

OCEAN INDUSTRIES, INC.
2716 Ocean Park Boulevard, Suite 2025
Santa Monica, California 90405
Telephone: (310) 314-2504 email: cchase@wattcompanies.com

February 8, 2016

City of San Diego
Real Estate Assets Department
1200 Third Avenue, Suite 1700
MS 51A
San Diego, CA 92101-4199
Attn: Cybele Thompson

Re: Corporation Grant Deed – Ocean Industries, Inc., successor by merger to WISD, Inc., formerly known as Watt Industries/San Diego, Inc., to The City of San Diego; San Diego Recorder’s Document No. 83-382964 on October 24, 1983 (the “Deed”)

Dear Ms. Thompson:

Reference is made to the above referenced Deed by which The City of San Diego (the “City”) acquired certain land (the “open space”) in the Fairbanks Ranch area subject to certain open space and use restrictions. By several subsequent letter agreements between the City and Ocean Industries (“Ocean Industries”), successor by merger to the original grantor Watt Industries/San Diego, Inc., the use restrictions have been clarified and certain exemptions thereto have been specifically agreed upon.

Enclosed for your reference is the most recent letter agreement between Ocean Industries and the City, dated September 29, 2014 (the “September, 2014 Letter”) whereby, among other things, Ocean Industries consented to the use of the open space conveyed by the Deed for up to twenty-five (25) events per calendar year. Previously, the permissive use of the open space had been limited to twenty-five (25) cumulative days per calendar year.

The September, 2014 Letter expressly provides that Ocean Industries’ permission “will be valid until expressly revoked by Ocean or its successor-in-interest as “Grantor” under the Deed by written notice to the City.”

We have been informed that the City is currently engaged in negotiation of a long term lease to memorialize the permitted uses in the open space by certain interested parties (and to the exclusion of other interested parties). As the City is no doubt aware, certain local groups, including the Fairbanks Polo Club Homes HOA (the “Polo Clubs HOA”), have taken the position that the City’s current and contemplated future use of the open space is in violation of the express

limitations contained in the Deed. Ocean Industries has received written notice from the Polo Clubs HOA of a claimed violation of the open space restrictions in the Deed coupled with a threat to sue Ocean Industries and the City if the current and contemplated future use of the open space continues. Chief among the demands made by the Polo Club Homes is that the open space property be restricted to use to no more than twenty-five (25) days per year.

In giving its previous consent to the City for certain specific uses of the open space (a list which has been increased incrementally from time to time), Ocean Industries has tried to act as a good neighbor and not interfere with the City's determination of how to use the property for the good of the community. Until now, Ocean Industries has not received any indication of community discontent.

Although Ocean Industries does not concede the legal analysis or the merit of the claims made by the Polo Clubs HOA, it is apparent to us that there is a significant likelihood that Ocean Industries will be made party to a litigation in which Ocean Industries has no vested interest. This will entail unnecessary legal expenses and the commitment of time by executives of the Company. It is our belief that this is the City's fight and not Ocean Industries.' As a result, unless the City provides written assurance to Ocean Industries within ten (10) business days from the date of this letter that the City will fully defend and indemnify Ocean Industries in the event that Ocean Industries is made party to litigation regarding use of the open space, effective on the date ten (10) business days after the date of this letter, the permission granted under the September, 2014 letter for the use of the Open Space for up to twenty-five (25) events per year is revoked, and the prior limitation to twenty-five (25) days per calendar year will apply.

Please do not hesitate to contact me if you have any questions or if you or your counsel would like to discuss this matter.

Very truly yours,



Christopher Chase
Secretary and General Counsel

cc: Nadine Watt
J. Scott Watt
Allison Lynch
Joe Davis
Mark Humphreys



THE CITY OF SAN DIEGO

September 29, 2014

Ocean Industries, Inc.
Attn: Christopher Chase, General Counsel
2716 Ocean Park Boulevard, Suite 2025
Santa Monica, CA 90405

Reference: CORPORATION GRANT DEED – Ocean Industries, Inc., successor by merger to WISD, Inc., formerly known as Watt Industries/San Diego, Inc., to The City of San Diego; San Diego Recorder's Document No. 83-382964 on October 24, 1983 ("Deed")

Dear Mr. Chase:

This letter is requesting the cooperation of Ocean Industries, Inc. ("Ocean") in making a restatement of its approved exceptions to the property-use restrictions contained in the above-referenced Deed.

As you know, the Deed granted The City of San Diego ("City") certain land in the Fairbanks Ranch area for use as a country club, golf course and open space. The City has been leasing a portion of the land, referred to in the Deed as the "Affected Land," for equestrian, polo, soccer and other purposes allowed under the Deed and by that certain letter ("Letter") dated August 5, 2002, from Christopher Chase to Tim C. Rothans, the City's Deputy Director of Real Estate Assets at the time. I have enclosed copies of the Deed and the Letter for your reference.

The City now intends to issue a Request for Proposals and negotiate a long-term lease of the Affected Land.

Ocean has represented to the City that Ocean is the successor in interest to Watt Industries/San Diego, Inc., the Grantor under the Deed. Accordingly, for clarity moving forward and to allow some latitude in the use of the Affected Land, the City would like to establish certain Ocean-approved exceptions to the Deed's use restrictions without being tenant-specific. This will greatly facilitate the Request for Proposals and future lease transactions.

Pursuant to Deed section 5 (which allows the Grantor to consent to otherwise prohibited uses occurring on the Affected Land), the City proposes the following list of allowed uses of the Affected Land, which shall supersede the Letter:

1. Exhibitions (e.g., horse shows, dog shows, sports equipment testing/exhibitions/shows) and consecutive-day sporting/athletic tournaments ("Events"); provided that there shall be no more than twenty-five (25) such Events per calendar year cumulatively (not each).
2. Soccer, polo, lacrosse, and other sports practice and play, youth sports practice and competitions, and single-day sporting tournaments.
3. Seasonal holiday sales (e.g., Christmas tree and pumpkin sales).

Real Estate Assets Department
1200 Third Avenue, Suite 1700, MS 51A • San Diego, CA 92101-4199
Tel (619) 236-6020 Fax (619) 236-6706

Christopher Chase
September 29, 2014
Page 2

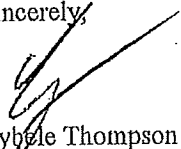
4. Parking and restrooms for uses such as those stated above and other incidental support facilities as reasonably required.
5. Up to (but not exceeding) six (6) livestock superintendants/groundskeepers living on site.

Ocean's consent to the foregoing will be subject to the following:

- A. Ocean's permission for the above uses, notwithstanding the Deed, will be valid until expressly revoked by Ocean or its successor-in-interest as "Grantor" under the Deed by written notice to City or its successor-in-interest as "Grantee" under the Deed, and need not be renewed annually or otherwise.
- B. City or City's tenant, whichever is in possession of the Affected Land at any time and from time to time, may decide (with whatever review/approval the City wants to maintain) the dates, terms, sponsors and organizers of each of the above allowed uses consistent with such entity's financial needs.
- C. The consent will be valid only for the Affected Land.

If Ocean agrees with this proposal, please have an authorized officer of the corporation sign below and return this letter to me for the City's records. Your assistance and cooperation with this matter is greatly appreciated.

Sincerely,


Cybele Thompson
Director, Real Estate Assets

Enclosures

cc: Heide E. Farst, Property Agent

THE UNDERSIGNED CONSENTS TO THE FOREGOING
AND AGREES TO AND ACCEPTS THE TERMS OF THIS
LETTER:

OCEAN INDUSTRIES, INC.

BY: Allison M. Lynch DATE: 10/2/14
NAME: Allison M. Lynch
TITLE: Sr. V.P.