Bay Park, in close proximity to Pacific Beach and the bay.

The Golf Course was designed by golf course architect William P. Bell and opened in 1955. The original course was built as a 9-hole course in 1955. Several golf course renovations have taken place over the years, with the course being substantially altered in recent years to an 18-hole executive, stadium lit course.

The property and golf course are a 15-minute drive from downtown hotels, the San Diego Convention & Visitor Center, Petco Park, Little Italy, and the Gaslamp District. Covering 2,719 yards and occupying 46 acres in the central part of the city, it is the only golf course in San Diego with night lighting and where Tiger Woods won a junior world title.

INTRODUCTION

The information presented below is a basic description of the existing improvements. This information is used in the valuation of the property. Reliance has been placed upon information provided by sources deemed dependable for this analysis. It is assumed that there are no hidden defects, and that all structural components are functional and operational, unless otherwise noted. If questions arise regarding the integrity of the improvements or their operational components, it may be necessary to consult additional professional resources.

Property Type	Retail / Commercial - Limited Service Restaurant
Design	Single-Tenant Occupied By A Third-Party Tenant - 1 Tenant Space
Number of Buildings	1
Number of Stories	1
Food Service Area	1,625 SF
Restrooms	<u>260 SF</u>
Net Rentable Area (NRA)	1,885 SF
Gross Building Area (GBA)	1,885 SF
Land to Building Ratio	2521.2 : 1
Parking	150 (Surface) 79.6/1,000 SF NRA
Year Built	2024
Year Renovated	-
Age/Life Analysis	
Actual Age	1 Year
Effective Age	1 Year
Economic Life	50 Years
Remaining Life	49 Years
Quality	Good
Condition	Good
Functional Design	The building is positioned to offer views of the golf course as well as the interior water features. The setup is well-suited to support food and beverage demand from golf participants as well as offsite guests.
Basic Construction	Steel and masonry
Foundation	Poured concrete slab
Framing	Structural steel with masonry and concrete encasement
Exterior Walls	EIFS
Roof	Sealed membrane
Insulation	Assumed to be standard and to code for both walls and ceilings
Heating	Forced Air
Air Conditioning	Central HVAC

Lighting	LED
Interior Walls	Drywall
Electrical	The building has a master meter.
Ceilings	Drywall
Windows	Standard windows; glass in synthetic frames
Doors	Glass in metal frame, interior doors are hollow wood/metal in metal frames
Flooring	Polished concrete
Plumbing	Standard plumbing for a limited service restaurant building
Fire Protection	The subject has a fire sprinkler system and smoke alarms.
Security	Video surveillance and alarm system
Elevators	None
Landscaping	Asphalt paving, concrete sidewalks, concrete curbing, pole mounted lights and low maintenance sprinklered landscaping
Build-out/TIs	The improvements are considered to be in warm shell state and the underlying lease analysis considers that a TI allowance will be offered.
Parking	The subject shares a parking lot with the Mission Bay Golf Course and is a paved lot with approximately 150 spaces. The parking lot is considered to be more than adequate to serve the subject property.
Deferred Maintenance	The subject property is new construction and is not expected to have deferred maintenance.
Hazardous Materials	This appraisal assumes that the improvements are constructed free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.
ADA Compliance	This analysis assumes that the subject complies with all ADA requirements. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

SAN DIEGO RETAIL OVERVIEW

The following is an analysis of supply/demand trends in the San Diego Retail market using information provided by REIS, widely recognized as a credible source for tracking market statistics. The table below presents historical data for key market indicators.

HISTORICAL STATISTICS (LAST TEN YEARS)							
PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ EMPL
2014	41,555,000 SF	301,000 SF	329,000 SF	6.3%	\$29.80/SF	\$26.81/SF	2.2%
2015	41,555,000 SF	0 SF	(288,000) SF	7.0%	\$30.59/SF	\$27.53/SF	3.2%
2016	41,599,000 SF	44,000 SF	342,000 SF	6.2%	\$31.21/SF	\$28.13/SF	2.4%
2017	41,770,000 SF	171,000 SF	188,000 SF	6.2%	\$31.51/SF	\$28.47/SF	2.0%
2018	41,793,000 SF	23,000 SF	61,000 SF	6.1%	\$31.88/SF	\$28.83/SF	1.6%
2019	42,028,000 SF	235,000 SF	284,000 SF	5.9%	\$32.52/SF	\$29.43/SF	1.5%
2020	42,028,000 SF	0 SF	(376,000) SF	6.8%	\$32.28/SF	\$29.04/SF	(8.5%)
2021	42,047,000 SF	19,000 SF	224,000 SF	6.3%	\$32.31/SF	\$29.18/SF	7.9%
2022	42,051,000 SF	4,000 SF	41,000 SF	6.2%	\$32.39/SF	\$29.24/SF	4.2%
2023	42,108,000 SF	57,000 SF	(228,000) SF	6.9%	\$32.59/SF	\$29.28/SF	1.5%
CAGR	0.1%	-	-	-	0.9%	0.9%	1.5%

Source: REIS®

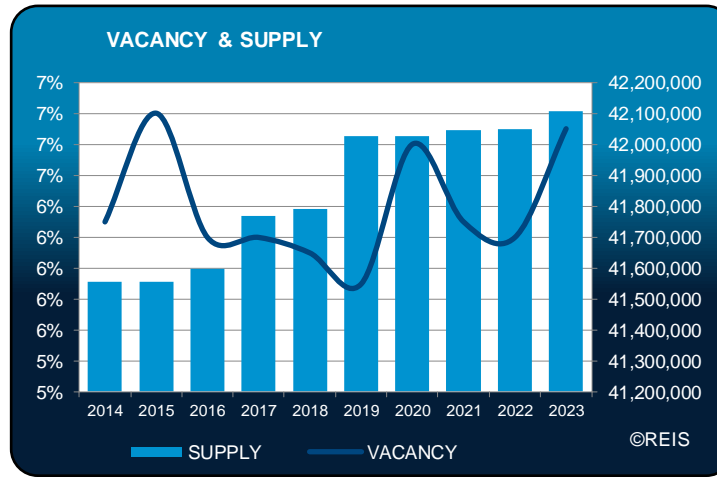
Over the past ten years the retail market inventory slightly increased by 2.1% while employment substantially expanded by 18.1%. These trends have resulted in stable market conditions where there is balance in prevailing retail supply/demand conditions. This is evident by the slight positive absorption (1.4% change), moderate increase in the vacancy rate (0.6% change) and increase of the actual average rent (9.2% change) over this time period.

Analysis of the data indicates the retail market has gone through three distinctive trends over the past ten years.

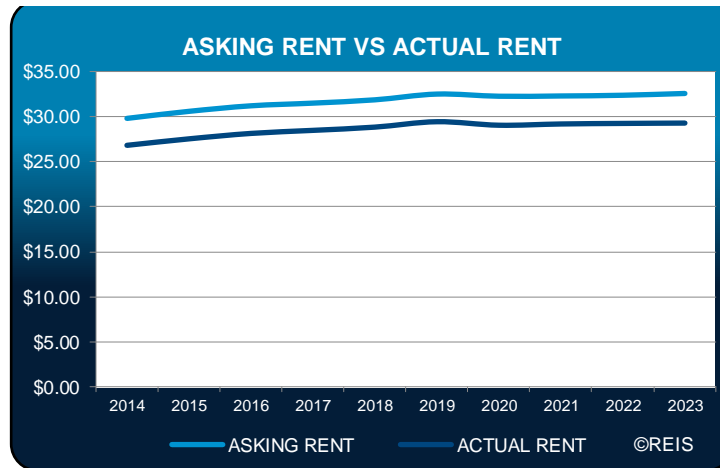
TEN YEAR HISTORICAL TREND ANALYSIS							
PERIOD	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ EMPL	
2014-2023	854,000 SF	577,000 SF	6.3%→6.9%	\$29.80→\$32.59	\$26.81→\$29.28	18.1%	
10 Yrs	2.1%	1.4%	0.6%	9.4%	9.2%		
SUBTRENDS							
2014-2015	301,000 SF	41,000 SF	6.3%→7.0%	\$29.80→\$30.59	\$26.81→\$27.53	5.4%	
2 Yrs	0.7%	0.1%	0.7%	2.7%	2.7%		
2016-2019	473,000 SF	875,000 SF	6.2%→5.9%	\$31.21→\$32.52	\$28.13→\$29.43	7.6%	
4 Yrs	1.1%	2.1%	(0.3%)	4.2%	4.6%		
2020-2023	80,000 SF	(339,000) SF	6.8%→6.9%	\$32.28→\$32.59	\$29.04→\$29.28	5.1%	
4 Yrs	0.2%	(0.8%)	0.1%	1.0%	0.8%		

The two year period from 2014 to 2015 was highlighted with slightly increased supply and substantially expanded employment. These key factors had an offsetting impact that resulted in slight positive absorption, moderate increase of vacancy rates and considerable increase of actual rent achieved in the market. The next four year period from 2016 to 2019 featured slightly increased supply and substantially expanded employment. This had an offsetting impact that resulted in positive absorption, moderate decrease of vacancy rates and considerable increase of actual rent levels. The most recent four year period from 2020 to 2023 was marked by slightly increased supply and substantially expanded employment. This caused an offsetting impact that resulted in slight negative net absorption, moderate increase of vacancy rates and minimal increase of actual rent levels.

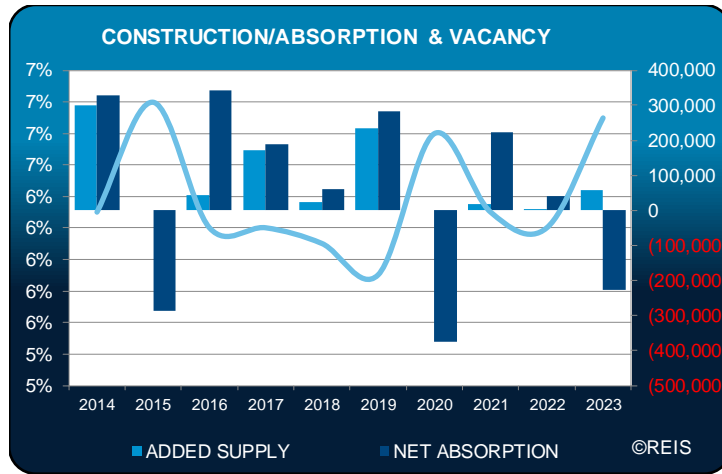
Over the past ten years the market had a compound annual growth rate (CAGR) of 0.1% per year. Vacancy has ranged from 5.9% to 7.0% with an average of 6.4%. Vacancy increased from 6.3% in 2014 to 7.0% in 2015, decreased from 6.2% in 2016 to 5.9% in 2019 and increased from 6.8% in 2020 to 6.9% in 2023.



Over the past ten years asking rent has experienced a CAGR of 0.9% while actual rent has experienced a CAGR of 0.9%. Asking rent hit a low of \$29.80/SF in 2014 and a high in 2023 at \$32.59/SF. Since peaking actual rent has generally declined. Actual rent hit a low of \$26.81/SF in 2014 and a high in 2019 at \$29.43/SF. In 2023 the actual rent was 89.8% of asking rent, which is lower in comparison to the ten year average of 90.2% indicating favorable negotiating conditions for tenants.



In the past ten years a total of 854,000 SF were added to the supply with 577,000 SF of net absorption achieved during the same period.



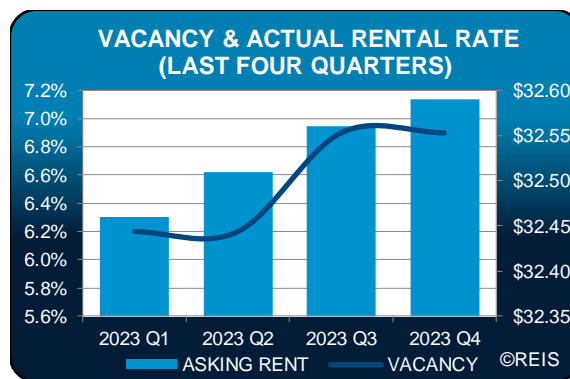
The following table summarizes the trailing four quarter performance of the retail market.

TRAILING FOUR QUARTER PERFORMANCE							
PERIOD	SUPPLY	ADDED SUPPLY	NET ABSORPTION	VACANCY	ASKING RENT	ACTUAL RENT	Δ EMPL
2023 Q1	42,051,000 SF	0 SF	6,000 SF	6.2%	\$32.46/SF	\$29.30/SF	0.8%
2023 Q2	42,051,000 SF	0 SF	26,000 SF	6.2%	\$32.51/SF	\$29.33/SF	0.5%
2023 Q3	42,061,000 SF	10,000 SF	(295,000) SF	6.9%	\$32.56/SF	\$29.26/SF	-0.2%
2023 Q4	42,108,000 SF	47,000 SF	35,000 SF	6.9%	\$32.59/SF	\$29.28/SF	0.4%

Source: REIS®

As of Q4 2023 the market has a total retail inventory of 42,108,000 SF with 2,905,452 SF vacant indicating a current vacancy rate of 6.9%. There was 47,000 SF completed last quarter, whereas there was 57,000 SF added in the last year.

Over the past four quarters the retail market has experienced a moderate increase in supply and expanded employment. These key factors had an offsetting impact that resulted in negative net absorption, increase of vacancy rates and nominal decrease of actual rent achieved in the market.



Key supply/demand statistics for the most recent quarter, last year and historical averages are summarized below.

MARKET TREND ANALYSIS			
	Q4 2023	2023	Last 10
Total SF	42,108,000	42,108,000	41,853,400
Vacant SF	2,905,452	2,905,452	2,674,432
Market Vacancy	6.9%	6.9%	6.4%
Construction Growth Rate	0.1%	0.1%	0.1%
Absorption Rate	0.1%	(0.5%)	0.1%
Average Asking Rent/SF	\$32.59	\$32.59	\$31.71
Average Actual Rent/SF	\$29.28	\$29.28	\$28.59
Asking vs Attained	90%	90%	90%
Effective Concessions	10%	10%	10%

Source: REIS®

VACANCY

The data on vacancy for Q4 2023 reveals that there are 2,905,452 square feet of unoccupied space in the surveyed area. This represents an increase from the average vacancy of 2,674,000 square feet over the last ten years.

SUPPLY

In Q4 2023, the total square footage stands at 42,108,000, showcasing a slight increase from the ten-year average of 41,853,400. The construction growth rate has remained constant at 0.1%, indicating that the rate of new construction or development of retail spaces in the surveyed area has not experienced significant change over the specified period.

ABSORPTION

In Q4 2023, the rate of absorption stands at 0.1, indicating a moderate level of leased or occupied space during this quarter. Contrastingly, the negative absorption rate of -0.5 in Q3 2023 suggests a reduction in occupied square footage, potentially indicative of increased vacancies or changing market dynamics. Over the last ten years, the average absorption rate maintains a steady 0.1, portraying a consistent pattern of space uptake.

CONSTRUCTION

There was no new inventory added during Q3 2023, but there were two projects planned or proposed.

RETAIL CONSTRUCTION ACTIVITY SUMMARY			
STATUS	NO. OF PROJECTS	SIZE (SF)	% OF SUPPLY
Under Construction	0	0	-
Planned or Proposed	2	36,880	0.1%
Total	2	36,880	0.1%

Source: REIS®

SAN DIEGO RETAIL MARKET CONCLUSION

Based on the preceding analysis, the San Diego restaurant submarket demonstrates sound fundamentals. Analysis of supply and demand factors indicates the market is currently stable with no evidence to prove this will change any time soon. There are no observed weaknesses of the submarket that stand out.

INTRODUCTION

We anticipate that a majority of the traffic for the subject property will be from users of the golf course. The market analysis section provides a comprehensive study of supply/demand conditions, examines transaction trends, and interprets ground level information conveyed by market participants. Based on these findings and an analysis of the subject property, conclusions are drawn with regard to the subject's competitive position within the marketplace. Below is a list of the various sections covered in the following Market Analysis:

- › NGF (National Golf Foundation)
- › IBIS Industry Report

NATIONAL GOLF COURSE & COUNTRY CLUBS MARKET OVERVIEW

In this section, market conditions that influence the subject property will be considered. The major factors requiring consideration are the supply and demand conditions, which affect the competitive position of the subject property.

*Our analysis includes excerpts and information from National Golf Foundation 2020 Golf Industry Report.

NATIONAL GOLF FOUNDATION GOLF INDUSTRY REPORT

According to the Graffis report, the golf industry has undergone a remarkable transformation over the past three years in response to the coronavirus pandemic. The report highlights unprecedented engagement, increased participation, and improved health in golf operations. As of 2023, there is continued positive momentum, characterized by a more balanced relationship between golfers and golf courses and the ongoing evolution of the traditional game.

In 2023, the number of traditional, green-grass golfers in the United States reached a significant milestone, surpassing 26 million participants for the first time since 2010, reflecting a 4% year-over-year increase—the largest jump since 2001. Notably, green-grass golfers have seen a 10% growth over the past five years, with a net gain of 2.4 million participants, primarily occurring during the "Covid era."

Total participation, encompassing both on- and off-course activities, has grown to 45.0 million in the U.S., indicating a 9.5% gain from 2022. This growth of 50% in less than a decade underscores the popularity of off-course forms of the game, such as golf entertainment options and indoor simulator venues.

The report emphasizes the positive impact of off-course offerings on the golf business, leading to unprecedented on-course trials by beginners and generating record levels of interest among non-golfers. Golf's total reach has expanded significantly, with nearly 40% of the U.S. population over the age of 5 engaging with golf-related content, exceeding 123 million individuals—a 20% increase during the pandemic era.

Recreationally, play levels in golf have reached an all-time high, with 531 million rounds played in 2023, surpassing the previous record set in 2021. This surge in play has contributed to a more balanced supply/demand dynamic, with fewer golf course closures in 2023 compared to previous years.

Despite these positive trends, challenges remain, as retention and conversion prove to be ongoing hurdles. The report suggests that while over 15 million beginners played for the first time in the past five years, the net gain in on-course participants is only a fraction of that figure. Recognizing the importance of addressing these challenges, operators are urged to prioritize continual improvement in the customer experience, particularly in the face of potential economic recessions and competition for consumers' discretionary time and spending.

In summary, the Graffis report underscores the significant growth and positive developments in the golf industry over the past three years. However, it emphasizes the need for vigilance in addressing challenges and

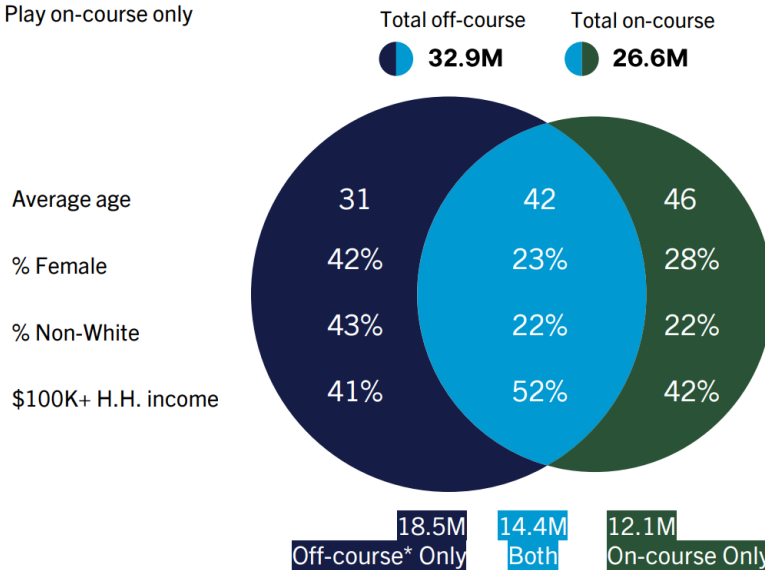
continuously enhancing the customer experience to sustain the industry's newfound momentum. Golf is an \$84 billion industry that is adapting to cultural and behavioral shifts, like many other aspects of society.

2024 Leaderboard		NGF NATIONAL GOLF FOUNDATION	
The Graffis Report		# New high mark	
Golf Industry 2023 – Key U.S. Statistics			
		vs. '22	vs. '19
Total Reach	123M [#]	▲3%	▲13%
Total Participation	45.0M [#]	▲9%	▲32%
Total Off-Course	32.9M [#]	▲18%	▲41%
Total On-Course	26.6M [#]	▲4%	▲14%
Beginners	3.4M [#]	▲3%	▲3%
Youth (ages 6-17)	3.5M [#]	▲4%	▲40%
Young Adult (ages 18-34)	6.3M [#]	▲2%	▲4%
Middle-Aged (ages 35-64)	11.4M [#]	▲1%	▲2%
Senior (ages 65+)	5.4M [#]	▲15%	▲17%
Female	7.0M [#]	▲9%	▲25%
People of Color	6.1M [#]	▲8%	▲27%
Latent Demand	22.4M [#]	▲8%	▲45%
Rounds Played	531M [#]	▲4%	▲20%
Golf Course Supply (18HEQ) [†]	15,961	↔	▼3%
Openings (18HEQ) [†]	23.1	▲118%	▲157%
Closings (18HEQ) [†]	89.8	▼15%	▼67%
Public Cost to Play	\$43 [‡]	▲5%	▲18%
Ball Unit Sales	+5%	▲5%	▲37%
Club Unit Sales	-2%	▼2%	▲16%

[#] Source: Golf Digest's (National Golf Foundation data support and analysis).
[†] For course supply, closings and openings, NGF takes the number of total holes and divides by 18, taking into account 0.9 suggest one or more openings and/or closings in an increment other than for 18 holes.
[‡] Average estimated playing fee* is calculated by accounting for differences between peak rates and "realized" rates. Total fee revenues derived that rounds played created by discounting (time of day, senior rates, etc.).

2023 U.S Golf Participation, Total Participants (Age 6+)

- Play off-course only*
- Play both*
- Play on-course only



Source: National Golf Foundation
 *Off-course golf includes golf entertainment venues (Topgolf, Drive Shack, etc.), standalone driving ranges, and/or the hundreds of businesses that now have simulators and screen golf setups.

PARTICIPATION AND ENGAGEMENT

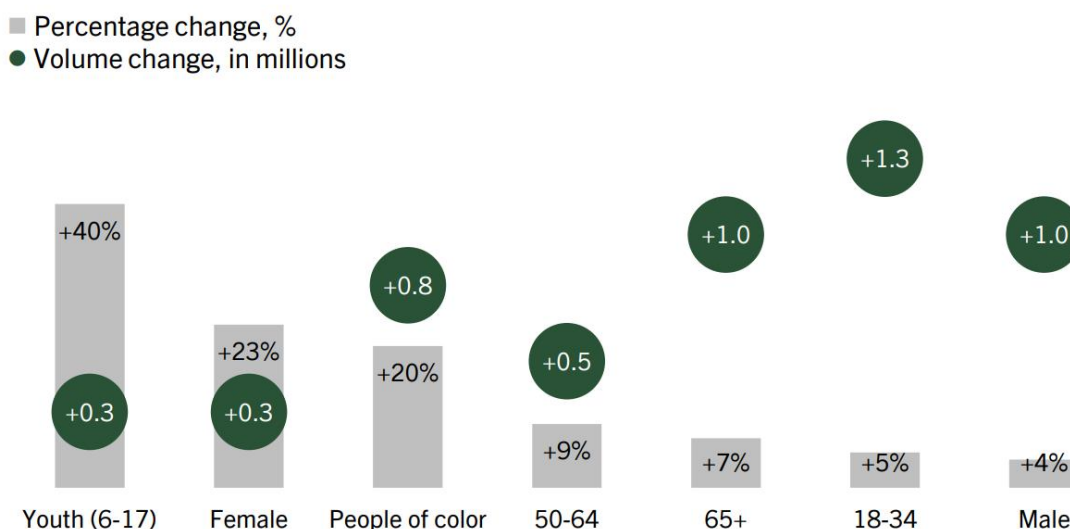
The 45 million Americans engaged in golf in 2023 can be classified into three groups: those exclusively playing on-course, those exclusively playing off-course, and those participating in both settings. The middle group, engaging in both on and off-course play, is identified by the National Golf Foundation (NGF) as holding the greatest future value. Compared to exclusive off-course or traditional green-grass players, this middle group demonstrates higher incomes, a stronger passion for the game, increased rounds played, and a higher likelihood of purchasing golf equipment.

Diversifying and expanding this middle group by experiencing golf in various ways appears to deepen their connection with the sport, generating greater overall demand. In 2023, the number of traditional, on-course golfers surpassed 26 million, with a net gain of 1 million, marking the largest single-year increase since 2001 and the sixth consecutive year of meaningful participation growth.

Over the four years since the onset of the pandemic, there has been a net gain of 2.3 million green-grass golfers, reflecting an almost 10% increase. These gains are particularly notable among demographics strategically targeted by the industry, including the youth (+40%), Black (+58%), Hispanic (+25%), and Female (+25%) cohorts. The number of first-time green grass players has consistently exceeded three million each year, indicating a building momentum for the traditional game and contributing to a more diverse overall participant base.

Despite the entry of over 27 million new participants in the past decade, the net increase in on-course players in the U.S. is only 1.9 million. Recent NGF research on adult customer retention reveals a "conversion rate" slightly above 25%, emphasizing the need to improve the conversion of new entrants into committed, on-course players. This data underscores the golf industry's growth potential and highlights the importance of implementing effective retention strategies to maximize the impact of new participants on the traditional game. The 45 million Americans engaged in golf in 2023 can be categorized into three distinct groups: those exclusively playing on-course, those exclusively playing off-course, and those participating in both settings. The off-course players, typically younger and more diverse, share similarities in household incomes and financial comfort but differ in demographics.

U.S. On-Course Golfer Growth Segments, Since 2019



© National Golf Foundation 2024

Source(s): Physical Activity Council (PAC) activity survey and NGF's Participation and Engagement Survey (PES)

ROUNDS PLAYED

The demand for golf, exemplified by the number of rounds played nationwide, has reached unprecedented levels over the past four years, prompting the question of whether this period, instigated by the COVID-19 pandemic, has established a "new normal." In 2023, golf play achieved record-breaking levels, totaling 531 million rounds, slightly exceeding the previous high of 529 million in 2021, with a year-to-year increase of about 4% compared to 2022.

This marked the fourth consecutive year that the golf industry surpassed the 500-million mark, a feat previously observed only from 1999 to 2002 when there were three million more golfers and an additional 1,000 courses. The encouraging trend in 2023 was bolstered by favorable golf weather, particularly in regions affected by seasonality, contributing to robust play during the peak months of May to September, especially in golf-rich areas like the Northeast and upper Midwest.

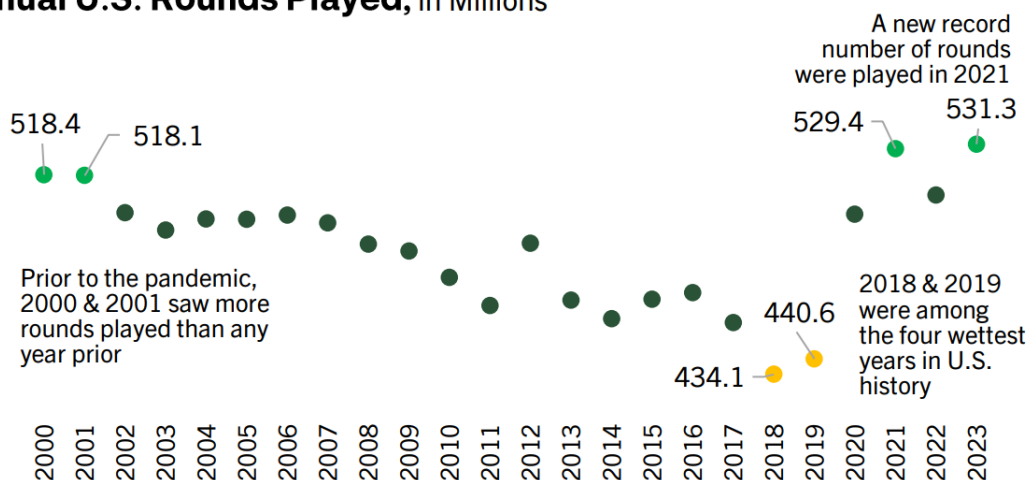
Sustained high levels of play nationwide in recent years indicate a new baseline in engagement. The prevalence of hybrid work, work-from-home arrangements, and remote work flexibility has played a role in boosting weekday play, shaping a trend that has been accentuated during the pandemic era.

This shift in engagement aligns with other positive momentum within the game, including favorable weather conditions and improved perceptions of recreational golf. Over the past four years, nationwide play at U.S. courses has exceeded the previous 10-year average by approximately 10%.

Since June 2020, when pandemic-related restrictions on golf were lifted, only two months have underperformed compared to their pre-pandemic equivalents, both occurring in April, which is inherently variable due to seasonal limitations and weather impacts in northern parts of the country.

A noteworthy observation is that, since 2020, every peak-season month from May to September has outperformed its 2017-2019 average by at least 13%. Encouragingly, surveyed Core golfers express an expectation to continue playing at a similar rate in 2024 as they did in 2023, with almost 20% indicating a likelihood to play even more. Despite the potential influence of factors such as the economy and weather, this stated intent reflects a meaningful positive indicator, suggesting a sustained desire to engage with the sport in the coming months. The demand for golf is most accurately measured by the number of rounds played at courses nationwide, and over the past four years, the recreational game has witnessed unparalleled levels of engagement. This period, catalyzed by the coronavirus pandemic, prompts speculation about whether it has established a "new normal."

Annual U.S. Rounds Played, in Millions



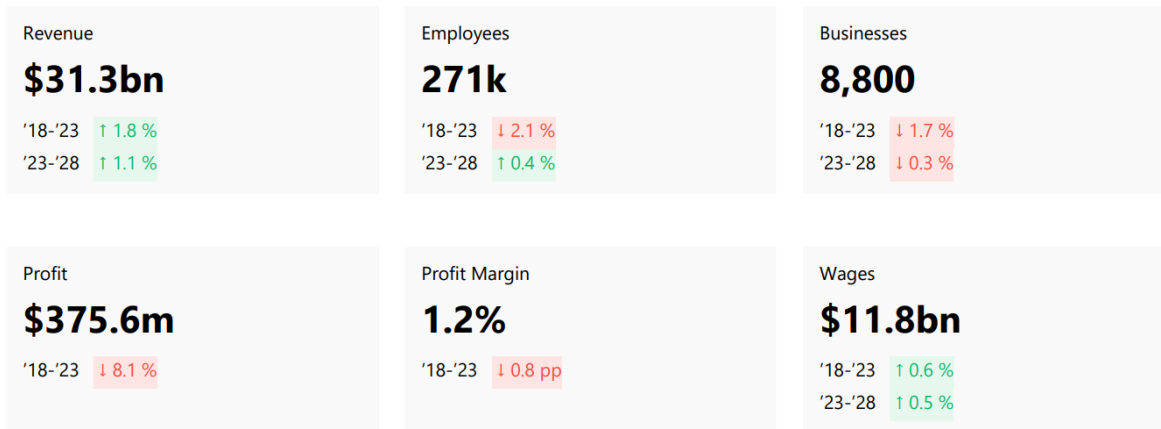
Source: Golf Datatech (National Golf Foundation data support and analysis); Facility-Reported, Y.O.Y. % Changes

GOLF COURSES & COUNTRY CLUBS IN THE US

The following information is taken from the IBIS World February 2024 (most recent) market report.

Over the past five years, golf courses and country clubs have experienced revenue growth despite facing challenges. The main obstacle lies in broadening golf's appeal to new players, particularly younger individuals who perceive clubs as too conservative and the sport as too challenging to learn. The cost associated with golf has been a deterrent, but recent growth in per capita disposable income, along with an increasing number of consumers earning more than \$100,000, has positively impacted the industry. The revenue for golf courses and country clubs rose at a Compound Annual Growth Rate (CAGR) of 1.8% to reach \$31.3 billion, with a 0.3% increase in 2023 alone. The consistent cost of maintaining golf courses, regardless of customer participation, means that modest growth or declines in club fees-paying individuals directly impact profits. Despite a rise in the number of golf rounds played, revenue experienced declines over the last five years due to factors like courses operating below full capacity, temporary closures of food and beverage options, and the suspension of events. Post-pandemic, the lifting of stay-at-home mandates led to increased attendance, resulting in a surge in revenue for courses and clubs.

Looking ahead, the industry is expected to continue growing over the next five years, fueled by rising consumer confidence and disposable income. Cash-rich consumers are likely to turn to golf courses and country clubs for entertainment. IBISWorld forecasts a CAGR of 1.1%, bringing industry revenue to \$33.1 billion. Despite this positive outlook, the long-term success of the industry hinges on its ability to attract and engage younger consumers, emphasizing the importance of overcoming barriers that have hindered their participation in the sport.



The performance of golf courses and country clubs in recent years has been shaped by strategic adaptations during the COVID-19 pandemic. Initially operating at low capacity, these establishments responded by implementing measures such as lowered green fees, discounted memberships, and improved facilities to attract memberships. Emphasizing retail sales of golf equipment and promoting lessons and clinics became key strategies to boost revenue. The industry witnessed a surge in attendance and significant revenue growth once stay-at-home orders were lifted, highlighting the adaptability of golf to social distancing regulations.

However, challenges persist due to an oversupply of golf courses compared to the number of active players. The extensive development of public golf facilities in the 1990s and early 2000s led to over construction, outpacing the growth in the number of golfers and putting pressure on revenue. Overdevelopment, coupled with diminishing interest from younger athletes, has forced the closure of many establishments over the past five years.

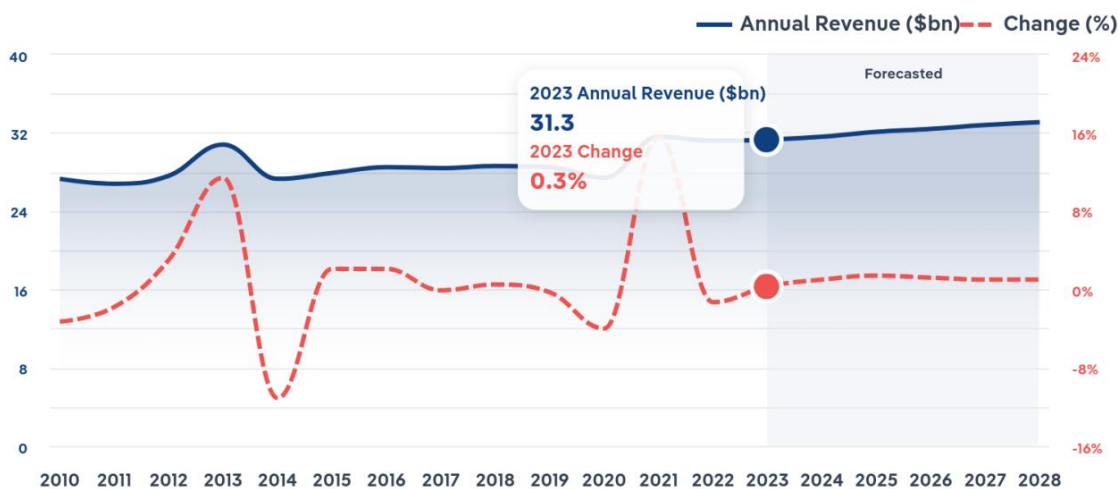
The industry's struggle to engage young athletes poses a significant obstacle to its expansion. While golf remains popular among retirees, its stagnant appeal among younger consumers, who find other sports more engaging, hinders growth. Limited representation in school sports programs exacerbates this challenge. Collaboration with schools and youth organizations to introduce golf through physical education classes, after-school programs, and sponsorships is suggested to address this issue.

Economic factors also play a crucial role in industry performance, with disposable income and consumer confidence influencing golf's status as a discretionary activity. During tough times, consumers may cut back on memberships; however, the recent increase in per capita disposable income is viewed positively. On the other hand, a decline in consumer confidence suppresses growth, as individuals become less inclined to commit to long-term memberships during periods of low confidence. Navigating these dynamics is essential for the industry's continued success.

<p>Revenue</p> <p>\$31.3bn</p> <p>'18-'23 ↑ 1.8 %</p> <p>'23-'28 ↑ 1.1 %</p>	<p>2023 Revenue CAGR</p> <p>↑ 0.3 %</p>	<p>Revenue Volatility</p> <p>Moderate</p>
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Revenue

Total value (\$) and annual change from 2010 – 2028. Includes 5-year outlook.



Source: IBISWorld

The outlook for the golf industry is influenced by several factors that are expected to drive its trajectory in the coming years. While golf participation rates have experienced a decline over the past decade due to factors such as perceived etiquette, rules, and time constraints, a reversal is anticipated. Country club memberships are expected to rise as high corporate profit and disposable income bolster demand from both businesses and individual consumers. The growth in golf participation is also tied to increased leisure time, especially among retired individuals, and the overall expansion of consumer leisure time projected in the next five years.

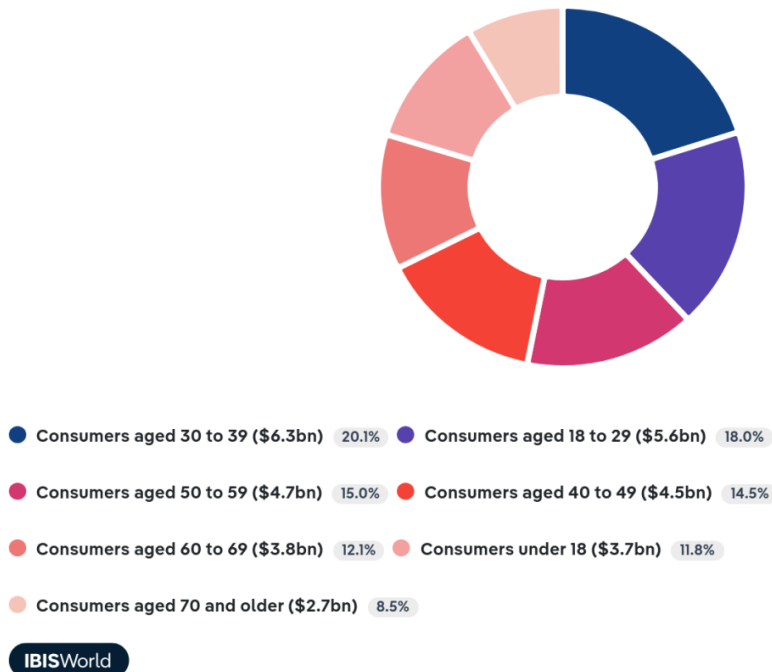
Increasing demand is poised to drive profitability within the industry. Although golf can be an expensive hobby, rising levels of income among consumers contribute to heightened demand for golf course and country club services. With more than one-quarter of golfers having a household income of \$125,000 or more per year, the growing number of affluent households is expected to boost revenue from green fees, new memberships, and renewals. The anticipated uptick in disposable income during the period will empower golf courses and country clubs to adjust fees, preventing significant profit declines.

The industry's growth is further supported by the implementation of marketing strategies and technology. To counter competition from other outdoor sporting activities, course operators are expected to enhance service quality through local marketing activities and discounts for new members. Sophisticated golf courses and country clubs are also anticipated to adopt industry-specific software systems to improve service delivery, utilizing IT systems to analyze consumer needs and satisfaction levels.

Consumer financial health and population trends play a pivotal role in shaping the industry's future. The projected rise in per capita disposable income and consumer confidence is expected to encourage individuals to join clubs, and the aging demographic, with a growing number of adults aged 50 and older, is poised to benefit the industry. The older, financially more stable consumer base aligns with the industry's demand, but it also presents a challenge in integrating a younger consumer base. Balancing these dynamics will be crucial for the industry's sustained growth.

Major Market Segmentation

Industry revenue in 2023 broken down by key markets



Source: IBISWorld

Several factors influence demand within the golf industry's markets, with distinct characteristics observed among different consumer segments.

For consumers aged under 18, participation in golf is often tied to family influence. Many in this age group have access to limited personal funds, and their engagement in golf is primarily a result of having parents who are avid golfers. Household earnings play a crucial role, providing younger consumers with the financial means for green fees, club memberships, golf lessons, and equipment. The COVID-19 pandemic contributed to increased demand from this segment in 2020, with a notable 24.0% increase in the number of junior golfers, marking the largest surge in this segment since 1997.

Consumers aged 18 to 49, typically employed individuals, demonstrate a steady interest in golf. This segment experiences increased demand in recent years, supported by the fact that young adults often have stable income streams, allowing them to allocate funds for golf courses and country club services. However, full-time employment may limit the free time available for golfing. Golf, in this age group, is often seen as a social activity, with colleagues using it for networking, and businesses organizing golf-centered company events.

Consumers aged 50 and older represent a growing market for the golf industry. The majority of individuals in this segment have entered retirement, experiencing significant increases in golf participation. Retired individuals, especially those over 65, have more leisure time to dedicate to recreational activities like golf. The

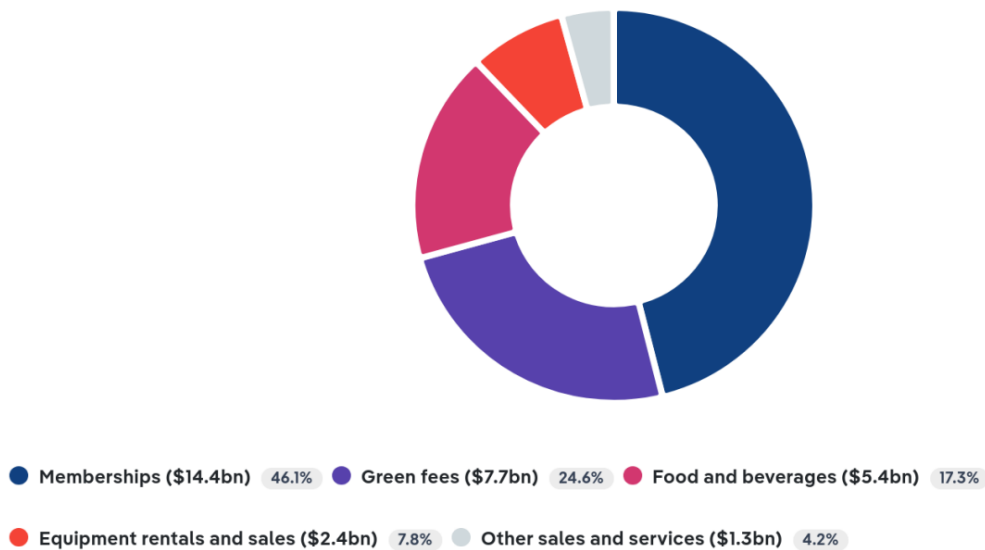
expansion of this demographic is notable as baby boomers enter this market, contributing to the overall aging of the population. This trend emphasizes the potential for increased demand within this age group for golf-related services and activities.

TRENDS

The products and services within the golf industry are experiencing various trends and performance patterns:

Products & Services Segmentation

Industry revenue in 2023 broken down by key product and service lines.



MEMBERSHIPS ARE ON THE RISE

Country club memberships, which often include unlimited or a set number of golf games along with access to club facilities and events, are on the rise. The fees for memberships have increased, aligning with economic improvements. The market for consistent golfers has remained steady, contributing to an increased share of revenue within this segment.

Green Fees Revenue is Increasing. Revenue from green fees, paid by non-member golfers for a one-off game, has risen. Golf is relatively accessible, with 75.0% of facilities being open to the public, contributing to increased accessibility and revenue from green fees.

FOOD AND BEVERAGE SALES ARE PROFITABLE

Sales of food and beverages, particularly alcoholic beverages, are highly profitable. This segment has benefited from expanded disposable income and increased consumer willingness to spend on dining and drinking on the golf course. Some sales may be complementary for paying members, and the segment was negatively affected by the COVID-19 pandemic due to social distancing regulations.

EQUIPMENT RENTALS AND SALES PROVIDE RELIABLE REVENUE

Rentals and sales of golf carts, clubs, and other equipment constitute a small but crucial revenue segment. As golf equipment can be expensive, rentals offer a more affordable option compared to purchasing. Most courses provide equipment rental since many customers do not have their own.

OTHER REVENUE-EARNING OPERATIONS

Miscellaneous services, including hosted corporate and party event services, room or unit accommodations for club players, sports tournament registrations, and other paid club activities, contribute to revenue. Some miscellaneous services may have been more strongly impacted by pandemic-related restrictions.

CURRENT PERFORMANCE

The golf courses and country clubs industry in the United States has demonstrated various trends and performance metrics over the past few years. From 2018 to 2023, the industry experienced a Revenue Compound Annual Growth Rate (CAGR) of +1.8%, reaching a total revenue of \$31.3 billion. Looking ahead to 2023-2028, the expected Revenue CAGR is +1.1%, with a moderate level of revenue volatility. During the same period, the number of employees decreased by 2.1% from 271,000 to a current figure of 31 employees per business. However, the Revenue per Employee increased by 4.0%, reaching \$115,000.

The number of businesses in the industry decreased by 1.7% from 2018 to 2023, totaling 8,800 businesses. Looking forward to 2023-2028, a further decrease of 0.3% is expected. The Revenue per Business increased by 3.6% during 2018-2023, reaching \$3.6 million. Despite a decrease in Total Profit by 8.1% to \$375.6 million and a decrease in Profit Margin by 0.8 percentage points to 1.2% during 2018-2023, the Profit per Business saw a decrease of 6.5% to \$42,677.0.

The industry's performance snapshot reflects various factors affecting its trajectory. Amid the initial outbreak of COVID-19, golf courses and country clubs operated at low capacity. To maintain profit during the pandemic, operators took actions such as lowering green fees, offering discounted memberships, emphasizing retail sales of golf equipment, and improving facilities. Despite the challenges of overdevelopment and weakening demand from younger athletes, the industry has shown resilience.

Disposable income and consumer confidence play a significant role in industry dynamics. Golf, being a discretionary leisure activity, is impacted by economic conditions. While per capita disposable income has increased, falling consumer confidence in recent years has suppressed industry growth, leading to a reluctance among consumers to commit to long-term memberships during periods of low confidence.

Volatility in the industry is influenced by factors such as annual membership fees ensuring a consistent revenue stream and the economic climate affecting membership rates. The outlook for the industry anticipates a rise in golf participation, particularly driven by increased leisure time and rising disposable income, which could boost demand for memberships and services. Successful businesses are expected to leverage economies of scale, the ability to pass on cost increases, and economies of scope.

In conclusion, the golf courses and country clubs industry faces both challenges and opportunities, with a complex interplay of economic, demographic, and consumer behavior factors influencing its performance. The outlook suggests potential growth, driven by increased demand and innovative approaches to attract a diverse consumer base.

DEMAND DETERMINANTS

The demand for golf courses and country clubs hinges on various determinants shaping consumer preferences and participation. Economic conditions wield significant influence, with periods of prosperity fostering increased

spending on leisure activities like golf. The level of disposable income directly impacts individuals' ability to afford golf-related expenses, including membership fees and equipment costs. Consumer confidence in the economy and personal financial stability plays a pivotal role in influencing spending on recreational pursuits like golf.

Demographics, particularly the age distribution of the population, are crucial determinants. Older individuals, especially retirees, often find golf appealing, contributing to increased demand as the population ages. Corporate profitability and sponsorship in golf-related activities, such as company-sponsored events, also influence industry demand. Effective marketing strategies, promotions, and advertising campaigns can shape perceptions and attract new participants to the sport.

Social trends and changing preferences, such as an increased focus on health and wellness, impact the demand for golf. The industry must adapt to align with evolving societal interests. Technological advancements, such as improved course management systems and virtual experiences, enhance the overall golfing experience and attract tech-savvy consumers.

Environmental factors, including favorable weather conditions, contribute to increased participation. Regions with consistent weather patterns may experience higher demand for golf activities. Collaborative efforts with schools and youth organizations to introduce golf to younger demographics can foster interest in the sport. Educational programs, field trips, and community engagement play a role in building a new generation of golf enthusiasts.

IBISWorld | Golf Courses & Country Clubs in the US

Jan 2024

Key Ratios

Year	Revenue per Employee (\$)	Revenue per Enterprise (\$ million)	Employees per Estab. (Units)	Employees per Ent. (Units)	Average Wage (\$)	Wages/Revenue (%)	Estab. per Enterprise (Units)	IVA/Revenue (%)
2004	92,118	2.5	25.2	26.9	37,323	40.5	1.1	52.0
2005	91,957	2.5	25.4	27.2	37,007	40.2	1.1	51.5
2006	89,937	2.5	26.1	27.9	37,289	41.5	1.1	54.6
2007	86,699	2.5	26.7	28.7	36,493	42.1	1.1	54.5
2008	83,024	2.4	26.8	28.9	36,507	44.0	1.1	53.8
2009	93,345	2.6	25.5	27.6	37,147	39.8	1.1	50.3
2010	92,279	2.5	24.9	27.0	37,510	40.6	1.1	51.8
2011	92,634	2.5	24.6	26.7	37,279	40.2	1.1	50.7
2012	89,887	2.6	26.4	28.7	35,459	39.4	1.1	50.1
2013	104,111	2.9	25.5	27.7	37,201	35.7	1.1	47.0
2014	93,037	2.6	25.8	28.1	37,596	40.4	1.1	50.3
2015	94,521	2.7	26.2	28.6	38,473	40.7	1.1	51.8
2016	91,560	2.8	28.2	30.9	36,727	40.1	1.1	50.0
2017	94,092	2.9	27.9	30.8	37,845	40.2	1.1	50.2
2018	94,967	3.0	28.1	31.4	37,977	40.0	1.1	51.4
2019	96,598	3.0	28.0	31.4	39,281	40.7	1.1	51.0
2020	91,269	3.0	29.2	32.9	36,155	39.6	1.1	50.0
2021	114,911	3.5	26.9	30.5	43,316	37.7	1.1	48.1
2022	114,826	3.5	26.9	30.6	43,308	37.7	1.1	48.1
2023	115,411	3.6	27.1	30.8	43,352	37.6	1.1	48.0
2024	116,424	3.6	27.2	31.0	43,429	37.3	1.1	47.7
2025	117,437	3.7	27.4	31.3	43,504	37.0	1.1	47.5
2026	118,357	3.7	27.6	31.5	43,572	36.8	1.1	47.3
2027	119,090	3.8	27.7	31.7	43,626	36.6	1.1	47.1
2028	119,818	3.8	27.8	31.8	43,680	36.5	1.1	46.9
2029	120,244	3.8	27.9	32.0	43,711	36.4	1.1	46.8

DEMAND DRIVES PROFITABILITY

The external environment for golf courses and country clubs is influenced by various factors, including regulation and policy, assistance levels, demographic shifts, and macroeconomic conditions. Golf course operators are subject to strict environmental regulations due to the significant amount of land they manage. The industry's growth is suggested by rising disposable income, increased consumer confidence, and a growing number of households earning over \$100,000 in the coming years.

Demographic factors play a crucial role in shaping the industry landscape. An increase in available leisure time encourages higher participation and demand for golf and country club activities. The aging population contributes to a rise in retirees with more leisure time, potentially boosting demand. Wealthier individuals, particularly

households earning over \$100,000, represent a significant market for golf services, creating opportunities for the industry.

Household disposable income is a key driver of industry performance. Higher disposable income leads to increased expenditure on leisure activities and discretionary purchases, positively impacting golf participation and revenue from green fees. Greater disposable income also contributes to higher country club membership rates.

The Consumer Confidence Index, reflecting consumer sentiment about economic conditions, influences major expenses like country club memberships. Consumers make decisions based on changes in disposable incomes and their perceived ability to maintain income levels in the future. Overall, the external drivers indicate potential growth opportunities for the golf courses and country clubs industry in the coming years.

HIGH SUPPLY, LOW ENTHUSIASM

The United States currently grapples with an overabundance of golf courses in comparison to the number of active golf players. This imbalance has historical roots, notably in the thriving development of public golf facilities during the 1990s and early 2000s. During this period, the construction of thousands of public golf facilities was aggressively pursued, contributing to the surplus of golf courses.

Data from the National Golf Foundation (NGF) reveals a significant disparity between the growth rates of golf courses and golfers over the past decade. The proliferation of golf courses has far outpaced the increase in the number of golfers. This disconnection has resulted in a scenario where the supply of golf courses has rapidly outstripped consumer participation in the sport, creating challenges for revenue growth.

The industry has faced pressure on revenue due to a combination of factors, including the aforementioned overdevelopment of courses and a simultaneous decline in demand from younger athletes. Weakening interest among the younger demographic, coupled with the oversaturation of golf course availability, has led to the closure of numerous establishments in the last five years. This trend reflects the broader struggle within the golf industry to align supply with demand and adapt to evolving consumer preferences.

GEOGRAPHIC LOCATION

A successful golf course establishment relies on strategic considerations related to geographic and climatic factors. Ideally, a golf course should be situated in an area with available land at a reasonable price. Moreover, a temperate climate that allows for year-round play enhances the attractiveness of the location.

Business locations play a significant role in the distribution of golf courses and country clubs across the United States. Florida leads with 628 establishments, contributing 6.3% to the total industry establishments, while California and New York follow suit with 6.0% and 6.2%, respectively. Texas, Michigan, and North Carolina are also notable contributors to the industry's presence.

Climatic conditions, particularly in colder climates, can impact the operational costs of golf courses. Regions with dry or cold winter seasons may incur higher costs for green maintenance, as adverse weather conditions can potentially damage the grounds.

The Southeast region is a prominent location for golf courses and country clubs due to its high population level, warm climate, and relatively few days prone to bad weather. Florida, holding 6.3% of the industry's establishments, surpasses other densely populated states like California and New York, benefiting from its large retiree and high-income earner population.

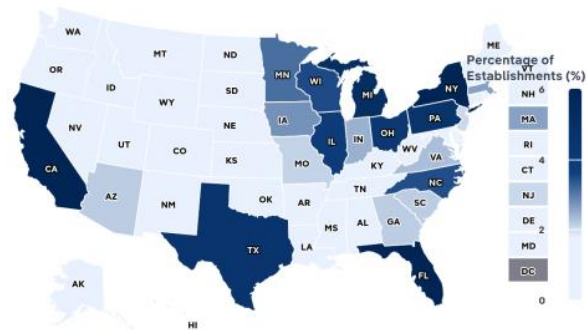
The Great Lakes region follows as the second-highest concentration of industry establishments, with lower land prices and favorable high-water levels contributing to lower maintenance and operating costs. Several key industry players have established courses in this region, enhancing its prominence.

In contrast, the Mid-Atlantic region, characterized by a relatively cold climate, faces higher costs due to extensive maintenance needs after very cold or dry seasons. Despite this, the region boasts a high golfing population.

Business Concentration

Percentage of total industry Establishments in each region

Establishments



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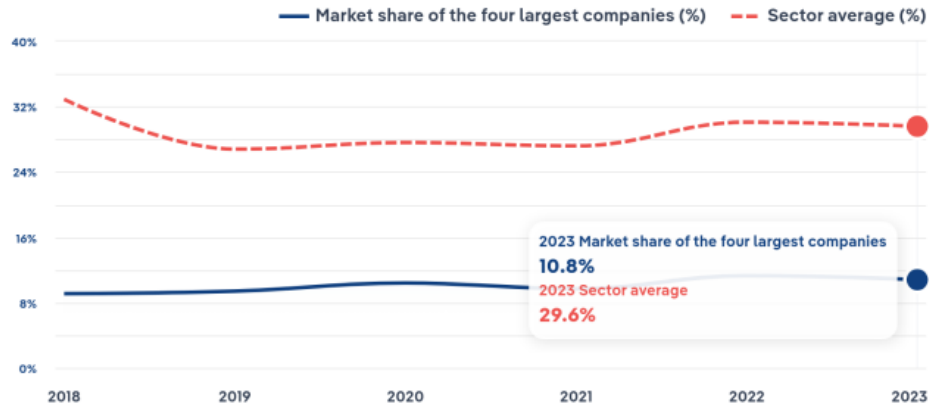
Source: IBISWorld

COMPETITIVE FORCES

The Golf Courses and Country Clubs industry faces low market share concentration and high competition. The presence of numerous small companies prevents larger ones from expanding significantly. Golf players have abundant choices, and competition centers on service quality and costs. The industry exhibits low concentration, with larger companies operating numerous courses, medium-sized firms managing various courses, and numerous independent establishments running single courses. Smaller operations may struggle with economies of scale. Opportunities for industry consolidation exist as larger companies invest in acquiring more courses, but high costs pose challenges to mergers and acquisitions. Successful businesses address concentration challenges by specifying supplier and contractor requirements and fostering repeat customers for consistent revenue and reputation.

Market Share Concentration

Combined market share of the four largest companies in this industry



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Source: IBISWorld

MAJOR COMPANIES

Major players in the Golf Courses and Country Clubs industry have varying labor forces, with some employing 10,000 to 30,000 employees, while others have smaller teams ranging from 60 to 200. Most major players are experiencing growth in market share, profit margin, and revenue. The leading companies in 2023 include ClubCorp Inc. with a market share of 5.5%, revenue of \$1,719.3 million, profit of \$22.4 million, and 20,000 employees; Century Golf Partners Management with a market share of 2.7%, revenue of \$859.7 million, profit of \$11.2 million, and 10,000 employees; Billy Casper Golf LLC with a market share of 1.5%, revenue of \$465.5 million, profit of \$6.1 million, and 150 employees; American Golf Corporation with a market share of 1.1%, revenue of \$348.6 million, and profit of \$4.5 million; Trump Golf Links at Ferry Point with a market share of 1.0%, revenue of \$315.0 million, and profit of \$4.1 million; Troon Golf LLC with a market share of 0.9%, revenue of \$266.6 million, and profit of \$3.5 million. These companies are considered All Stars, displaying stronger market share, profit, and revenue growth compared to their peers. ClubCorp Inc. and Century Golf Partners Management, in particular, have shown consistent growth in market share, revenue, and profit margin over the years. However, littler interest in golf participation may continue to limit the industry' success over the next five years.

FINANCIAL BENCHMARKS

In the Golf Courses and Country Clubs industry, the profit margin is 1.2%, which is lower than the sector average. The average wage is \$43,352, also lower than the sector average. Wages represent 37.6% of revenue in this industry. Larger companies benefit from economies of scale, reducing their costs significantly compared to smaller operators. Country clubs and golf courses have high wage costs, which can be reduced by automating some services, such as check-in and equipment rental.

The cost structure in this industry is influenced by high capital costs, particularly due to significant depreciation. Maintenance of irrigation systems, vehicles, golf carts, lawn mowers, kitchen and computer equipment contribute to these expenses. Capital expenses also include discretionary spending on expanding existing properties and entering new business opportunities. Depreciation costs have slightly contracted since 2019.

Course operators in this industry depend on a stable revenue stream to manage recurring purchase costs. Golf course expenses include various recurring purchases like fertilizers, food, beverages, pro shop gear, and golf equipment for resale and rental. Country clubs incur additional costs related to clubhouse operations, food and

beverage services, membership services, and maintenance of amenities like swimming pools and tennis courts. Purchase costs have risen in the last five years.

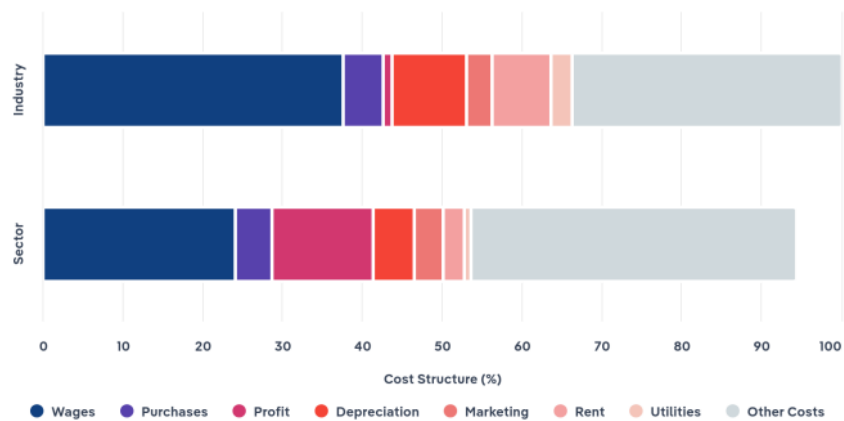
Wage costs reflect the labor-intensive nature of the industry, requiring physical labor for golf course maintenance and landscaping. Country clubs hire employees for various positions, including servers, kitchen staff, fitness and recreation staff, housekeeping staff, and management. Employment has contracted since the pandemic, leading to a decline in wages since 2018.

Profit is pressured when golf participation is low, particularly for nonprofit, government-operated entities. Private country clubs and golf courses generate larger profit margins than public ones. The profit margin has declined in the last few years since 2018.

Financial ratios and industry multiples for the Golf Courses and Country Clubs industry indicate trends in EBIT/Revenue, EBITDA/Revenue, Leverage Ratio, and Taxes Paid/Revenue over the past three, five, and ten years.

Cost Structure Benchmarks

Average operating costs by industry and sector as a share (%) of revenue 2023



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Source: IBISWorld

TRANSACTION SUMMARY

Below is 2019-2022 Transaction Summary and 2023 outlook for Golf & Resorts as published by Leisure Investment Properties Group, a division of Marcus & Millichap:

2019 - 2022 Transaction Summary				
	2019	2020	2021	2022
Total # of Transactions	96	79	80	98
Average Price	\$ 3,050,907	\$ 3,149,046	\$ 4,399,889	\$ 4,129,022
Median Price	\$ 1,464,291	\$ 1,700,000	\$ 2,225,000	\$ 2,580,900
Total Sales Volume	\$ 292,887,079	\$ 248,774,648	\$ 351,991,156	\$ 404,644,117

The Leisure Investment Properties Group tracked a total of 133 golf course transactions in 2022. Of those, 98 are expected to continue operations as a golf club post-sale and had available sales data at the time of recording. **The average sales price was \$4,129,022 - down 6.2% from 2021, and the median sales price was \$2,580,900 - up 16% from 2021. In comparison to the previous 3-year average 2019-2021, transactions were up 15%, average sales price was up 17% and median sales price was up 44%.**

The golf industry saw a remarkable uptick in total transactions during 2022, boasting a substantial 22.5% increase over the previous year and surpassing pre-COVID transaction levels from 2019. The unexpected dip in 2021 transactions was a consequence of robust golf demand, prompting owner/operators to prioritize strategic revenue and cash flow growth over selling during peak demand. Recent reports from the National Golf Foundation (NGF) indicating a 10% increase in total participation by the end of 2022 have eased earlier skepticism. However, as we look to 2023, the industry faces challenges with rising interest rates and an inevitable widening of bid-to-ask spreads between buyers and sellers.

Moving to pricing trends, the average price experienced a -6.6% decline in 2022 compared to 2021, but when measured against pre-COVID levels in 2019, it showcased a significant 35% increase. It's noteworthy that average sales prices can be influenced by a few outliers, emphasizing the importance of the median price as a more accurate indicator.

In 2022, the median price reached \$2,580,000, marking the third consecutive yearly increase since pre-COVID 2019. Sustained demand empowered owner/operators to raise various fees, driving valuations higher. Notably, the "core" data within the \$1M to \$10M Sales Tranche revealed 79 sales, constituting 81% of all transactions in 2022. Average and median prices within this segment experienced a 14% increase.

Looking forward to 2023, golf course values are at a peak, yet the economic climate poses intriguing challenges. The transaction landscape is expected to decelerate due to increased capital costs and a widening bid-to-ask spread. The era of almost free borrowing, enabling higher offers, is over, leading to a natural decrease in deal values.

Kody Tibbetts, Senior Analyst, highlights the anticipation of lower offers and broader challenges shaping the industry's future.

CONCLUSIONS

Overall, the golf courses and country clubs' industry encounter a mix of challenges and opportunities, navigating a complex interplay of economic, demographic, and consumer behavior factors that impact its performance. The overall outlook indicates potential growth, propelled by rising demand and inventive strategies to engage a diverse consumer base.

INTRODUCTION

This section examines competitive comparable properties within the marketplace to establish our opinion of minimum market rent for the subject property. This allows for a comparison of the subject property’s contract to what is attainable in the current market.

The following table includes a summary of the comparables selected for this analysis, including relevant listings and actual leases at competing properties.

RESTAURANT LEASE SUMMATION TABLE							
COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Address	2702 N Mission Bay Dr	1418 Garnet Avenue, San Diego Ca 92109	3305 Rosecrans Street, San Diego Ca	834 Kline Street, San Diego Ca	4876 Santa Monica Avenue, San Diego Ca 92107	2804 Adams Avenue, San Diego Ca	1830 Sunset Cliffs Boulevard, San Diego CA
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
State	CA	CA	CA	CA	CA	CA	CA
Zip	92109	92109	92110	92109	92107	92116	92107
PHYSICAL INFORMATION							
Property Type	Retail /	Retail	Retail	Retail	Retail	Retail	Retail
NRA	1,885	2,500	167,545	1,200	3,128	1,908	9,117
Location	Average/Good	Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Quality	Good	Good	Average	Good	Average/Good	Good	Good
Condition	Good	Average/Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Exposure	Fair/Average	Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Access	Fair/Average	Average	Average	Average	Average	Average	Average
Parking Spaces	10	10	670	1	-	2	29
Year Built	2024	1960	1958	1920	1959	1926	1991
LEASE INFORMATION							
Lease Status		Signed	Signed	Signed	Signed	Signed	Signed
Rate Type		NNN	NNN	NNN	FSG	MG	NNN
Size (SF)		1,000	2,100	1,200	1,110	1,908	2,076
Term (Yrs)		5.0	5.0	6.0	3.0	4.0	5.0
Rent (\$/SF/Yr.)		\$3.50	\$2.83	\$5.41	\$3.14	\$3.19	\$2.89
Avg. Escalation/Yr		3.0%	3.0%	3.0%	4.0%	3.0%	3.0%
Concessions		3 Mos.	0	4 Mos.	0	1 Mos.	0
TI's (\$/SF)		-	-	-	-	-	\$10
Options		Yes	Yes	No	No	Yes	Yes

RESTAURANT LEASE ADJUSTMENT TABLE

COMPARABLE	SUBJECT	LEASE 1	LEASE 2	LEASE 3	LEASE 4	LEASE 5	LEASE 6
Address	2702 N Mission Bay Dr	1418 Garnet Avenue, San Diego Ca 92109	3305 Rosecrans Street, San Diego Ca	834 Kline Street, San Diego Ca	4876 Santa Monica Avenue, San Diego Ca 92107	2804 Adams Avenue, San Diego Ca	1830 Sunset Cliffs Boulevard, San Diego CA
City	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego	San Diego
Location	Average/Good	Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Quality	Good	Good	Average	Good	Average/Good	Good	Good
Condition	Good	Average/Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Exposure	Fair/Average	Good	Average/Good	Good	Average/Good	Average/Good	Average/Good
Access	Fair/Average	Average	Average	Average	Average	Average	Average
Year Built	2024	1960	1958	1920	1959	1926	1991

LEASE INFORMATION

Tenant Name		Boba Love	Mikes Red Tacos	Nekter Juice Bar	Jill Agnete	Twiggs Bakery & Coffeehouse	Social Thai
Commencement Date		1/1/2024	11/14/2023	8/23/2023	4/11/2023	4/1/2023	3/1/2023
Lease Type		New	New	New	New	New	New
Lease Status		Signed	Signed	Signed	Signed	Signed	Signed
Rate Type		NNN	NNN	NNN	FSG	MG	NNN
Size (SF)	1,885	1,000	2,100	1,200	1,110	1,908	2,076
Term (Yrs)		5.0	5.0	6.0	3.0	4.0	5.0
Rent (\$/SF/Yr.)		\$3.50	\$2.83	\$5.41	\$3.14	\$3.19	\$2.89
Avg. Escalation/Yr		3.0%	3.0%	3.0%	4.0%	3.0%	3.0%
Concessions		3 Mos.	0	4 Mos.	0	1 Mos.	0
TI's (\$/SF)		-	-	-	-	-	\$10

TRANSACTIONAL ADJUSTMENTS

Lease Type	\$0.00	\$0.00	\$0.00	(\$0.75)	(\$0.45)	\$0.00
Concessions	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Market Conditions¹	0.2%	0.3%	0.5%	0.9%	0.9%	1.0%
Subtotal Eff Rent	\$3.51	\$2.84	\$5.44	\$2.41	\$2.77	\$2.92

PROPERTY ADJUSTMENTS

Location	-5%	0%	-5%	0%	0%	0%
Size	-5%	-5%	-5%	-5%	-5%	-5%
Quality	-5%	-5%	0%	5%	0%	-5%
Condition	5%	-5%	-5%	-5%	-5%	-5%
Exposure	-15%	-10%	-15%	-10%	-10%	-10%
Access	0%	0%	0%	0%	0%	0%
Subtotal Property Adj	-25%	-25%	-30%	-15%	-20%	-25%
TOTAL ADJUSTED RENT	\$2.63	\$2.13	\$3.81	\$2.05	\$2.21	\$2.19

<u>STATISTICS</u>	<u>UNADJUSTED</u>	<u>ADJUSTED</u>	<u>MARKET CONCESSIONS¹</u>	
LOW	\$2.83	\$2.05	Lease Type	Triple Net
HIGH	\$5.41	\$3.81	Free Rent	3 Mos.
MEDIAN	\$3.17	\$2.20	TI's	\$10/SF
AVERAGE	\$3.49	\$2.50		

¹ Market Conditions Adjustment - Compound annual change in market conditions: 1%

Date of Value (for adjustment calculations): 2/29/24

Restaurant Lease Analysis

The comparables indicate an adjusted lease rate range from \$2.13 to \$3.81/SF, with a median of \$2.42/SF and an average of \$2.61/SF. The range of total gross adjustment applied to the comparables was from 25% to 35%, with an average gross adjustment across all comparables of 30%. The level of total adjustment applied to the comparables is considered to be moderate. Overall, the availability of market data and extent of analysis was adequate to develop a reasonably credible lease rate conclusion. The adjustment process for each comparable is discussed in the following paragraphs.

Discussion of Adjustments

Comparable 1 (\$2.63/SF adjusted) required a total upward transaction adjustment of \$0.01. A slight upward adjustment of 1.0% per year was made for improving market conditions. This comparable required a total downward adjustment of -25% for property characteristics. Downward adjustments were made for location, size and exposure as the comparable is located on Garnet. An upward adjustment was made for condition as the subject is newer construction than the comparable. The total gross adjustment applied to this comparable was 35%. Overall this comparable warrants primary consideration as a value indicator for the subject given its recent execution.

Comparable 2 (\$2.13/SF adjusted) required a total upward transaction adjustment of \$0.01. A slight upward adjustment of 1.0% per year was made for improving market conditions. This comparable required a total downward adjustment of -25% for property characteristics. Downward adjustments were made for size, quality, condition and exposure as the comparable is located on a thoroughfare. The total gross adjustment applied to this comparable was 25%. An upward adjustment was made for slightly improving market conditions.

Comparable 3 (\$3.81/SF adjusted) required a total upward transaction adjustment of \$0.03. A slight upward adjustment of 1.0% per year was made for improving market conditions. This comparable required a total downward adjustment of -30% for property characteristics. Downward adjustments were made for location, size, condition and exposure as the comparable is located on a moderate traffic count street. The total gross adjustment applied to this comparable was 31%. The moderate amount of gross adjustments required for this comparable suggests it is an indication of the upper end of the range for the subject property. Overall this comparable warrants secondary consideration as a value indicator for the subject.

Comparable 4 (\$2.69/SF adjusted) required a total upward transaction adjustment of \$0.03. A slight upward adjustment of 1.0% per year was made for improving market conditions. An additional adjustment was made for the comparable lease being gross. This comparable required a total downward adjustment of -15% for property characteristics. Downward adjustments were made for size, condition and exposure as the comparable is located on a retail street. An upward adjustment was made for quality due to the lower quality of the buildout of the comparable. The total gross adjustment applied to this comparable was 26%. The moderate amount of adjustments indicate that this comparable is towards the lower end of the range for the subject property. Overall this comparable warrants secondary consideration as a value indicator for the subject.

Comparable 5 (\$2.21/SF adjusted) required a total downward transaction adjustment of -\$0.42. An upward adjustment was made for slightly improving market conditions. An additional adjustment was made for the comparable lease being gross. This comparable required a total downward adjustment of -20% for property characteristics. Downward adjustments were made for size, condition and exposure as the comparable is on a moderate traffic street. The total gross adjustment applied to this comparable was 35%. The moderate amount of gross adjustments required for this comparable suggests it is an indicator of market potential of the subject. Overall this comparable warrants secondary consideration as a value indicator for the subject.

Comparable 6 (\$2.19/SF adjusted) required a total upward transaction adjustment of \$0.03. An upward adjustment was made for slightly improving market conditions. This comparable required a total downward adjustment of -25% for property characteristics. Downward adjustments were made for size, quality, condition and exposure as the comparable is located on a thoroughfare. The total gross adjustment applied to this comparable was 26%. The moderate amount of adjustments indicates that the comparable is indicative of the market potential of the subject property. Overall this comparable warrants primary consideration as a value indicator for the subject given the gross adjustments are towards the lower end of the range for the set of comparables.

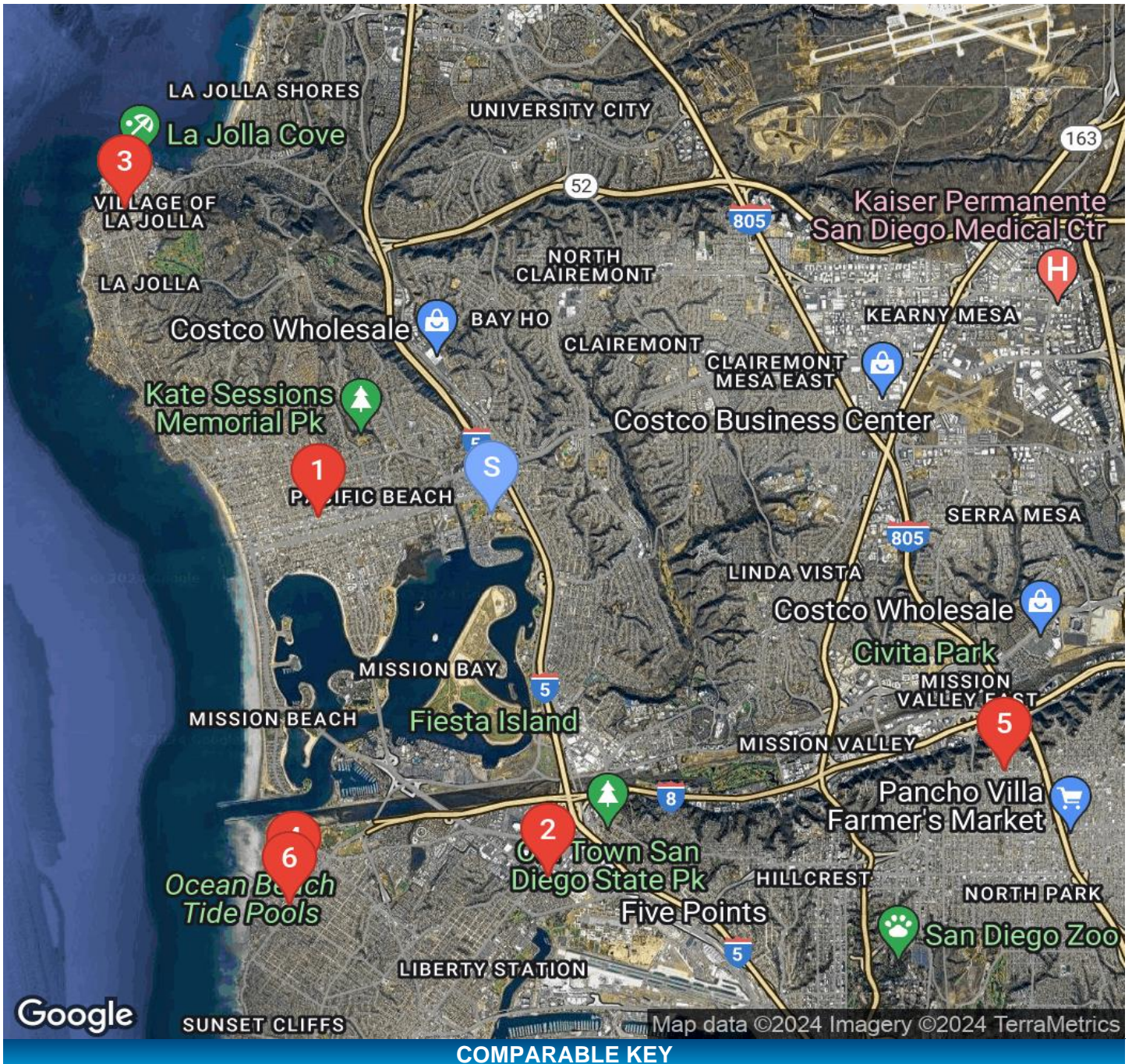
RESTAURANT SPACE MINIMUM MARKET RENT CONCLUSION

The comparables indicate an adjusted lease rate range from \$2.13 to \$3.81/SF, with a median of \$2.42/SF and an average of \$2.61/SF. Based on the results of the preceding analysis, Comparable 1 (\$2.63/SF adjusted), Comparable 2 (\$2.13/SF adjusted) and Comparable 6 (\$2.19/SF adjusted) are given primary consideration for the lease rate conclusion due to the lower magnitude of gross adjustments

The following table summarizes the analysis of the comparable leases and the Restaurant market rent conclusion.

RESTAURANT LEASE CONCLUSION TABLE								
LEASE	LEASE RATE	ADJUSTMENT			FINAL	NET GROSS		OVERALL COMPARISON
		TRANSACTIONAL¹	ADJUSTED	PROPERTY²		ADJ %	ADJ %	
1	\$3.50	\$0.01	\$3.51	-25%	\$2.63	-25%	35%	PRIMARY
2	\$2.83	\$0.01	\$2.84	-25%	\$2.13	-25%	25%	PRIMARY
3	\$5.41	\$0.03	\$5.44	-30%	\$3.81	-30%	31%	SECONDARY
4	\$3.14	(\$0.73)	\$2.41	-15%	\$2.05	-35%	50%	SECONDARY
5	\$3.19	(\$0.42)	\$2.77	-20%	\$2.21	-31%	35%	SECONDARY
6	\$2.89	\$0.03	\$2.92	-25%	\$2.19	-24%	26%	PRIMARY
LOW	\$2.05					AVERAGE		\$2.50
HIGH	\$3.81					MEDIAN		\$2.20
						ACHIEVABLE MRKT RANGE		CONCLUSION
Restaurant					\$2.05 - \$3.81			\$2.25

¹Cumulative ²Additive (Includes Tenant Adjustments)



COMPARABLE KEY

COMP	DISTANCE	ADDRESS	LEASE DATE	SF	\$/SF
SUBJECT	-	2702 N Mission Bay Dr, San Diego, CA	-	-	-
No. 1	1.6 Miles	1418 Garnet Avenue, San Diego Ca 92109, San Diego, CA	1/1/2024	1,000	\$3.50
No. 2	3.6 Miles	3305 Rosecrans Street, San Diego Ca, San Diego, CA	11/14/2023	2,100	\$2.83
No. 3	4.6 Miles	834 Kline Street, San Diego Ca, San Diego, CA	8/23/2023	1,200	\$5.41
No. 4	4.1 Miles	4876 Santa Monica Avenue, San Diego Ca 92107, San Diego, CA	4/11/2023	1,110	\$3.14
No. 5	5.4 Miles	2804 Adams Avenue, San Diego Ca, San Diego, CA	4/1/2023	1,908	\$3.19
No. 6	4.3 Miles	1830 Sunset Cliffs Boulevard, San Diego CA, San Diego, CA	3/1/2023	2,076	\$2.89

COMPARABLE 1

PHYSICAL INFORMATION

Name	1418 Garnet Avenue, San Diego Ca 92109
Address	1418 Garnet Avenue, San Diego Ca 92109
City, State, Zip Code	San Diego, CA, 92109
Net Rentable Area (NRA)	2,500
Year Built	1960
Occupancy	100.0%
Site Size	6,098 SF
Site Coverage	41%
Parking Spaces	10
Parking Ratio	4.00
Floors	1



1418 GARNET AVENUE, SAN DIEGO CA 92109

CONFIRMATION

Name	Paul Maidhof
Source	Leasing Broker
Date / Phone Number	02/28/2024

REMARKS

This represents the lease agreement for the property situated at 1418 Garnet Avenue, San Diego. The leased unit spans 1,000 square feet and is currently occupied by the tenant, Boba Love. The monthly rent is \$3.50 per square foot, NNN (Triple Net). The lease commenced on January 1, 2024, and has a duration of five years.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Boba Love	NNN	1,000	01/01/2024	60	\$3.50	\$2.63

COMPARABLE 2

PHYSICAL INFORMATION

Name	3305 Rosecrans Street, San Diego Ca
Address	3305 Rosecrans Street, San Diego Ca
City, State, Zip Code	San Diego, CA, 92110
Net Rentable Area (NRA)	167,545
Year Built	1958
Occupancy	100.0%
Site Size	692,168 SF
Site Coverage	24%
Parking Spaces	670
Parking Ratio	4.00
Floors	1



3305 ROSECRANS STREET, SAN DIEGO CA

CONFIRMATION

Name	Maya Grim
Source	Leasing Broker
Date / Phone Number	02/29/2024

REMARKS

Mikes Red Tacos has entered into a commercial lease agreement for a 2,100 square feet property situated at 3305 Rosecrans Street, San Diego, CA. The lease term commenced on November 14, 2023, and spans a duration of 5 years. This agreement operates under a Triple Net Lease (NNN) structure with rent of \$2.83 per square foot, with an annual escalation of 3 percent.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Mikes Red Tacos	NNN	2,100	11/14/2023	60	\$2.83	\$2.13

COMPARABLE 3

PHYSICAL INFORMATION

Name	834 Kline Street, San Diego
Address	834 Kline Street, San Diego Ca
City, State, Zip Code	San Diego, CA, 92037
Net Rentable Area (NRA)	1,200
Year Built	1920
Occupancy	100.0%
Site Size	1,799 SF
Site Coverage	67%
Parking Spaces	1
Parking Ratio	0.80
Floors	1



834 KLINE STREET, SAN DIEGO

CONFIRMATION

Name	Cam Lacey
Source	Leasing Broker
Date / Phone Number	02/29/2024

REMARKS

This pertains to the lease agreement for 834 Kline Street, San Diego, CA. The unit spans 1,200 square feet and is currently occupied by Nektar Juice Bar. The monthly rent is \$5.41 per square foot, NNN (Triple Net). The lease term is set for a duration of six years.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Nektar Juice Bar	NNN	1,200	08/23/2023	72	\$5.41	\$3.81

COMPARABLE 4

PHYSICAL INFORMATION

Name	4876 Santa Monica Avenue, San Diego Ca 92107
Address	4876 Santa Monica Avenue, San Diego Ca 92107
City, State, Zip Code	San Diego, CA, 92107
Net Rentable Area (NRA)	3,128
Year Built	1959
Occupancy	100.0%
Site Size	6,969 SF
Site Coverage	45%
Parking Spaces	0
Floors	1



4876 SANTA MONICA AVENUE, SAN DIEGO CA 92107

CONFIRMATION

Name	CoStar
Source	Leasing Broker
Date / Phone Number	02/28/2024

REMARKS

This pertains to the lease of a property situated at 4876 Santa Monica Avenue. The unit available is 1,110 square feet, and it is offered at a rate of \$3.14 per square foot per month on a Full-Service Gross (FSG) basis. The lease term spans 36 months.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Jill Agnete	FSG	1,110	04/11/2023	36	\$3.14	\$2.05

COMPARABLE 5

PHYSICAL INFORMATION

Name	2804 Adams Avenue
Address	2804 Adams Avenue, San Diego Ca
City, State, Zip Code	San Diego, CA, 92116
Net Rentable Area (NRA)	1,908
Year Built	1926
Occupancy	100.0%
Site Size	2,505 SF
Site Coverage	76%
Parking Spaces	2
Parking Ratio	1.00
Floors	1



2804 ADAMS AVENUE

CONFIRMATION

Name	Michael Peterson
Source	Leasing Broker
Date / Phone Number	06/19/2023

REMARKS

This pertains to the listing for 2804 Adams, San Diego, CA. The unit encompasses 1,908 square feet and is presently under lease to Twiggs Bakery & Coffeehouse until March 31, 2027. The rental rate is \$3.19 per square foot per month, with a 3% escalation. The lease term spans four years.

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Twiggs Bakery & Coffeehouse	MG	1,908	04/01/2023	48	\$3.19	\$2.21

COMPARABLE 6

PHYSICAL INFORMATION

Name	1830 Sunset Cliffs Boulevard, San Diego CA
Address	1830 Sunset Cliffs Boulevard, San Diego CA
City, State, Zip Code	San Diego, CA, 92107
MSA	San Diego-Chula Vista-Carlsbad, CA
Net Rentable Area (NRA)	9,117
Year Built	1991
Occupancy	100.0%
Site Size	21,867 SF
Site Coverage	42%
Parking Spaces	29
Parking Ratio	3.20
Floors	1



1830 SUNSET CLIFFS BOULEVARD, SAN DIEGO CA

CONFIRMATION

Name	Doretta Guyot
Source	Leasing Broker
Date / Phone Number	03/20/2023

REMARKS

Social Thai LLC currently occupies 2,076 square feet within a retail center located off Sunset Cliffs Blvd. The lease commenced on March 1, 2023, with a duration of five years. The initial rent is set at \$2.89 per square foot per month, NNN (Triple Net)

TENANT NAME	RATE TYPE	SIZE	START DATE	TERM	LEASE RATE	ADJ LEASE RATE
Social Thai	NNN	2,076	03/01/2023	60	\$2.89	\$2.19

MARKET PARTICIPANT INTERVIEWS

As part of our due diligence, we interviewed brokers in San Diego who specialize in retail and restaurant leases to get their opinions on the current market range of rental rates. Listed below is a summary of the responses received.

Vic Gausepohl, Partner, Commercial Pacific Properties

Mr. Gausepohl expresses the view that leasing retail space at the subject property would command a rate of \$2.00 per square foot per month, (NNN). The proposed lease term spans 5 to 10 years, featuring a 3% annual escalation in rent. Notably, no Tenant Improvement (TI) allowance is included in the arrangement. Additionally, tenants may benefit from a free rent period ranging from 3 to 6 months, providing a potential incentive for lessees.

Scott Duhs, Partner, DUHS Commercial

Mr. Duhs proposes leasing retail space at the subject property at a rate of \$2.50 per square foot per month, (NNN). The suggested lease term ranges from 5 to 10 years, with an annual rent escalation of 4%. Tenants may qualify for a Tenant Improvement (TI) allowance, ranging between \$15 to \$25 per square foot. Additionally, lessees have the potential to enjoy a 4-month free rent period.

Bryan Cunningham, Senior Vice President, JLL

Mr. Cunningham suggests that retail space at the subject property is anticipated to lease at a rate of \$2.50 per square foot per month, (NNN). The proposed lease term ranges from 5 to 10 years, incorporating a 4% annual escalation in rent. Tenants may also benefit from a Tenant Improvement (TI) allowance, with a range of \$15 to \$25 per square foot. Furthermore, lessees could enjoy a free rent period lasting for 4 months.

Peter Holker, Broker, SDRE Advisors

Mr. Holker suggests that retail space at the subject property is expected to lease at a rate of \$4.00 per square foot per month, (NNN). The proposed lease term is set at 10 years, featuring a 3% annual escalation in rent. Tenants may be eligible for a Tenant Improvement (TI) allowance ranging from \$10 to \$20 per square foot. However, it's important to note that there is no provision for free rent in this arrangement.

Marc Dudzik, Principle, Lee & Associates

Mr. Dudzik suggests that retail space at the subject property would lease at a rate of \$2.00 per square foot per month, (NNN). The proposed lease term spans 10 years, with a 3% annual escalation in rent. It's important to note that there is no Tenant Improvement (TI) allowance provided in this arrangement. However, tenants may enjoy a free rent period ranging from 3 to 6 months, providing an appealing incentive for prospective lessees.

Austin Diaz, Vice President, DUHS

Mr. Diaz suggests that retail space at the subject property would lease at a rate of \$2.50 per square foot per month, (NNN). The proposed lease term is set at 10 years, featuring a 3% annual escalation in rent. Tenants may be eligible for a Tenant Improvement (TI) allowance ranging from \$10 to \$15 per square foot. Additionally, lessees could benefit from a free rent period of 3 months.

James Shelton, Broker, Mckee Commercial

Shelton mentioned that he hasn't engaged in a percentage rent deal in over five years. According to him, NNN (Triple Net Lease) agreements seem to be more prevalent recently. The last time he was involved in a percentage

rent deal was with a strip mall in La Mesa, and he believes that this property type is more conducive to such arrangements.

Chase Pelton, Broker, Pacific Coast Commercial

According to Pelton South Bay San Diego doesn't typically negotiate percentage rent deals. According to him, this arrangement is more common in high-end retail settings, and he hasn't been involved in a percentage rent deal for several years.

Luke Kenese, Broker, 333 House

Kenese, stated that he hasn't engaged in any percentage rent deals in San Diego. According to him, the predominant lease structures he encounters in the retail sector are triple net leases. In these arrangements, tenants typically bear the responsibilities of property taxes, insurance, and maintenance costs in addition to rent.

PERCENTAGE RENT

In addition to the minimum rent, the operator is expected to be charged the greater of the minimum rent or percentage rent for the following categories:

- All food
- All beverages including alcoholic
- All service charges not related to gratuities going to staff
- All revenue received from game/vending machines and Lessee-owned machines
- All other authorized operations and activities

The following table includes the survey results of percentage rent:

COMPARABLE AGREEMENT SUMMARY

LOCATION	OPERATION FOCUS	RENTAL TERMS
Crystal Cove SP	F&B	\$50,000/year or 2.1% of gross receipts, whichever is greater for various services plus 12% of gross receipts for facility improvements
Hearst San Simeon SHM	F&B	\$1,000,000/year or percentage of gross receipts (10% for dining, 15% for catering, 22% for museum, 25% for garden shop, 30% for gift shop), whichever is greater
Malibu Lagoon SB	F&B, Boat Tour	\$250,000/year or percentage of gross receipts (7% on premises F&B, 10% take-out F&B, 10% retail sales, 15% off-premises catering and sales, 3% boat tours/fishing)
Old Town San Diego SHP	F&B	\$1,250,000/year or 8.5% of gross receipts up to \$18,000,000 and 9% of gross receipts over \$18,000,000, whichever is greater plus \$900,000 for facility improvements
Pfeiffer Big Sur SP	F&B	\$675,000/year or 16% of gross receipts, whichever is greater plus 3.7% of gross receipts for facility improvements
Cayucos SB	F&B (GC)	5% of gross receipts
Monterey Peninsula RPD	F&B (GC)	The rent is the greater of: 8% of concessionaire's gross revenues (excluding service charges/gratuities and sales taxes) or the minimum rent payment as set forth in the agreement
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 8%, alcoholic bev 10.50% special events 10%, vending 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4% alcoholic bev 4% special events 4%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 6%, alcoholic bev 12%, special events 12%, vending 6%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4%, alcoholic bev 8%, special events 10%, catering/to-go 6%, optional valet service 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 10%, alcoholic bev 12.50%, special events 10%, vending 10%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 10%, alcoholic bev 12.50%
The City of Los Angeles	F&B (GC)	Food, non-Alcohol Bev 3.5%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4.25 %
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 4.25 %
The City of Los Angeles	F&B (GC)	Alcoholic Bev 10%, happy hour and not club discount 4.25%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 3%, alcoholic bev 3%, special events 3%
The City of Los Angeles	F&B (GC)	Food, non-alcohol bev 6%, alcoholic Bev 6%
Will Rogers State Beach	F&B	10% from the restaurant, 12% from the bar, 12% from parking fees, 12% from retail sales, 25% from service enterprise (e.g., coin-operated vending machines), and 12% from misc.
LAX	F&B	Minimum rent of \$733.33 per square foot per year for fast casual dining and \$700 per square foot per year for branded coffee spaces, 21.5% for alcoholic bev and 16.5% for all other items

MINIMUM AND PERCENTAGE RENT SUMMARY

The following chart includes a summary of minimum and percentage rent.

MISSION BAY GOLF COURSE CAFÉ MARKET RENT STUDY

MINIMUM RENT

	LOW	CONCLUSION	HIGH
LEASE TERM (Yrs)	5.0	7.5	10.0
ESCALATIONS (ANNUAL)	3.0%	3.5%	4.0%
RENTAL RATE (SF/Mo)	\$2.00	\$2.25	\$4.00
EXPENSE REIMBURSEMENT TYPE		NNN	
FREE RENT (Mo)	2.00	3.50	5.00
TI (\$/SF)	\$0.00	\$12.50	\$25.00

PERCENTAGE RENT

ALL FOOD	3.0%	7.0%	16.5%
ALL BEVERAGES INCLUDING ALCOHOLIC	1.0%	10.0%	21.5%
ALL SERVICE CHARGES NOT RELATED TO GRATUITIES GOING TO STAFF	1.0%	10.0%	25.0%
ALL REVENUE RECEIVED FROM GAME/VENDING MACHINES AND LESSEE-OWNED MACHINES	3.0%	11.0%	30.0%
ALL OTHER AUTHORIZED OPERATIONS AND ACTIVITIES	2.1%	12.0%	12.0%

MARKET RENT RECONCILIATION

In this market rent study, the market rent reconciliation includes the consideration of the results from the comparable sales analysis as well as market participant opinions.

Minimum Rent

Overall, the analysis of comparable market rent indicates a rental rate of \$2.50 per square foot on a NNN basis and including market incentives. We note that most market participants indicate a market rental rate of \$2.50 per square foot and on a NNN basis given market incentives. Given the unique nature of the subject property, we have given equal weight to the results and consider that the likely market rent will fall within the range of the approaches.

Food

Percentage rent for all food sales ranges from 3.0% to 16.5% with most data points clustering from 6.5% to 8.1%. The average of all data points is 7.6%. We consider that percentage rent for food at golf courses where there is alcohol is 4.0% to 10.0% indicating a full-service experience. We have concluded on 7.0%.

All Beverages Including Alcoholic

Percentage rent for all beverages including alcoholic ranges from 3.0% to 21.5% with most data points clustering from 8.0% to 10.0%. The average of all data points is 7.8%. We consider that percentage rent for beverages at golf courses where there is alcohol and including higher percentages for alcohol is 4.0% to 12.0%. Considering the good location of the subject property, we have concluded on 10.0%.

All Service Charges Not Related to Gratuities Going to Staff

Percentage rent for service charges ranges from 1.0% to 25.0% and clusters from 9.0% to 10.0%. The average of all data points is 9.5%. Given that 10.0% is the most common percentage rent for all service charges, we have concluded on 10.0%.

All Revenue Received from Game/Vending Machines and Lessee-Owned Machines

Percentage rent for all revenue received from game/vending machines and lessee-owned machines ranges from 3.0% to 30.0% and clusters around 10.0% to 12.0%. The average of all data points is 11.2%. Given that 10.0% to 12.0% is the most common percentage rent for all service charges, we have concluded on 11.0%.

All Other Authorized Operations and Activities

Percentage rent for all other authorized operations and activities ranges from 2.1% to 12.0% and clusters around 7.0% to 12.0%. The average of all data points is 8.7%. Given that 12.0% is most likely given the LAX data point, we have concluded on 12.0%.

We certify that, to the best of our knowledge and belief:

- › The statements of fact contained in this report are true and correct.
- › The reported analyses, opinions, and conclusions of the signers are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- › The signers of this report has no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- › The signers are not biased with respect to the property that is the subject of this report or to the parties involved with this assignment.
- › The engagement in this assignment was not contingent upon developing or reporting predetermined results.
- › The compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- › The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice* and the *Code of Professional Ethics and Standards of Professional Appraisal Practice* of the Appraisal Institute.
- › Brian Tankersley, MAI, MRICS inspected the property that is the subject of this report. Sean Heath, MAI, AI-GRS, AGA did not inspect the property that is the subject of this report. Jessie Kelley did not inspect the property that is the subject of this report.
- › Jessie Kelley provided significant real property appraisal assistance to the appraisers signing the certification. Assistance included gathering, analyzing and reporting regional and local area information, confirming and analyzing the subject's zoning and tax information, and confirming some of the comparable data used for this analysis.

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report Brian Tankersley, MAI, MRICS and Sean Heath, MAI, AI-GRS, AGA completed the continuing education program for Designated Members of the Appraisal Institute.

As of the date of this report Jessie Kelley has completed the Standards and Ethics Education Requirement for (Candidates or Practicing Affiliates) of the Appraisal Institute.



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April 22, 2024

Date



April 22, 2024

Date

Sean Heath, MAI, AI-GRS, AGA
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This appraisal is subject to the following assumptions and limiting conditions:

- › The appraisers may or may not have been provided with a survey of the subject property. If further verification is required, a survey by a registered surveyor is advised.
- › We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.
- › The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.
- › Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- › The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein.
- › Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.
- › This report shall be used for its intended purpose only, and by the party to whom it is addressed. Possession of this report does not include the right of publication.
- › The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made therefore.
- › The statements of value and all conclusions shall apply as of the dates shown herein.
- › There is no present or contemplated future interest in the property by the appraisers which is not specifically disclosed in this report.
- › Without the written consent or approval of the authors neither all, nor any part of, the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.
- › This report must be used in its entirety. Reliance on any portion of the report independent of others, may lead the reader to erroneous conclusions regarding the property values. Unless approval is provided by the authors no portion of the report stands alone.
- › The valuation stated herein assumes professional management and operation of the buildings throughout the lifetime of the improvements, with an adequate maintenance and repair program.
- › The liability of Colliers International Valuation & Advisory Services, its principals, agents, and employees is limited to the client. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property.
- › The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the degree of fault. Colliers International Valuation & Advisory Services and its principals, agents, employees, shall not be liable

for any costs, expenses, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids or gasses, waste materials or other irritants, contaminants or pollutants.

- › The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*. Colliers International Valuation & Advisory Services, its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties or diminution in value resulting from non-compliance. This appraisal assumes that the subject meets an acceptable level of compliance with *ADA* standards; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the magnitude and time of the cost were known today, they would be reduced from the reported value conclusion.
- › An on-site inspection of the subject property was conducted. No evidence of asbestos materials on-site was noted. A Phase 1 Environmental Assessment was not provided for this analysis. This analysis assumes that no asbestos or other hazardous materials are stored or found in or on the subject property. If evidence of hazardous materials of any kind occurs, the reader should seek qualified professional assistance. If hazardous materials are discovered and if future market conditions indicate an impact on value and increased perceived risk, a revision of the concluded values may be necessary.
- › A detailed soils study was not provided for this analysis. The subject's soils and sub-soil conditions are assumed to be suitable based upon a visual inspection, which did not indicate evidence of excessive settling or unstable soils. No certification is made regarding the stability or suitability of the soil or sub-soil conditions.
- › This analysis assumes that the financial information provided for this appraisal, including rent rolls and historical income and expense statements; accurately reflect the current and historical operations of the subject property.

Master List: Business Activities Comparable Summary Table

City Owned % Rent Comparables

Address Property Type Lease/Lease Option Date	Range of City Comparables	2727 De Anza Rd RV Park 6/1/2019; Amendment signed 6/27/25	Site Code P201RD RV Park (Campland) 7/1/2017; Amendment signed 6/27/25	4500 Ocean Blvd Motel/Cottages 11/8/2023 (appraisal DOV)	8110 Aero Drive Hotel 4/5/2021	Belmont Park APN 760-217-0700 Plunge Pool and Rides/Arcades 4/22/2015; % rates as of 2020	Site Code N508PA Restaurant 8/19/2019	500 Sea World Drive Sea World 3/13/1996; % rates as of 2024
Campsites	20.0%	20.0%	20.0%					
Room revenue	6.5%-10.0%			10.0%	6.5%			
Banquet room gross income	6.5%-10.0%				6.5%		10.0%	
Mandatory banquet service charges or gratuities	3.5%-4.0%				3.5%		4.0%	
Operation and rental of boat slips and boating operations	25.0%		25.0%					25.0%
Recreation rentals/boat or equipment rentals	6.0% - 10.0%	10.0%	10.0%					
Operation of recreational facilities	5.0% - 7.0%	5.0%	5.0%					7.0%
Amusement ride sublease income	50.0%					50.0%		
Amusement arcade/games/entertainment	3.0% - 10.0%							3.0% - 10.0%
Ticket sales	3.25%							3.25%
Aquatic equipment rentals	6.0% - 10.0%	10.0%						
Health club and pool operations	5.0%					5.0%		
Operation of gift shop or bait shop	7.0% - 8.0%	7.0%	7.0%		7.0%			
Operation of speciality shops	5.0% - 9.0%					5.0%		9.0%
Front desk revenue	5.0%	5.0%	5.0%					
General merchandise store	5.0%-10.0%	5.0%	5.0%				10.0%	
Dry boat and boat trailer storage	20.0%	20.0%	20.0%					20.0%
Boat slip rental and boat storage	25.0%		25.0%					25.0%
Sales of food/snack bar and non-alcoholic beverages	3.5% - 8.0%	3.5%	3.5%		3.5%	3.0%	3.5%	3.0%
Alcoholic beverages	6.0%-7.0%	6.5%	6.5%		6.0%	6.0%	7.0%	6.0%
Commissions or any other compensation to Lessee for the right to install and operate coin-operated vending, game, or service machines or devices	50.0%						50.0%	
Coin-operated vending, game, or service machines	5.0%-25.0%	5.0%	5.0%		25.0%		10.0%	
Operation of game rooms, laser tag and miniature golf	5.0%					5.0%		
Paid parking, movies commission, coin-operated telephones, telephone commission	10.0%-50.0%	50.0%	50.0%		10.0%			
Auto Parking Revenue	10.0% - 20.0%	20.0%	20.0%					10.0%
Valet parking						5.0%		
Auto rental and travel commission	10.0%	10.0%	10.0%					
Banquet room audio/visual equipment charges	10.0%				10.0%			
Wireless telecommunication equipment installed	50.0%	50.0%	50.0%			50.0%	50.0%	50.0%
Laundry revenue	7.0%	7.0%	7.0%					
Sale of diesel fuel	1.5%							1.5%
Sale of non-diesel fuel	3.0%							3.0%
Propane	3.0%	3.0%	3.0%					
All other authorized activities	10.0%-20.0%	10.0%	10.0%	10.0%	10.0%	10.0%	20.0%	

Data Number		1	2	3	4	5	6	7	8	9
City/Lessor		Oceanside	Port of SD	Port of SD	Port of SD	Port of SD	Port of SD	Santa Cruz	Port of LA	Santa Cruz
Property Address		Main Harbor Village Dock	1000 H St	1450 Harbor Island Dr	1551 Shelter Island Dr	825 E Street	2091 Shelter Island Dr	15 Municipal Warf	22905 Lockness Ave	1127 Pacific Ave
Property City		Oceanside	Chula Vista	San Diego	San Diego	Chula Vista	San Diego	Santa Cruz	Torrance	Santa Cruz
Lease/Lease Option Date	Range of Market	8/24/2022	5/26/2022	5/31/2021	11/1/2020	9/16/2019	10/14/1017	2/1/2017	6/19/2016	4/27/2001; pending new lease 4/1/2026
Category	Comparables	Boat Rentals of America	Hotel & Convention Center	400-Slip Marina	Resort & Marina	RV Rental Park	Marina	Santa Cruz Boat Rentals	Marina	Del Mar and Nickelodeon Theater
Campsites	5.0% - 15.0%						5.0%-15.0%			
Room revenue	7.0%				7.0%					
Income from Model stall rentals	5.0% - 7.0%						5.0%-7.0%			
Gross retail sales	3.0% - 7.0%	7.0%							3.0%	
Ticket Sales	7.5%									7.5%
Recreation Vehicles:										
Operation of recreational facilities	2.0% - 7.0%	7.0%					2.0%-6.0%			
Operation and rental of boat slips and boating operations	22.0%			22.0%	22.0%	22.0%			20.0%	
Boat rental concessions	10.0%				10.0%					
Rentals of bikes and recreational	10.0% - 15.0%		15.0%		15.0%	10.0%				
Bike and scooter/golf cart rentals	2.0% - 15.0%			10.0%		10.0%	2.0%-15.0%			
Auto rental and travel commission	6.0%			6.0%		6.0%				
Sales from car rental and health club/spa services	5.0% - 10.0%		5.0%		10.0%					
Aquatic equipment rentals	6.0% - 7.0%	7.0%						6.0%		
Sales of new and used boats	Varies				\$0.55/SF/mo for land used for boat sales	\$0.55/SF/mo for land used for boat sales			\$150 - 10.0% whichever is greater for new and used boat sales	
Boat charters or fishing rent/equipment	6.0%			6.0%	6.0%	6.0%				
General merchandise store or <i>bait shop</i>	2.0% - 8.0%						2.0%-3.0%	8.0%		
Operation of gift shop or lobby shops	2.0% - 50.0%		5.0%		5.0%		2.0%-50.0%	10.0%		
Operations dispensing of food or snack bar, including non-alcoholic	2.0%-8.0%			5.0%		5.0%	2.0%-5.0%	8.0%		
Operations serving of meals, or restaurants including non-alcoholic	2.0%-5.0%			3.0%	3.0%-5.0%	3.0%	2.0%-3.0%			
Alcoholic beverages	2.0% - 5.0%			3.0% - 5.0%		3.0%-5.0%	2.0%-5.0%			
Sales of recreation lessons	10.0%		10.0%							
Sales from any entertainment charges (i.e., youth camps)	3.0% - 10.0%		3.0%		5.0%	10.0%			5.0%	
Parking services including valet	15.0%				15.0%					
Auto parking revenue	2.0% - 10.0%						2.0%-10.0%			
Locker and Storage Rentals	10.0%								10.0%	
Yacht club membership	10.0% - 22.0%				10.0%	22.0%				
Operation of game rooms	2.0% - 5.0%						2.0%-5.0%			
Operation from vending machines, coin operated telephones/telephone	2.0% - 25.0%		5.0%	5.0%	5.0%	5.0%	2.0%-25.0%		25.0%	
Movie commission and room phones	25.0%		25.0%		25.0%					
Income conference room and office space	10.0%		10.0%		10.0%	10.0%				
Conference and banquet rooms and sales of such	7.5%				7.5%					
Income from telecommunications uses	50.0%		50.0%		50.0%	50.0%				
Utility fees	2.0% - 10.0%						2.0%-10.0%			
All other authorized activities	2.0% - 20.0%	7.0%	10.0%	10.0%	20.0%	10.0%	2.0%-10.0%			
Unauthorized activities	2.0% - 20.0%		20.0%	20.0%		20.0%	2.0%-20.0%			