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9
10 **UNITED STATES BANKRUPTCY COURT**
11 **CENTRAL DISTRICT OF CALIFORNIA**
12 **LOS ANGELES DIVISION**

13 In re:

14 CARTEL MANAGEMENT, INC.

15 Debtor.

16 Lead Case No. 2:17-bk-11179-DS

17 Jointly administered with:
18 Case No. 2:17-bk-11181-DS
19 (Titans of Mavericks, LLC)

20 Chapter 11

21 In re:

22 TITANS OF MAVERICKS, LLC,

23 Debtor.

24 **DEBTORS' MOTION FOR ENTRY OF AN**
25 **ORDER: (1) APPROVING SALE OF**
26 **CERTAIN OF THE DEBTORS' ASSETS**
27 **RELATED TO "TITANS OF MAVERICKS"**
28 **FREE AND CLEAR OF ALL LIENS,**
CLAIMS AND INTERESTS; (2) TO THE
EXTENT APPLICABLE, APPROVING
DEBTORS' ASSUMPTION AND
ASSIGNMENT OF PERMIT ISSUED BY SAN
MATEO COUNTY HARBOR DISTRICT; (3)
WAIVING THE 14-DAY STAY PERIODS
SET FORTH IN BANKRUPTCY RULES
6004(h) AND 6006(d); AND (4) GRANTING
RELATED RELIEF; MEMORANDUM OF
POINTS AND AUTHORITIES IN SUPPORT
THEREOF; DECLARATION OF GRIFFIN
GUESS

- 29 Affects Both Debtors
30 Affects Cartel Management, Inc. only
31 Affects Titans of Mavericks,
32 LLC only

33 **Hearing Schedule:**

34 Date: September 13, 2017
35 Time: 2:00 p.m.
36 Place: Courtroom 1639
37 255 East Temple Street
38 Los Angeles, CA 90012

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1 Cartel Management, Inc. (“CMI”) and Titans of Mavericks, LLC (“Titans”, and
2 collectively with CMI, the “Debtors”), Chapter 11 debtors and debtors in possession in the above-
3 entitled, jointly-administered, Chapter 11 bankruptcy cases, hereby file this motion (the
4 “Motion”) seeking the entry of an order of the Court (A) pursuant to 11 U.S.C. § 363(f) approving
5 the sale free and clear of all liens, claims and interests, of certain of the Debtors’ assets related to
6 “Titans of Mavericks,” including that certain “Special Use Permit (5-Year term: 2016/2017
7 through 2020/2021)” (Permit Number: 2016-01) (the “Permit”) issued to CMI by the San Mateo
8 County Harbor District, to Association Of Surfing Professionals LLC d/b/a World Surf League or
9 its permitted designee (“collectively, “WSL”); (B) pursuant to 11 U.S.C. § 365 (to the extent
10 applicable), authorizing the Debtors to assume and assign the Permit to WSL; (C) waiving the 14-
11 day stay periods set forth in Bankruptcy Rules 6004(h) and 6006(d) to enable the sale to close as
12 quickly as possible; and (D) granting certain other related relief. A more detailed analysis of the
13 status of these cases and the bases for this Motion are set forth below in the annexed
14 Memorandum of Points and Authorities and Declaration of Griffin Guess (the “Declaration”).

15 WHEREFORE, the Debtors respectfully request that this Court:

- 16 1. approve the sale and transfer of certain of the Debtors’ assets related to “Titans of
17 Mavericks,” including the Permit, to WSL free and clear of all liens, claims and interests;
- 18 2. find that WSL is a good faith buyer entitled to all of the protections afforded by
19 Section 363(m) of the Bankruptcy Code;
- 20 3. to the extent the Court concludes that the Permit is an executory contract, approve
21 (effective as of the date of the sale closing) the Debtors’ assumption and assignment of the Permit
22 to WSL;
- 23 4. if the Permit is an executory contract, find that the cure amount which must be
24 paid in connection with the Debtors’ assumption and assignment of the Permit is \$6,385.01 and
25 that adequate assurance of future performance has been demonstrated, and order that any party
26 that fails to file a timely objection to this Motion shall be deemed to have consented to the amount
27 of the cure and be forever barred from challenging the Debtors’ proposed amounts of the cure;
- 28 5. enter a sale order on or before September 14, 2017 (which is the required deadline

1 under the APA) in a form that is mutually agreed to between the Debtors and WSL;

2 6. waive the 14-day stay periods set forth in Bankruptcy Rules 6004(h) and 6006(d);

3 and

4 7. grant such other and further relief as the Court deems just and proper.

5 Dated: August 23, 2017

CARTEL MANAGEMENT, INC.; TITANS OF
MAVERICKS, LLC

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By: /s/ David L. Neale

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DAVID L. NEALE

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KRIKOR J. MESHEFEJIAN

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LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.

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Counsel for Chapter 11 Debtors and Debtors in

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Possession

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MEMORANDUM OF POINTS AND AUTHORITIES

I. STATEMENT OF FACTS

A. Brief Description Of The Debtors' Business And Operations.

CMI and Titans together promote, organize, and host one of the most famous sporting events in “big wave” surfing, known as “Titans of Mavericks” at the Pacific Ocean surf break popularly known as “Mavericks” located near Half Moon Bay, California, just south of San Francisco. This one-day, invitation only, surfing competition attracts professional big wave surfers from across the globe. The competition is limited to twenty four of the world’s best male surfers, and six of the world’s best female surfers, challenging the massive swells and each other on the biggest and best surf days every winter. It is not uncommon for competition waves to be in excess of fifty feet. The current competition date generally spans from November through March 31 each year. When weather and surf conditions are determined to be satisfactory, notice is provided to the contestants of the commencement of the event. The event does not necessarily occur every year – if weather and wave conditions are not deemed satisfactory, the event is not held.

CMI and Titans work collectively to promote, organize, and host the event. CMI generally is in the business of event and brand management and media broadcast development to promote, produce, develop and market intellectual properties to develop stronger media presence and business models for the exploitation of such intellectual properties. CMI is wholly owned by Griffin Guess. Mr. Guess is also the President and sole member of the Board of Directors of CMI.

In 2015, Mr. Guess created Titans to hold the intellectual properties and handle the actual day to day tasks related to the organization of the Titans of Mavericks surf event. Mr. Guess is the sole manager and member of Titans. CMI and Titans therefore work hand in hand to promote, organize, and host the event. CMI has no secured debt and approximately \$1.232 million of general unsecured debt. Titans has no secured debt and approximately \$1.532 million of general unsecured debt. The Debtors and their principal have spent in excess of \$3 million developing and marketing the Titans of Mavericks brand, paying operating expenses, and obtaining the

1 intellectual property and permits in connection with the surf event.

2 **B. Events Leading To The Debtors' Bankruptcy Cases.**

3 The primary source of income for the Debtors is revenue generated from sponsorship and
4 media agreements between CMI and third parties such as Red Bull, Clif Bar, Fox Sports and
5 Pandora. The Debtors also generate revenue from the sale of products such as clothing, hats,
6 posters, and stickers associated with the surfing event.

7 Despite revenue growth and significant increased attention for the event, the Debtors faced
8 operating difficulties arising from delayed sponsor payments, political complications, costly
9 litigation and the need to maintain their necessary permits in the face of continuing efforts by
10 certain third parties to negatively affect the Debtors. The Debtors were forced to file for
11 bankruptcy protection in order to obtain a breathing spell and hope to conduct either a sale of their
12 business and/or assets, or internally restructure their financial affairs with an infusion of new
13 equity.

14 **C. The Debtors' Efforts To Market And Sell The Debtors' Assets.**

15 Starting on approximately February 10, 2017, the Debtors' principal contacted marquee
16 parties in the following five sectors: television network groups, media and internet companies,
17 brand and product corporations, high net-worth individuals, and professional sports leagues and
18 teams. In total, the Debtors reached out to hundreds of parties and had direct communications
19 with approximately seventy parties. The Debtors created a substantive data room from which
20 prospectively interested buyers were granted access to extensive financial data and other
21 information about the Debtors' assets. The Debtors also assembled a substantial list of
22 approximately 71 prospective buyers, and approximately 11 buyers signed confidentiality
23 agreements and were provided with access to the data room. The opportunity to acquire the
24 Debtors' assets was widely broadcast, and the Debtors therefore believe that they reasonably
25 provided notice to the most likely candidates who would be interested in acquiring the Debtors'
26 assets.

27 On May 3, 2017, the Debtors filed that certain *Debtors' Motion For Entry Of An Order:*
28 *(1) Approving Auction Sale Format And Bidding Procedures; (2) Approving Form Of Notice To*

1 *Be Provided To Prospective Buyers; (3) Approving Form Of Asset Purchase Agreement For*
2 *Prospective Overbidders To Use; And (4) Scheduling A Hearing For The Court To Consider*
3 *Approval Of The Debtors' Asset Sale To The Highest And Best Bidder (the "Bid Procedures*
4 *Motion"). On May 11, 2017, the Bankruptcy Court entered an order (the "Bid Procedures*
5 *Order") granting the Bid Procedures Motion.*

6 On May 17, 2017, the Debtors filed that certain *Debtors' Motion For Entry Of An Order:*
7 *(1) Approving Sale Of Substantially All Of The Debtors' Assets Related To "Titans Of*
8 *Mavericks" Free And Clear Of All Liens, Claims And Interests; (2) Approving Debtors'*
9 *Assumption And Assignment Of Unexpired Leases And Executory Contracts And Determining*
10 *Cure Amounts; (3) Approving Debtors' Rejection Of Unexpired Leases And Executory Contracts*
11 *Which Are Not Assumed And Assigned; (4) Waiving The 14-Day Stay Periods Set Forth In*
12 *Bankruptcy Rules 6004(h) And 6006(d); And (5) Granting Related Relief (the "First Sale*
13 *Motion").*

14 Pursuant to the Bid Procedures Order, the deadline to submit a bid was May 25, 2017 and
15 an auction was scheduled to be conducted on June 1, 2017. Four parties expressed an interest in
16 submitting a bid to the Debtors and participating in an auction. None of those parties submitted a
17 qualified bid under the Bid Procedures Order, but one of the parties initially proposed an
18 alternative transaction involving a potential recapitalization of the Debtors as opposed to an asset
19 sale. As a result, the Debtors did not conduct an auction on June 1, 2017 and the Debtors
20 withdrew the First Sale Motion without prejudice. Additionally, two of the four parties continued
21 to express an interest in submitting a bid for the purchase of the Debtors' assets related to "Titans
22 of Mavericks."

23 One of the parties, the Association of Surfing Professionals LLC d/b/a World Surf League
24 or its permitted designee (collectively, "WSL") submitted a purchase offer to the Debtors. After
25 the Debtors and WSL engaged in negotiations regarding the terms and conditions of the sale, the
26 Debtors and WSL entered into that certain Asset Purchase Agreement ("APA") attached hereto as
27 Exhibit 1, subject to the Court's approval.

28

1 **D. The Terms and Conditions of the Proposed Sale.**¹

2 Pursuant to the terms of the APA, WSL agrees to purchase from the Debtors, and the
3 Debtors agree to sell to WSL, as-is, where-is and with all faults, all of the Purchased Assets for
4 the Purchase Price. Purchased Assets means those assets of the Debtors (other than the Excluded
5 Assets) related to the Debtors' business that constitute property of the Debtors' bankruptcy estates
6 pursuant to Section 541 of the Bankruptcy Code, that are expressly set forth on **Exhibit A** to the
7 APA, including all goodwill relating to such assets, as well as the retention of copies of all
8 documents included in the Debtors' data room files provided to WSL on May 17, 2017 for
9 informational purposes only, all of which such documents constitute Non-Assumed Liabilities.
10 The Purchased Assets specifically include, without limitation, the Special Use Permit Number
11 2016-01 (5-Year term: 2016/2017 through 2020/2021 ("Permit")) issued by the San Mateo County
12 Harbor District ("SMCHD"), a copy of which Permit is attached to Schedule 6.1 of the APA. As
13 a condition to WSL's obligations to close, at a public hearing to be held by the SMCHD on or
14 before September 20, 2017, the SMCHD must expressly confirm that it does not oppose the
15 assignment and transfer of the Permit to WSL.

16 The Purchase Price for the Purchased Assets shall be an amount equal to Five Hundred
17 Twenty-Five Thousand and 00/100 Dollars (\$525,000) in Good Funds paid to the Debtors at the
18 Closing. Within two business days after the Bankruptcy Court enters the Sale Order, WSL shall
19 deposit into the Deposit Account Good Funds in the amount of Twenty-Five Thousand and
20 00/100 Dollars (\$25,000) (the "Deposit"). The Deposit shall be applied to the obligations of
21 Purchaser under the APA.

22 All Liabilities of the Debtors with respect to any cure payments to be made with respect to
23 Assumed Contracts shall be paid out of the Purchase Price and not in addition to the Purchase
24 Price. The Debtors believe that the only cure amount which will be required to be paid out of the
25 Purchase Price (assuming the Permit constitutes an executory contract) totals \$6,385.01.

26
27 _____
28 ¹ Capitalized terms not otherwise defined herein have the same meaning ascribed to such terms in
the APA. To the extent there is any discrepancy between this Motion and the APA, the terms of
the APA shall govern.

1 Subject to the terms and conditions of the APA, the Closing of the transactions
2 contemplated by the APA shall take place at the offices of Levene, Neale, Bender, Yoo & Brill
3 L.L.P., 10250 Constellation Boulevard, Suite 1700, Los Angeles, California 90067 (or close
4 electronically upon agreement of the Parties), on the date (the “Closing Date”) which is the later
5 of: (i) the second (2nd) business day following the date on which all conditions to Closing set forth
6 in Articles 13 and 14 of the APA have been satisfied or waived, or (ii) the second (2nd) business
7 day after expiration of the 14-day appeal period following entry of the Sale Order. In any event,
8 the Closing shall occur by no later than October 3, 2017 unless WSL and the Debtors agree in
9 writing to a later date.

10 The sale of the Purchased Assets to WSL shall be free and clear of any security interests,
11 mortgages, interests (ownership, participatory or otherwise), liens, pledges, charges,
12 encumbrances and other rights or claims of third parties.

13 II.

14 DISCUSSION

15 A. The Court Should Authorize the Debtors to Sell their Assets to WSL.

16 Section 363(b) of the Bankruptcy Code provides that a debtor “after notice and a hearing,
17 may use, sell or lease, other than in the ordinary course of business, property of the estate.” To
18 approve a use, sale or lease of property other than in the ordinary course of business, the court
19 must find “some articulated business justification.” *See, e.g., In re Martin (Myers v. Martin)*, 91
20 F.3d 389, 395 (3d Cir. 1996) citing *In re Schipper (Fulton State Bank v. Schipper)*, 933 F.2d 513,
21 515 (7th Cir. 1991); *Comm. of Equity SEC Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d
22 1063, 1070 (2d Cir. 1983); *In re Abbotts Dairies of Pennsylvania, Inc.*, 788 F.2d 143 (3d Cir.
23 1986) (implicitly adopting the “sound business judgment” test of *Lionel Corp.* and requiring good
24 faith); *In re Delaware and Hudson Ry. Co.*, 124 B.R. 169 (D. Del. 1991) (concluding that the
25 Third Circuit adopted the “sound business judgment” test in the *Abbotts Dairies* decision).

26 In the Ninth Circuit, “cause” exists for authorizing a sale of estate assets if it is in the best
27 interest of the estate, and a business justification exists for authorizing the sale. *In re Huntington,*
28 *Ltd.*, 654 F.2d 578 (9th Cir. 1981); *In re Walter*, 83 B.R. 14, 19-20 (9th Cir. B.A.P. 1988). The

1 Ninth Circuit has also held that section 363 allows the sale of substantially all assets of a debtor's
2 bankruptcy estate after notice and a hearing. *In re Qintex Entertainment, Inc.*, 950 F.2d 1492 (9th
3 Cir. 1991).

4 In determining whether a sale satisfies the business judgment standard, courts have held
5 that: (1) there be a sound business reason for the sale; (2) accurate and reasonable notice of the
6 sale be given to interested persons; (3) the sale yield an adequate price (i.e., one that is fair and
7 reasonable); and (4) the parties to the sale have acted in good faith. *Titusville Country Club v.*
8 *Pennbank (In re Titusville Country Club)*, 128 B.R. 396, 399 (Bankr. W.D. Pa. 1991); *see also, In*
9 *re Walter*, 83 B.R. at 19-20.

10 The Debtors submit that their proposed sale of their business/assets to WSL clearly
11 comports with each of these four criteria and demonstrates that the Debtors' business judgment to
12 proceed with the sale is sound.

13 1. Sound Business Purpose.

14 There must be some articulated business justification, other than appeasement of major
15 creditors, for using, selling or leasing property out of the ordinary course of business before the
16 bankruptcy court may order such disposition under Section 363(b). *In re Lionel Corp.*, 722 F.2d
17 at 1070. The Ninth Circuit Bankruptcy Appellate Panel in *Walter v. Sunwest Bank (In re Walter)*,
18 83 B.R. 14, 19 (9th Cir. B.A.P. 1988) has adopted a flexible case-by-case test to determine
19 whether the business purpose for a proposed sale justifies disposition of property of the estate
20 under Section 363(b). In *Walter*, the Bankruptcy Appellate Panel, adopting the reasoning of the
21 Fifth Circuit in *In re Continental Airlines, Inc.*, 780 F.2d 1223 (5th Cir. 1986) and the Second
22 Circuit in *In re Lionel Corp.*, *supra*, articulated the standard to be applied under Section 363(b) as
23 follows:

24 Whether the proffered business justification is sufficient depends on
25 the case. As the Second Circuit held in Lionel, the bankruptcy
26 judge should consider all salient factors pertaining to the proceeding
27 and, accordingly, act to further the diverse interests of the Debtor,
28 creditors and equity holders, alike. He might, for example, look to
such relevant facts as the proportionate value of the asset to the
estate as a whole, the amount of elapsed time since the filing, the
likelihood that a plan of reorganization will be proposed and

1 confirmed in the near future, the effect of the proposed disposition
2 on future plans of reorganization, the proceeds to be obtained from
3 the disposition vis-a-vis any appraisals of the property, which of the
4 alternatives of use, sale or lease the proposal envisions and, most
5 importantly perhaps, whether the asset is increasing or decreasing in
6 value. This list is not intended to be exclusive, but merely to
7 provide guidance to the bankruptcy judge.

8 *In Re Walter*, 83 B.R. at 19-20, citing *In re Continental Air Lines, Inc.*, 780 F.2d 1223, 1226 (5th
9 Cir. 1986).

10 The facts pertaining to the Debtors' proposed sale of their business/assets to WSL clearly
11 substantiate the Debtors' business decision that such contemplated sale serves the best interests of
12 the Debtors' estates and their creditors and merits the approval of the Court.

13 As indicated above, the Debtors actively marketed their business and assets related to
14 "Titans of Mavericks" for months, reached out to key players in the action sports and
15 entertainment industry, and determined that the most likely manner of paying creditors in these
16 cases is by monetizing the Debtors' assets. Absent a significant, timely monetizing event,
17 recoveries to creditors and the timing of such recoveries are not certain in these cases. The only
18 substantive potential monetizing event which has presented itself to date, and has progressed
19 toward an actual written agreement, is the Debtors' proposed sale of certain assets to WSL.
20 Absent this sale to WSL, the Debtors would be required to continue attempting to find an
21 alternative buyer/transaction. Given that WSL is a natural purchaser of the Permit, and given that
22 the Debtors believe the SMCHD will support the assignment of the Permit to WSL, the Debtors
23 believe that the proposed sale to WSL constitutes a sound business decision.

24 Additionally, the Permit is an exclusive permit for a finite number of years. The proposed
25 sale of certain of the Debtors' assets should be approved now because any delay may affect the
26 ability of the purchaser of the Debtors' assets to hold a surf event the upcoming surf season. As a
27 result, the value of the Debtors' assets could potentially be negatively affected by delaying a sale.

28 The Debtors entered into the APA only after substantial marketing efforts and negotiations
with a number of parties, including WSL. Given the Debtors' sale efforts to date, the Debtors
submit that their proposed sale is justified by sound business purposes, satisfying the first

1 requirement for a sale under Section 363(b) of the Bankruptcy Code.

2 2. Accurate and Reasonable Notice.

3 In connection with a proposed sale under Section 363 of the Bankruptcy Code, “four
4 pieces of information must be presented to the creditors. The notice should: place all parties on
5 notice that the debtor is selling its business; disclose accurately the full terms of the sale; explain
6 the effect of the sale as terminating the debtor’s ability to continue in business; and explain why
7 the proposed price is reasonable and why the sale is in the best interest of the estate.” *In re*
8 *Delaware & Hudson Railway Co.*, 124 B.R. 169, 180 (D. Del. 1991). A notice is sufficient if it
9 includes the terms and conditions of the sale and if it states the time for filing objections. *In re*
10 *Karpe*, 84 B.R. 926, 930 (Bankr. M.D. Pa. 1988). The purpose of the notice is to provide an
11 opportunity for objections and hearing before the court if there are objections. *Id.*

12 The Debtors are providing notice of this Motion on all of the Debtors’ creditors, the UST,
13 those parties who have requested special notice and all other parties to executory contracts and
14 unexpired leases.

15 The Debtors submit that the foregoing satisfies the requirements of Bankruptcy Rules
16 6004(a) and (c), which provide as follows:

17 “(a) ... Notice of a proposed ... sale ... of property ... not in the
18 ordinary course of business shall be given pursuant to Rule
19 2002(a)(2),(c)(1),(i) and (k) ...

20 (c) ... A motion for authority to sell property free and clear of liens
21 or other interests shall be made in accordance with Rule 9014 and
22 shall be served on the parties who have liens or other interests in the
23 property to be sold. The notice required by subdivision (a) of this
24 rule shall include the date of the hearing on the motion and the time
25 within which objections may be filed and served on the debtor in
26 possession...”

27 Fed. R. Bankr. P. 6004(a)(c). The Debtors have complied with all noticing procedures required
28 by the Bankruptcy Rules and the Court.

29 3. Fair and Reasonable Price.

30 In order to be approved under Section 363(b) of the Bankruptcy Code, the purchase price
31 must be fair and reasonable. *Coastal Indus., Inc. v. U.S. Internal Revenue Service (In re Coastal*

1 *Indus., Inc.*), 63 B.R. 361, 368 (Bankr. N.D. Ohio 1986). Several courts have held that “fair
2 value” is given for property in a bankruptcy sale when at least 75% of the appraised value of such
3 property is paid. *See In re Karpe*, 84 B.R. at 933; *In re Abbotts Dairies of Pennsylvania, Inc.*, 788
4 F.2d 143, 149 (3d Cir. 1986); *Willemain v. Kivitz*, 764 F.2d 1019 (4th Cir. 1985); *In re Snyder*, 74
5 B.R. 872, 878 (Bankr. E.D. Pa. 1987); *In re The Seychelles, Partnership and Genius Corp. v.*
6 *Banyan Corp.*, 32 B.R. 708 (N.D. Tex. 1983). However, the Debtor also realizes that “its main
7 responsibility, and the primary concern of the bankruptcy court, is the maximization of the value
8 of the asset sold.” *In re Integrated Resources, Inc.*, 135 B.R. 746, 750 (Bankr. S.D.N.Y. 1992),
9 *aff’d*, 147 B.R. 650 (S.D.N.Y. 1992). “It is a well-established principle of bankruptcy law that the
10 objective of bankruptcy rules and the [debtor’s] duty with respect to such sales is to obtain the
11 highest price or greatest overall benefit possible for the estate.” *In re Atlanta Packaging*
12 *Products, Inc.*, 99 B.R. 124, 131 (Bankr. N.D. Ga. 1988); *see also In re Wilde Horse Enterprises*,
13 136 B.R. 830, 841 (Bankr. C.D. Cal. 1991) [“in any sale of estate assets, the ultimate purpose is to
14 obtain the highest price for the property sold”].

15 The sale process undertaken by the Debtors was specifically designed to insure that the
16 highest price possible is obtained for the Debtors’ business/assets. The Debtors engaged in an
17 extensive and broad marketing and sale process for months, having facilitated due diligence with
18 numerous parties. All interested and viable buyers were provided with equal access to the
19 Debtors and their financial information. All prospective bidders had the equal opportunity to
20 participate in the previously scheduled auction sale or otherwise make an offer to the Debtors,
21 with no interested party having any advantage over any other. The Debtors negotiated with
22 interested parties and WSL ultimately submitted a bid for the Purchased Assets which the Debtors
23 believe is a fair and reasonable price for the Purchased Assets.²

24 4. Good Faith.

25 When a bankruptcy court authorizes a sale of assets pursuant to Section 363(b)(1), it is

26
27 ² A condition of the negotiated terms and Purchase Price was that there be no solicitation or
28 overbids and that a hearing and closing take place as soon as reasonably practicable given the
short time before the 2017 contest is to take place and the preparation required therefor. As
such, the Debtors have neither sought nor obtained any competing bids at this time.

1 required to make a finding with respect to the “good faith” of Purchaser. *In re Abbotts Dairies*,
2 788 F.2d at 149. Such a procedure ensures that Section 363(b)(1) will not be employed to
3 circumvent the creditor protections of Chapter 11, and as such, it mirrors the requirement of
4 Section 1129, that the Bankruptcy Court independently scrutinizes the debtor’s reorganization
5 plan and makes a finding that it has been proposed in good faith. *Id.* at 150.

6 “Good faith” encompasses fair value, and further speaks to the integrity of the transaction.
7 *In re Wilde Horse Enterprises*, 136 B.R. at 842. With respect to the debtor’s conduct in
8 conjunction with the sale, the good faith requirement “focuses principally on the element of
9 special treatment of the Debtor’s insiders in the sale transaction.” *See In re Industrial Valley*
10 *Refrig. and Air Cond. Supplies, Inc.*, 77 B.R. 15, 17 (Bankr. E.D. Pa. 1987). With respect to the
11 buyer’s conduct, this Court should consider whether there is any evidence of “fraud, collusion
12 between the purchaser and other bidders or the [debtor], or an attempt to take grossly unfair
13 advantage of other bidders.” *In re Abbotts Dairies*, 788 F.2d at 147, *In re Rock Indus. Mach.*
14 *Corp.*, 572 F.2d 1195, 1198 (7th Cir. 1978); *In re Wilde Horse Enterprises, Inc.*, 136 B.R. at 842;
15 *In re Alpha Industries, Inc.*, 84 B.R. 703, 706 (Bankr. D. Mont. 1988). In short, “[l]ack of good
16 faith is generally determined by fraudulent conduct during the sale proceedings.” *In re Apex Oil*
17 *Co.*, 92 B.R. 847, 869 (Bankr. E.D. Mo. 1988), *citing In re Exennium, Inc.*, 715 F.2d 1401, 1404-
18 05 (9th Cir. 1983).

19 In *In re Filtercorp, Inc.*, 163 F.3d 570 (9th Cir. 1998), the Ninth Circuit set forth the
20 following test for determining whether a buyer is a good faith purchaser:

21 A good faith buyer “is one who buys ‘in good faith’ and ‘for
22 value.’” [citations omitted.] [L]ack of good faith is [typically]
23 shown by ‘fraud, collusion between the purchaser and other bidders
24 or the trustee, or an attempt to take grossly unfair advantage of
25 other bidders.’” [citations omitted.]

26 *Filtercorp*, 163 F.3d at 577.

27 The Debtor’s negotiations with WSL were conducted at arms’ length. There is no
28 affiliation between the Debtors and WSL – in fact, they are essentially business competitors.
During the negotiation process, the Debtors and WSL were actively represented by capable,

1 separate counsel, and exchanged offers and counteroffers prior to ultimately agreeing to the
2 general terms and conditions of a transaction. The general agreement was then memorialized in a
3 letter of intent, which was also negotiated between the parties. The letter of intent was ultimately
4 transformed into the APA, the final terms and conditions of which were negotiated between the
5 parties. In summary, the Debtors and WSL engaged in a lengthy negotiation process emblematic
6 of an arms-length transaction. Based on the foregoing, the Debtors submit that the Court should
7 find that WSL is entitled to all of the protections afforded by Section 363(m) of the Bankruptcy
8 Code.

9 **Section 363(f) of the Bankruptcy Code Permits the Sale of the Debtors' Assets to Be**
10 **Free and Clear of Any and All Liens, Claims and Interests.**

11 Section 363(f) of the Bankruptcy Code provides, in relevant part, as follows:

12 The trustee may sell property under subsection (b) . . . of this section free and clear
13 of any interest in such property of an entity other than the estate, only if—

- 14 (1) applicable non-bankruptcy law permits the sale of such property free and
15 clear of such interest; ...
- 16 (2) such entity consents;
- 17 (3) such interest is a lien and the price at which such property is to be sold is
18 greater than the aggregate value of all liens on such property;
- 19 (4) Such interest is in bona fide dispute; or
- 20 (5) such entity could be compelled, in a legal or equitable proceeding, to
21 accept a money satisfaction of such interest.

22 11 U.S.C. § 363(f).

23 Section 363(f) of the Bankruptcy Code was drafted in the disjunctive. Thus, a debtor need
24 only meet the provisions of one of the five subsections of Section 363(f) in order for a sale of
25 property to be free and clear of liens, claims and interests.

26 1. 363(f)(1)

27 The Debtors' assets may be sold free of unsecured claims under applicable law. Claims
28 which assert rights to payment on an unsecured basis (whether or not disputed) are simply claims

1 against the Debtors and do not legally attach to the Debtors' assets after sale. Given that such
2 claims are claims for monetary relief which do not attach to the Debtors' assets, the Debtors'
3 assets may therefore be sold free and clear of such claims. Moreover, there are no secured
4 claims either scheduled by the Debtors or filed against the Debtors. That is, all of the claims
5 asserted against the Debtors are unsecured claims.

6 2. 363(f)(2)

7 In the event none of the Debtors' creditors file a timely objection to the Debtors' proposed
8 sale, the Debtors submit that the "consent" of an entity asserting an interest in the property sought
9 to be sold, as referenced in Section 363(f)(2) of the Bankruptcy Code, can be implied if such
10 entity fails to make a timely objection to the sale after receiving notice of the sale. *In re Eliot*, 94
11 B.R. 343, 345 (E.D. Pa. 1988). In its ruling, the *Eliot* court relied on *In re Gabel*, 61 B.R. 661
12 (Bankr. W.D. La. 1985), which held that implied consent is sufficient to authorize a sale under §
13 363(f)(2). *See also, In re Ex-Cel Concrete Company, Inc.*, 178 B.R. 198, 203 (9th Cir. BAP
14 1995) ["The issue here is whether there was consent or non-opposition by Citicorp."]; *In re*
15 *Paddlewheels, Inc.*, 2007 WL 1035151 (Bankr. E.D.La. April 2, 2007) ["The Sale Motion
16 complies with section 363(f) of the Bankruptcy Code, in that the Trustee either obtained the
17 consent of Whitney to the sale of the Vessel to Purchaser or Whitney had no objection to the
18 Sale."].

19 As a result of the foregoing, the Debtors submit that the Court should approve the sale of
20 the Debtors' Purchased Assets free and clear of all Liens, claims and interests of those parties
21 who do not file a timely objection to the sale, by deeming all such parties to have consented to the
22 proposed sale pursuant to Section 363(f)(2) of the Bankruptcy Code.

23 3. 363(f)(3)

24 The Debtors do not believe that this subsection applies, because the Debtors do not believe
25 that there are any liens against any of the Debtors' assets. Attached hereto as Exhibit 2 and
26 Exhibit 3, are lien searches conducted for CMI and Titans, respectively. The lien search reports
27 indicate that there are no recorded liens against the Debtors or the Debtors' assets.

28

1 4. 363(f)(4)

2 If any party claims an alleged lien against or interest in the Debtors' assets related to
3 "Titans of Mavericks", such liens and alleged interests are disputed by the Debtors and would be
4 in bona fide dispute.

5 5. 363(f)(5)

6 Section 363(f)(5) of the Bankruptcy Code permits a sale of property free and clear of liens
7 and interests if "such entity could be compelled, in a legal or equitable proceeding, to accept a
8 money satisfaction of such interest." 11 U.S.C. § 363(f)(5).

9 The Bankruptcy Appellate Panel for the Ninth Circuit has scrutinized § 363(f)(5) in the
10 context of the sale of real property. *See Clear Channel Outdoor, Inc. v. Knupfer (In re PW,*
11 *LLC)*, 391 B.R. 25 (9th Cir. B.A.P. 2008) ("*Clear Channel*"). In *Clear Channel*, the senior
12 secured creditor attempted to purchase the debtor's real property by way of a credit bid, free and
13 clear of the interest of a nonconsenting junior lienholder outside of a plan of reorganization. The
14 Bankruptcy Court approved the sale to the senior lender under § 363(f)(5), finding that
15 § 363(f)(5) permits a sale free and clear of the creditor's interest in property "whenever a claim
16 can be paid with money." 391 B.R. at 42.

17 In reversing the Bankruptcy Court's decision, the Bankruptcy Appellate Panel found that
18 § 363(f)(5) requires that "(1) a proceeding exists or could be brought, in which (2) the nondebtor
19 could be compelled to accept a money satisfaction of (3) its interest." *Id.* at 41. Taking up these
20 factors in reverse order, the Bankruptcy Appellate Panel concluded that a lien, such as the lien of
21 a secured lender, constitutes an "interest" for purposes of § 363(f)(5). With respect to the second
22 factor, the Bankruptcy Appellate Panel ruled that § 363(f)(5) refers to those proceedings in
23 which the creditor "could be compelled to take less than the value of the claim secured by the
24 interest." *Id.* In order to approve a sale free and clear under § 363(f)(5), the Court must "make a
25 finding of the existence of ... a mechanism [to address extinguishing the lien or interest without
26 paying such interest in full] and the [debtor in possession] must demonstrate how satisfaction of
27 the lien 'could be compelled.'" *Id.* at 45. Finally, the Bankruptcy Appellate Panel held that §
28 363(f)(5) requires that there be, "or that there be the possibility of, some proceeding, either at

1 law or at equity, in which the nondebtor could be forced to accept money in satisfaction of its
2 interest.” *Id.*

3 Here, all of the factors set forth in *Clear Channel* for a sale free and clear of claimants’
4 interests are satisfied. Specifically, any party who asserts an “interest” in the Debtors’ assets
5 could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of its
6 interest. Similarly, any unsecured creditor of the Debtor’s estate could undeniably be forced to
7 accept, via court proceedings whereby such creditors could obtain money judgments against the
8 Debtor, money satisfaction of their claims.

9 **C. The Court Should Authorize the Debtors to Assume and Assign to WSL All**
10 **Executory Contracts and Unexpired Leases that WSL Wishes to Assume.**

11 Barring exceptions not herein relevant, Sections 365(a) and 1107(a) authorizes a debtor in
12 possession, “subject to the Court’s approval, ... [to] assume or reject any executory contract or
13 unexpired lease of the debtor.” A debtor in possession may assume or reject executory contracts
14 for the benefit of the estate. *In re Klein Sleep Products, Inc.*, 78 F.3d 18, 25 (2d. Cir. 1996); *In re*
15 *Central Fla. Metal Fabrication, Inc.*, 190 B.R. 119, 124 (Bankr. N.D. Fla. 1995); *In re Gucci*, 193
16 B.R. 411, 415 (S.D.N.Y. 1996). In reviewing a debtor in possession’s decision to assume or
17 reject an executory contract, a bankruptcy court should apply the “business judgment test” to
18 determine whether it would be beneficial to the estate to assume it. *In re Continental Country*
19 *Club, Inc.*, 114 B.R. 763, 767 (Bankr. M.D. Fla. 1990); *see also In re Gucci*, 193 B.R. at 415.
20 The business judgment standard requires that the court follow the business judgment of the debtor
21 unless that judgment is the product of bad faith, whim, or caprice. *In re Prime Motors Inns*, 124
22 B.R. 378, 381 (Bankr. S.D. Fla. 1991), *citing Lubrizol Enterprises v. Richmond Metal Finishers*,
23 756 F.2d 1043, 1047 (4th Cir. 1985), *cert. denied*, 475 U.S. 1057 (1986).

24 In this case, the Permit issued to CMI by the SMCHD is proposed to be assigned to WSL.
25 The Debtors understand that the SMCHD consents to the assignment of the Permit to WSL.
26 However, to the extent the SMCHD does not consent, the Permit may still be transferred to WSL.

27 First, the Debtors do not concede that the Permit, or any of the Debtors’ other permits or
28 contracts, are executory contracts that are capable of assumption or rejection. The Debtors’

1 interest in the Permit (and the Debtors' other permits and contracts) is, however, property of the
2 bankruptcy estate under Section 541 of the Bankruptcy Code. *See* 11 U.S.C. § 541(c)(1)(A)
3 (“Except as provided in paragraph (2) of this subsection, an interest of the debtor in property
4 becomes property of the estate under subsection (a)(1), (a)(2), or (a)(5) of this section
5 notwithstanding any provision in an agreement, transfer agreement, or applicable nonbankruptcy
6 law – (A) that restricts or conditions transfer of such interest by the debtor[.]”).

7 Second, to the extent necessary and applicable, the Debtors will comply with the
8 provisions of Section 365 of the Bankruptcy Code in connection with the transfer of the Permit or
9 any other permit or contract to a new buyer, and, Section 365 of the Bankruptcy Code further
10 authorizes the Debtors to assign the Permit to WSL without SMCHD's consent.

11 Section 365(f)(1) of the Bankruptcy Code provides that “[e]xcept as provided in
12 subsections (b) and (c) of this section, notwithstanding a provision in an executory contract or
13 unexpired lease of the debtor, or in applicable law, that prohibits, restricts, or conditions the
14 assignment of such contract or lease, the [debtor in possession] may assign such contract or lease
15 under paragraph (2) of this subsection.” Thus, the Permit, and all of the Debtors' other executory
16 contracts and unexpired leases, may be assigned by the Debtors absent the consent of
17 counterparties, provided that the requirements of Section 365(f)(2) of the Bankruptcy Code are
18 met.

19 Pursuant to Section 365(f)(2) of the Bankruptcy Code, a debtor may assign its executory
20 contracts and unexpired leases, provided the debtor first assumes such executory contracts and
21 unexpired leases in accordance with Section 365(b)(1), and provides adequate assurance of future
22 performance by the assignee. Pursuant to Section 365(b)(1), assumption of executory contracts
23 and unexpired leases requires a debtor to: (a) cure any existing defaults under such agreements;
24 (b) compensate all non-debtor parties to such agreements for any actual pecuniary loss resulting
25 from the defaults; and (c) provide adequate assurance of future performance under the contract or
26 lease. 11 U.S.C. § 365(b)(1); *see also In re Bowman*, 194 B.R. 227, 230 (Bankr. D. Ariz. 1995),
27 *In re AEG Acquisition Corp.*, 127 B.R. 34, 44 (Bankr. C.D. Cal. 1991), *aff'd* 161 B.R. 50 (9th Cir.
28 B.A.P. 1993).

1 **In connection with this Motion, should the Court conclude that the Permit is an**
2 **executory contract subject to the provisions of Section 365 of the Bankruptcy Code, the**
3 **Debtors are requesting an order of the Court providing that the cure amount in connection**
4 **with the Permit is \$6,385.01. WSL shall be required to provide such information as is**
5 **required by the Court to satisfy any applicable “adequate assurance of future performance”**
6 **requirements of 11 U.S.C. § 365(b)(1)(C) with respect to the Permit.**

7 **D. The Debtors Request the Court Waive the Fourteen-Day Waiting Periods Set Forth**
8 **in Bankruptcy Rules 6004(h) and 6006(d).**

9 Bankruptcy Rule 6004(h) provides, among other things, that an order authorizing the use,
10 sale or lease of property . . . is stayed until the expiration of fourteen days after entry of the Court
11 order, unless the Court orders otherwise. Bankruptcy Rule 6006(d) has a similar provision with
12 respect to an order approving of a debtor's assumption and assignment of unexpired leases and
13 executory contracts.

14 For all of the reasons set forth above, to make sure that the sale closing occurs timely and
15 in order to ensure that the Debtors are able to preserve as much cash as possible, the Debtors
16 believe that it is critically important that the Debtors and WSL be permitted to consummate the
17 respective sale closing as soon after entry of the sale order as possible. In order to facilitate the
18 most expeditious sale closing possible, the Debtors request that any order granting this Motion be
19 effective immediately upon entry by providing that the fourteen-day waiting periods of
20 Bankruptcy Rule 6004(h) and 6006(d) are waived.

21 **III.**

22 **CONCLUSION**

23 Based upon all of the foregoing, the Debtors respectfully request that this Court:

- 24 1. approve the sale of certain of the Debtors' assets related to “Titans of Mavericks,”
25 including the Permit, to WSL free and clear of all liens, claims and interests;
- 26 2. find that WSL is a good faith buyer entitled to all of the protections afforded by
27 Section 363(m) of the Bankruptcy Code;
- 28 3. to the extent the Court concludes that the Permit is an executory contract, approve

1 (effective as of the date of the sale closing) the Debtors' assumption and assignment of the Permit
2 to WSL;

3 4. if the Permit is an executory contract, find that the cure amount which must be
4 paid in connection with the Debtors' assumption and assignment of the Permit is \$6,385.01 and
5 that adequate assurance of future performance has been demonstrated, and order that any party
6 that fails to file a timely objection to this Motion shall be deemed to have consented to the amount
7 of the cure and be forever barred from challenging the Debtors' proposed amounts of the cure;

8 5. enter a sale order on or before September 14, 2017 (which is the deadline required
9 by the APA) in a form that is mutually agreed to between the Debtors and WSL;

10 6. waive the 14-day stay periods set forth in Bankruptcy Rules 6004(h) and 6006(d);
11 and

12 7. grant such other and further relief as the Court deems just and proper.

13
14 Dated: August 23, 2017

CARTEL MANAGEMENT, INC.; TITANS OF
MAVERICKS, LLC

15
16 By: /s/ David L. Neale

DAVID L. NEALE

KRIKOR J. MESHEFEJIAN

17 LEVENE, NEALE, BENDER, YOO & BRILL L.L.P.
18 Counsel for Chapter 11 Debtors and Debtors in
19 Possession
20
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28

1 **DECLARATION OF GRIFFIN GUESS**

2 I, Griffin Guess, hereby declare as follows:

3 1. I have personal knowledge of the facts set forth below and, if called to testify,
4 would and could competently testify thereto.

5 2. I am the President, sole member of the Board of Directors, and authorized
6 representative of Cartel Management, Inc. ("CMI"), and I am the sole member and managing
7 member of Titans of Mavericks, LLC ("Titans" and collectively with CMI, the "Debtors").

8 **A. Brief Description Of The Debtors' Business And Operations.**

9 3. CMI and Titans together promote, organize, and host one of the most famous
10 sporting events in "big wave" surfing, known as "Titans of Mavericks" at the Pacific Ocean surf
11 break popularly known as "Mavericks" located near Half Moon Bay, California, just south of San
12 Francisco. This one-day, invitation only, surfing competition attracts professional big wave
13 surfers from across the globe. The competition is limited to twenty four of the world's best male
14 surfers, and six of the world's best female surfers, challenging the massive swells and each other
15 on the biggest and best surf days every winter. It is not uncommon for competition waves to be in
16 excess of fifty feet. The current competition date generally spans from November through March
17 31 each year. When weather and surf conditions are determined to be satisfactory, notice is
18 provided to the contestants of the commencement of the event. The event does not necessarily
19 occur every year – if weather and wave conditions are not deemed satisfactory, the event is not
20 held.

21 4. CMI and Titans work collectively to promote, organize, and host the event. CMI
22 generally is in the business of event and brand management and media broadcast development to
23 promote, produce, develop and market intellectual properties to develop stronger media presence
24 and business models for the exploitation of such intellectual properties. CMI is wholly owned by
25 me. I am also the President and sole member of the Board of Directors of CMI.

26 5. In 2015, I created Titans to hold the intellectual properties and handle the actual
27 day to day tasks related to the organization of the Titans of Mavericks surf event. I am the sole
28 manager and member of Titans. CMI and Titans therefore work hand in hand to promote,

1 organize, and host the event. CMI has no secured debt and approximately \$1.232 million of
2 general unsecured debt. Titans has no secured debt and approximately \$1.532 million of general
3 unsecured debt. The Debtors and I have spent in excess of \$3 million developing and marketing
4 the Titans of Mavericks brand, paying operating expenses, and obtaining the intellectual property
5 and permits in connection with the surf event.

6 **B. Events Leading To The Debtors' Bankruptcy Cases.**

7 6. The primary source of income for the Debtors is revenue generated from
8 sponsorship and media agreements between CMI and third parties such as Red Bull, Clif Bar, Fox
9 Sports and Pandora. The Debtors also generate revenue from the sale of products such as
10 clothing, hats, posters, and stickers associated with the surfing event.

11 7. Despite revenue growth and significant increased attention for the event, the
12 Debtors faced operating difficulties arising from delayed sponsor payments, political
13 complications, costly litigation and the need to maintain their necessary permits in the face of
14 continuing efforts by certain third parties to negatively affect the Debtors. The Debtors were
15 forced to file for bankruptcy protection in order to obtain a breathing spell and hope to conduct
16 either a sale of their business and/or assets, or internally restructure their financial affairs with an
17 infusion of new equity.

18 **C. The Debtors' Efforts To Market And Sell The Debtors' Assets.**

19 8. Starting on approximately February 10, 2017, I contacted marquee parties in the
20 following five sectors: television network groups, media and internet companies, brand and
21 product corporations, high net-worth individuals, and professional sports leagues and teams. In
22 total, I reached out to hundreds of parties and had direct communications with approximately
23 seventy parties. I caused the Debtors to create a substantive data room from which prospectively
24 interested buyers were granted access to extensive financial data and other information about the
25 Debtors' assets. I also assembled a substantial list of approximately 71 prospective buyers, and
26 approximately 11 buyers signed confidentiality agreements and were provided with access to the
27 data room. The opportunity to acquire the Debtors' assets was widely broadcast, and I therefore
28 believe that they reasonably provided notice to the most likely candidates who would be

1 interested in acquiring the Debtors' assets.

2 9. On May 3, 2017, the Debtors filed that certain *Debtors' Motion For Entry Of An*
3 *Order: (1) Approving Auction Sale Format And Bidding Procedures; (2) Approving Form Of*
4 *Notice To Be Provided To Prospective Buyers; (3) Approving Form Of Asset Purchase Agreement*
5 *For Prospective Overbidders To Use; And (4) Scheduling A Hearing For The Court To Consider*
6 *Approval Of The Debtors' Asset Sale To The Highest And Best Bidder* (the "Bid Procedures
7 Motion"). On May 11, 2017, the Bankruptcy Court entered an order (the "Bid Procedures
8 Order") granting the Bid Procedures Motion.

9 10. On May 17, 2017, the Debtors filed that certain *Debtors' Motion For Entry Of An*
10 *Order: (1) Approving Sale Of Substantially All Of The Debtors' Assets Related To "Titans Of*
11 *Mavericks" Free And Clear Of All Liens, Claims And Interests; (2) Approving Debtors'*
12 *Assumption And Assignment Of Unexpired Leases And Executory Contracts And Determining*
13 *Cure Amounts; (3) Approving Debtors' Rejection Of Unexpired Leases And Executory Contracts*
14 *Which Are Not Assumed And Assigned; (4) Waiving The 14-Day Stay Periods Set Forth In*
15 *Bankruptcy Rules 6004(h) And 6006(d); And (5) Granting Related Relief* (the "First Sale
16 Motion").

17 11. Pursuant to the Bid Procedures Order, the deadline to submit a bid was May 25,
18 2017 and an auction was scheduled to be conducted on June 1, 2017. Four parties expressed an
19 interest in submitting a bid to the Debtors and participating in an auction. None of those parties
20 submitted a qualified bid under the Bid Procedures Order, but one of the parties initially proposed
21 an alternative transaction involving a potential recapitalization of the Debtors as opposed to an
22 asset sale. As a result, the Debtors did not conduct an auction on June 1, 2017 and the Debtors
23 withdrew the First Sale Motion without prejudice. Additionally, two of the four parties continued
24 to express an interest in submitting a bid for the purchase of the Debtors' assets related to "Titans
25 of Mavericks."

26 12. One of the parties, the Association of Surfing Professionals LLC d/b/a World Surf
27 League or its permitted designee (collectively, "WSL") submitted a purchase offer to the Debtors.
28 After the Debtors and WSL engaged in negotiations regarding the terms and conditions of the

1 sale, the Debtors and WSL entered into that certain Asset Purchase Agreement (“APA”) attached
2 hereto as Exhibit 1, subject to the Court’s approval.

3 **D. The Terms and Conditions of the Proposed Sale.**³

4 13. Pursuant to the terms of the APA, WSL agrees to purchase from the Debtors, and
5 the Debtors agree to sell to WSL, as-is, where-is and with all faults, all of the Purchased Assets
6 for the Purchase Price. Purchased Assets means those assets of the Debtors (other than the
7 Excluded Assets) related to the Debtors’ business that constitute property of the Debtors’
8 bankruptcy estates pursuant to Section 541 of the Bankruptcy Code, that are expressly set forth on
9 Exhibit A to the APA, including all goodwill relating to such assets, as well as the retention of
10 copies of all documents included in the Debtors’ data room files provided to WSL on May 17,
11 2017 for informational purposes only, all of which such documents constitute Non-Assumed
12 Liabilities. The Purchased Assets specifically include, without limitation, the Special Use Permit
13 Number 2016-01 (5-Year term: 2016/2017 through 2020/2021 (“Permit”) issued by the San
14 Mateo County Harbor District (“SMCHD”), a copy of which Permit is attached to Schedule 6.1 of
15 the APA. As a condition to WSL’s obligations to close, at a public hearing to be held by the
16 SMCHD on or before September 20, 2017, the SMCHD must expressly confirm that it does not
17 oppose the assignment and transfer of the Permit to WSL.

18 14. The Purchase Price for the Purchased Assets shall be an amount equal to Five
19 Hundred Twenty-Five Thousand and 00/100 Dollars (\$525,000) in Good Funds paid to the
20 Debtors at the Closing. Within two business days after the Bankruptcy Court enters the Sale
21 Order, WSL shall deposit into the Deposit Account Good Funds in the amount of Twenty-Five
22 Thousand and 00/100 Dollars (\$25,000) (the “Deposit”). The Deposit shall be applied to the
23 obligations of Purchaser under the APA.

24
25
26
27 ³ Capitalized terms not otherwise defined herein have the same meaning ascribed to such terms in
28 the APA. To the extent there is any discrepancy between this Motion and the APA, the terms of
the APA shall govern.

1 15. All Liabilities of the Debtors with respect to any cure payments to be made with
2 respect to Assumed Contracts shall be paid out of the Purchase Price and not in addition to the
3 Purchase Price. The Debtors believe that the only cure amount which will be required to be paid
4 out of the Purchase Price (assuming the Permit constitutes an executor contract) totals \$6,385.01.

5 16. Subject to the terms and conditions of the APA, the Closing of the transactions
6 contemplated by the APA shall take place at the offices of Levene, Neale, Bender, Yoo & Brill
7 L.L.P., 10250 Constellation Boulevard, Suite 1700, Los Angeles, California 90067 (or close
8 electronically upon agreement of the Parties), on the date (the "Closing Date") which is the later
9 of: (i) the second (2nd) business day following the date on which all conditions to Closing set
10 forth in Articles 13 and 14 of the APA have been satisfied or waived, or (ii) the second (2nd)
11 business day after expiration of the 14-day appeal period following entry of the Sale Order. In
12 any event, the Closing shall occur by no later than October 3, 2017 unless WSL and the Debtors
13 agree in writing to a later date.

14 17. The sale of the Purchased Assets to WSL shall be free and clear of any security
15 interests, mortgages, interests (ownership, participatory or otherwise), liens, pledges, charges,
16 encumbrances and other rights or claims of third parties.

17 **E. The Court Should Authorize the Debtors to Sell their Assets to WSL.**

18 18. As indicated above, the Debtors actively marketed their business and assets related
19 to "Titans of Mavericks" for months, reached out to key players in the action sports and
20 entertainment industry, and determined that the most likely manner of paying creditors in these
21 cases is by monetizing the Debtors' assets. Absent a significant, timely monetizing event,
22 recoveries to creditors and the timing of such recoveries are not certain in these cases. The only
23 substantive potential monetizing event which has presented itself to date and has progressed
24 toward an actual written agreement, is the Debtors' proposed sale of certain assets to WSL.
25 Absent this sale to WSL, the Debtors would be required to continue attempting to find an
26 alternative buyer/transaction. Given that WSL is a natural purchaser of the Permit, and given that
27 the Debtors believe the SMCHD will support the assignment of the Permit to WSL, the Debtors
28 believe that the proposed sale to WSL constitutes a sound business decision.

1 19. Additionally, the Permit is an exclusive permit for a finite number of years. The
2 proposed sale of certain of the Debtors' assets should be approved now because any delay may
3 affect the ability of the purchaser of the Debtors' assets to hold a surf event the upcoming surf
4 season. As a result, the value of the Debtors' assets could potentially be negatively affected by
5 delaying a sale.

6 20. I understand that the Debtors are providing notice of this Motion on all of the
7 Debtors' creditors, the UST, those parties who have requested special notice and all other parties
8 to executory contracts and unexpired leases.

9 21. The sale process undertaken by the Debtors was specifically designed to insure
10 that the highest price possible is obtained for the Debtors' business/assets. The Debtors engaged
11 in an extensive and broad marketing and sale process for months, having facilitated due diligence
12 with numerous parties. All interested and viable buyers were provided with equal access to the
13 Debtors and their financial information. All prospective bidders had the equal opportunity to
14 participate in the previously scheduled auction sale or otherwise make an offer to the Debtors,
15 with no interested party having any advantage over any other. The Debtors negotiated with
16 interested parties and WSL ultimately submitted a bid for the Purchased Assets which I believe is
17 a fair and reasonable price for the Purchased Assets.⁴

18 22. The Debtor's negotiations with WSL were conducted at arms' length. There is no
19 affiliation between the Debtors and WSL – in fact, they are essentially business competitors.
20 During the negotiation process, the Debtors and WSL were actively represented by capable,
21 separate counsel, and exchanged offers and counteroffers prior to ultimately agreeing to the
22 general terms and conditions of a transaction. The general agreement was then memorialized in a
23 letter of intent, which was also negotiated between the parties. The letter of intent was ultimately
24 transformed into the APA, the final terms and conditions of which were negotiated between the
25

26 ⁴ A condition of the negotiated terms and Purchase Price was that there be no solicitation or
27 overbids and that a hearing and closing take place as soon as reasonably practicable given the
28 short time before the 2017 contest is to take place and the preparation required therefor. Debtors
refrain from soliciting any higher or better bids for the Purchased Assets. As such, the Debtors
have neither sought nor obtained any competing bids at this time.

1 parties. In summary, the Debtors and WSL engaged in a lengthy negotiation process emblematic
2 of an arms-length transaction.

3 **F. The Sale of the Debtors' Assets Should Be Free and Clear of Any and All Liens,**
4 **Claims and Interests.**

5 23. There are no secured claims either scheduled by the Debtors or filed against the
6 Debtors. That is, all of the claims asserted against the Debtors are unsecured claims. Attached
7 hereto as Exhibit 2 and Exhibit 3, are lien searches conducted for CMI and Titans, respectively.
8 The lien search reports indicate that there are no recorded liens against the Debtors or the
9 Debtors' assets.

10 24. If any party claims an alleged lien against or interest in the Purchased Assets such
11 liens and alleged interests are would be disputed by the Debtors and would be in bona fide
12 dispute.

13 **F. The Court Should Authorize the Debtors to Assume and Assign the Permit to WSL.**

14 25. In this case, the Permit issued to CMI by the SMCHD is proposed to be assigned to
15 WSL. The Debtors understand that the SMCHD consents to the assignment of the Permit to
16 WSL. However, to the extent the SMCHD does not consent, I understand the Permit may still be
17 transferred to WSL.

18 26. In connection with this Motion, should the Court conclude that the Permit is an
19 executor contract subject to the provisions of Section 365 of the Bankruptcy Code, the Debtors
20 are requesting an order of the Court providing that the cure amount in connection with the Permit
21 is \$6,385.01.

22 ///

23 ///

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1 **G. The Debtors Request the Court Waive the Fourteen-Day Waiting Periods Set Forth**
2 **in Bankruptcy Rules 6004(h) and 6006(d).**

3 25. To make sure that the sale closing occurs timely and in order to ensure that the
4 Debtors are able to preserve as much cash as possible, I believe that it is critically important that
5 the Debtors and WSL be permitted to consummate the sale closing as soon after entry of the sale
6 order as possible.

7 I declare under penalty of perjury that the foregoing is true and correct to the best of my
8 knowledge. Executed this 23rd day of August, 2017, at Los

DocuSigned by:



930F798B6BC0473...

EXHIBIT “1”

ASSET PURCHASE AGREEMENT

between

CARTEL MANAGEMENT, INC.

DEBTOR AND DEBTOR IN POSSESSION

and

TITANS OF MAVERICKS, LLC

DEBTOR AND DEBTOR IN POSSESSION

and

ASSOCIATION OF SURFING PROFESSIONALS LLC D/B/A WORLD SURF LEAGUE

OR ITS PERMITTED DESIGNEE

DATED AS OF AUGUST 23, 2017

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (the “Agreement”) is made and entered into as of August 23, 2017 by and among Cartel Management, Inc., a California corporation, as debtor and debtor in possession (“CMI”), Titans of Mavericks, LLC, a California limited liability company, as debtor and debtor in possession (“TOM,” and together with CMI, the “Sellers,” and each individually, a “Seller”), jointly administered under Case No. 2:17-bk-11179-DS (the “Bankruptcy Case”) in the United States Bankruptcy Court for the Central District of California, Los Angeles Division, the Honorable Deborah Saltzman, United States Bankruptcy Judge, presiding (the “Bankruptcy Court”), and Association of Surfing Professionals LLC d/b/a World Surf League or its permitted designee (“Purchaser”).

RECITALS

WHEREAS, on January 31, 2017, the Sellers commenced the Bankruptcy Case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code (as defined in Article 1 hereof) with the Bankruptcy Court; and

WHEREAS, each of the Sellers are continuing to manage its affairs as debtor and debtor in possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code; and

WHEREAS, the Sellers wish to sell, transfer, convey, assign and deliver to Purchaser, in accordance with Sections 363 and 365 and the other applicable provisions of the Bankruptcy Code, all of the Purchased Assets (as hereinafter defined), together with certain assumed liabilities (the “Assumed Liabilities” as defined herein), of the Sellers upon the terms and subject to the conditions set forth in this Agreement;

WHEREAS, Purchaser wishes to purchase and take delivery of all of the Purchased Assets and assume the Assumed Liabilities upon the terms and subject to the conditions set forth herein;

WHEREAS, the Purchased Assets will be sold pursuant to a Sale Order (hereinafter defined) of the Bankruptcy Court approving such sale free and clear of all Liens (hereinafter defined) under Section 363 of the Bankruptcy Code and such Sale Order will include the assumption and assignment of specified Executory Contracts (as hereinafter defined) pursuant to Section 365 of the Bankruptcy Code, as well as designating Assumed Liabilities (hereinafter defined) and Non-Assumed Liabilities (hereinafter defined) as set forth in, and subject to the terms and conditions of, this Agreement; and

WHEREAS, all of the obligations of the Sellers and Purchaser under this Agreement are conditioned upon the approval of the Bankruptcy Court in accordance with Article 5 hereof, and entry of the Sale Order in accordance with the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants and agreements herein set forth and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINITIONS

Section 1.1. Definitions. For purposes of this Agreement and any schedules hereto or other Transaction Documents (as hereinafter defined), the following terms shall have the following meanings:

“Affiliate” means any Person, which, directly or indirectly, is in control of, is controlled by, or is under common control with, another Person. For purposes of this definition, a Person shall be deemed to be “controlled by” another Person if such latter Person possesses, directly or indirectly, power either to direct or cause the direction of the management and policies of such controlled Person whether by contract or otherwise.

“Assumed Contract Rights” means those rights, powers, privileges, defenses (including setoff and/or recoupment rights), and remedies that may exist with respect to any Assumed Contract.

“Assumed Contracts” has the meaning ascribed to that term in Section 6.1.

“Assumed Liabilities” means those specified Liabilities assumed by Purchaser which are solely related to Assumed Contracts and exploitation of Purchased Assets after the Closing pursuant to Section 3.2(a).

“Avoidance Claims” means any and all claims of either Seller arising under Chapter 5 of the Bankruptcy Code.

“Bankruptcy Code” means 11 U.S.C. Section 101, et. seq., and any amendments thereof operative at the time of the Bankruptcy Case.

“Business” means the Sellers’ business of promoting, organizing and hosting that certain big wave surfing event known as “Titans of Mavericks” [at the Pacific Ocean surf break located near Half Moon Bay, California].

“Closing” and “Closing Date” each has the meaning ascribed in Article 8.

“Content” means and includes all audio and/or visual content of the Titans of Mavericks surfing event which was held in February 2016, that the Sellers own, or have the authority to authorize Purchaser to use, including but not limited to the items specifically identified as “Content” and “Licensed Assets” in Exhibit A hereto.

“Contract” or “Contracts” means any written or oral contract, agreement, lease, license, instrument, permit, or other document or commitment, arrangement, undertaking, practice or authorization that is binding on any Person or its property under any applicable Law.

“Deposit” has the meaning ascribed in Section 4.2(a).

“Deposit Account” means the segregated account established by the Escrow Holder for the purpose of holding the Deposit, subject to the terms and conditions of this Agreement.

“Documentation” means properties, titles, Contracts, books, records, files and documents pertaining to the Purchased Assets.

“Due Diligence Materials” means all documents and information relating to the Purchased Assets that would be necessary for a prospective purchaser to review in the course of performing due diligence in advance of an acquisition of the Purchased Assets.

“Escrow Holder” means Levene, Neale, Bender, Yoo & Brill L.L.P.

“Excluded Assets” means, collectively, the following assets of the Sellers in addition to those assets specifically set forth as Excluded Assets in **Exhibit A**:

- (a) any and all cash and bank accounts of Sellers;
- (b) Avoidance Claims, including all claims, rights of offset or causes of action against third parties arising under and relating to Chapter 5 of the Bankruptcy Code, except to the extent included in, and other than, Assumed Contract Rights;
- (c) all Excluded Contracts;
- (d) all personnel records and other records that either Seller is required by law to retain in its possession and any retained copies of any record or document included in the Purchased Assets, but not including copies of such records or documents related to the Purchased Assets or Business that Purchaser deems necessary; and
- (e) all insurance proceeds, claims and/or causes of action solely with respect to or arising in connection with (i) any Excluded Contract, or (ii) any item of tangible or intangible property that does not constitute Purchased Assets or that Purchaser specifically designates in writing to be included in Excluded Assets.

“Excluded Contracts” means any Contracts that are not Assumed Contracts, as set forth on **Schedule 6.1.1**.

“Executory Contract” means any Contract that constitutes an executory Contract subject to the provisions of Section 365 of the Bankruptcy Code.

“Final Order” means an order or judgment, entered by a court of competent jurisdiction, that remains in full force and effect and has not been reversed, or amended or modified in a manner that is materially inconsistent with the terms and conditions set forth in this Agreement, and as to which (i) no stay is in effect, (ii) the time to seek rehearing, file a notice of appeal or seek other review has expired, and (iii) no appeal or request for rehearing or other review is pending.

“Good Funds” means immediately available, good funds of the United States of America.

“Governmental Authority” means any federal, state, provincial, municipal and foreign governmental entity, authority, or agency, or any other political subdivision, or any entity exercising executive, legislative, judicial, regulatory or administrative functions of government.

“Hearing Deadline” means the date for the hearing on the Sale Motion which, unless extended by mutual agreement of the Parties, shall be no later than September 13, 2017.

“Law” means any federal, state, provincial, local or foreign statute, law, ordinance, regulation, rule, code, order, case law decision or other requirement or rule of law.

“Liability” or “Liabilities” means any liability, indebtedness, obligation, expense, claim, loss, cost, damage, obligation, responsibility, guaranty or endorsement of or by any Person, absolute or contingent, accrued or unaccrued, known or unknown, due or to become due, liquidated or unliquidated, secured or unsecured, pre-petition or administrative.

“Lien” or “Liens” means any security interests, mortgages, interests (ownership, participatory or otherwise), liens, pledges, charges, encumbrances and other rights or claims of third parties.

“Non-Assumed Liabilities” means any and all Liabilities of the Sellers that are not Assumed Liabilities. Non-Assumed Liabilities specifically include, without limitation, the items listed on Schedule 6.1.1 and the Excluded Assets listed on Exhibit A.

“Ordinary Course of Business” means the current course of business conducted by the Sellers in the Bankruptcy Case consistent with past custom and practice (including with respect to quantity and frequency).

“Party” or “Parties” means any one or more, as applicable, signatory to this Agreement.

“Person” means any corporation, partnership, limited liability company, joint venture, business association, entity or individual.

“Purchase Price” has the meaning ascribed to that term in Article 4.

“Purchased Assets” means those assets of the Sellers (other than the Excluded Assets) related to the Sellers’ Business that constitute property of the Sellers’ bankruptcy estates pursuant to Section 541 of the Bankruptcy Code, that are expressly set forth on **Exhibit A** hereto, including all goodwill relating to such assets, as well as the retention of copies of all documents included in the Sellers’ data room files provided to Purchaser on May 17, 2017 for informational purposes only, all of which such documents constitute Non-Assumed Liabilities. The Purchased Assets specifically include, without limitation, the Special Use Permit Number 2016-01 (5-Year term: 2016/2017 through 2020/2021 (“Permit”) issued by the San Mateo County Harbor District (“SMHD”), a copy of which Permit is attached to **Schedule 6.1**.

“Sale Motion” means the motion filed on or about August 23, 2017 for entry of a Sale Order seeking, inter alia, authority for the Sellers to sell and assign, among other things, the Purchased Assets to Purchaser.

“Sale Order” means an order granting the Sale Motion, which order shall authorize the Sellers to sell and assign the Purchased Assets to Purchaser free and clear of Liens in accordance with the terms and conditions of this Agreement, and which order shall contain findings of fact

and conclusions of law consistent with this Agreement and the applicable facts and law, and shall be in form and substance satisfactory to Purchaser in all respects.

“Sport of Surfing” means shortboard, longboard and bodyboard surfing, stand up paddle, racing and surfing, bodysurfing, wakesurfing and all other wave riding activities on any type of waves and on flat water using wave riding equipment or wave making technology.

“Tax” or “Taxes” means any taxes, charges, duties, assessments, fees, levies, imposts, or similar governmental assessments, together with any interest, penalties, and additions to tax, imposed by any taxing authority, wherever located (i.e., whether federal, state, local, municipal, or foreign), including all net income, gross income, gross receipts, net receipts, sales, use, goods and services, transfer, franchise, privilege, profits, social security, disability, withholding, payroll, telecommunications, utility user, unemployment, employment, employer health, excise, capital, capital gains, severance, property, windfall profits, value added, ad valorem, or occupation tax, or any other similar governmental charge or imposition, and any other taxes, customs duties, stamp duties, fees, assessments, or similar charges in the nature of a tax together with any interest, fines, and penalties imposed by any Governmental Authority, whether disputed or not.

“Transaction Documents” means this Agreement, and all other agreements, documents and instruments executed in connection herewith or required to be executed or delivered by the Parties or any one or more of them in accordance with the provisions of this Agreement.

Section 1.2. Other Defined Terms. For purposes of this Agreement and any schedules hereto or other Transaction Documents, other capitalized terms used in this Agreement have the meanings ascribed to them elsewhere in this Agreement.

Section 1.3. Other Meanings. Unless the context of this Agreement clearly requires otherwise, (a) “or” has the inclusive meaning frequently identified with the phrase “and/or,” (b) “including” has the inclusive meaning frequently identified with the phrase “including, but not limited to,” (c) references to “hereof,” “hereunder” or “herein” or words of similar import relate to this Agreement, and (d) any reference to the singular shall include the plural.

ARTICLE 2 PURCHASE AND SALE

Except as otherwise provided and subject to the terms and conditions set forth in this Agreement, the Sellers agree to sell, convey, assign, transfer and deliver to Purchaser, and Purchaser agrees to purchase from the Sellers at the Closing (as defined in Article 8 hereof), all of the Sellers’ respective right, title and interest in and to the Purchased Assets, free and clear of all Liens.

ARTICLE 3 DESCRIPTION OF PURCHASED ASSETS

Section 3.1. Purchased Assets. In accordance with and subject to the terms and conditions of this Agreement, Purchaser agrees to purchase from the Sellers, and the Sellers

agree to sell to Purchaser, all of the Purchased Assets for the Purchase Price. At the Closing, the Purchased Assets shall be sold, transferred and conveyed to Purchaser, free and clear of all Liens, and Purchaser will purchase, acquire and accept for the Purchase Price, the Purchased Assets, free and clear of all Liens.

Section 3.2. Assumed Liabilities.

(a) Upon the Closing Date, Purchaser shall assume and agree to perform and discharge, or take subject to, the following Liabilities of the Sellers to the extent not previously performed or discharged, and no others: (i) all Liabilities of the Sellers with respect to the Purchased Assets which accrue and are to be performed from and after the Closing under the Assumed Contracts which relate to time periods or goods or services provided to or by Purchaser after the Closing (any of which Liabilities that accrued prior to Closing and remain unpaid as of the Closing shall be paid out of the Purchase Price and not in addition to the Purchase Price); (ii) Liabilities relating to and arising from Purchaser's exploitation of the Purchased Assets after the Closing (but not including Liabilities related to Sellers' exploitation of the Purchased Assets prior to Closing); and (iii) all Liabilities of the Sellers with respect to any cure payments to be made with respect to Assumed Contracts, but all of which amounts payable under this subsection (iii) shall be paid out of the Purchase Price and not in addition to the Purchase Price.

(b) Purchaser shall not assume or be bound by or be obligated or responsible for any of the Non-Assumed Liabilities.

ARTICLE 4
PURCHASE PRICE

Section 4.1. Purchase Price. The purchase price for the Purchased Assets shall be an amount equal to Five Hundred Twenty-Five Thousand and 00/100 Dollars (\$525,000) in Good Funds (the "Purchase Price") paid to the Sellers at the Closing.

Section 4.2. Deposit; Payment of Purchase Price.

(a) Within two business days after the Bankruptcy Court enters the Sale Order, Purchaser shall deposit into the Deposit Account Good Funds in the amount of Twenty-Five Thousand and 00/100 Dollars (\$25,000) (the "Deposit"). The Deposit shall be applied to the obligations of Purchaser hereunder.

(b) On the Closing Date, subject to Article 13 hereof, the Deposit, together with all interest accrued thereon, shall be credited and applied toward payment of the Purchase Price, and the Escrow Holder shall deliver the Deposit to the Sellers.

(c) The cash balance of the Purchase Price shall be payable by wire transfer of Good Funds to Escrow Holder at least two (2) business days prior to the Closing Date, but will not be delivered to Sellers prior to the Closing Date and Closing subject to Article 13 hereof.

Section 4.3. Allocation of Purchase Price. The Purchase Price shall be allocated between and among the Sellers in a manner agreed to by the Sellers and Purchaser prior to the Closing.

Section 4.4. Application or Return of Deposit. The Deposit, together with all interest accrued thereon, shall either (i) be applied to the payment of the Purchase Price hereunder, or (ii) returned to the Purchaser upon the occurrence of any of the following: (i) the Closing Date does not occur on or before October 3, 2017 and Purchaser elects not to proceed with the purchase of the Purchased Assets, whether under Article 8 hereof or otherwise, (ii) either of the Sellers breaches this Agreement by entering into a sale agreement with respect to any of the Purchased Assets with another party, (iii) Purchaser is prevented from closing through no fault of its own, (iv) the sale of the Purchased Assets is approved by the Bankruptcy Court but the transaction terminates by virtue of any wrongful action or inaction of either of the Sellers, or (v) The Sale Order has not become a Final Order by September 29, 2017. If, notwithstanding that all conditions precedent in Articles 13 and 14 have been met, there has been no breach of the terms of the Agreement by Sellers and a Final Order approving the sale to Purchaser has been entered, Purchaser is unwilling or unable to consummate the sale and perform the obligations required upon Closing, all of the Deposit, together with all interest accrued thereon, shall be non-refundable and shall immediately be released and paid by the Escrow Holder to the Sellers.

ARTICLE 5 PROCEDURES AND APPROVALS

Section 5.1. Due Diligence Materials. The Sellers shall make the Due Diligence Materials available to Purchaser and may prepare summaries, compilations and other reports on the contents of the Due Diligence Materials for distribution to Purchaser, and shall cooperate with Purchaser in providing answers to Purchaser regarding questions about the Purchased Assets and Sellers' Business operations.

Section 5.2. Bankruptcy Court Proceedings. The Sellers shall promptly provide notice of any hearing on the Sale Motion, or any other matter before the Bankruptcy Court relating to this Agreement, in each case as required by the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules of the Central District of California or as otherwise ordered by the Bankruptcy Court, and any such pleadings relating to Purchaser shall be provided to Purchaser in advance of filing for review and comment.

Section 5.3. Certain Bankruptcy Undertakings by the Sellers.

(a) Purchaser and each of the Sellers will use their commercially reasonable efforts to take all actions and do all things necessary or appropriate to comply with and satisfy the terms and conditions of this Agreement and consummate the transactions contemplated by this Agreement. With the cooperation of the Sellers, Purchaser will bear the burden of providing the evidence to establish that Purchaser is a good faith purchaser under Section 363(m) of the Bankruptcy Code, and the parties will cooperate with each other to comply with the terms and conditions of and consummate the transactions contemplated by this Agreement, and neither Purchaser nor any of its Affiliates, and Sellers nor any of their Affiliates, will interfere, directly or indirectly, with such efforts by the other.

(b) From and after the date hereof, except as ordered by the Bankruptcy Court, each of the Sellers and Purchaser agrees to use its commercially reasonable efforts to

neither take any action, nor fail to take any action, which action or failure to act would reasonably be expected to (i) prevent or impede the consummation of the transactions contemplated by this Agreement in accordance with the terms and conditions of this Agreement and the proposed Sale Order; or (ii) with respect to the Sale Order, result in (A) the reversal, avoidance, revocation, vacating or modification (in any manner that would reasonably be expected to materially and adversely affect Purchaser's or the Sellers' rights hereunder), or (B) the entry of a stay pending appeal.

(c) To the extent applicable, the Sellers shall, in good faith and with the cooperative efforts of Purchaser, attempt to obtain in the Sale Order an exemption from transfer taxes pursuant to Section 1146(a) of the Bankruptcy Code.

(d) If the Sale Order or any other order of the Bankruptcy Court relating to this Agreement shall be appealed (or a petition for certiorari or motion for rehearing or reargument shall be filed with respect thereto), and, as a result thereof, Purchaser elects not to proceed with a Closing and Purchaser provides written notice to the Sellers within two (2) business days following the filing of such appeal, petition for certiorari or motion for rehearing or reargument, that (i) Purchaser elects not to proceed with a Closing under the circumstances, and (ii) Purchaser desires for the Sellers to contest any such appeal, petition for certiorari or motion for rehearing or reargument, the Sellers shall, contingent upon the cooperation and financial support of Purchaser, which cooperation and financial support shall include, without limitation, payment of all reasonable attorneys' fees and expenses incurred by the Sellers in opposing any such appeal, petition for certiorari, motion for rehearing or reargument or any motion for a stay or in providing any bond or similar assurance with respect thereto, take all steps as may be reasonable and appropriate to defend against such appeal, petition or motion, and shall endeavor to obtain an expedited resolution thereof.

ARTICLE 6 ASSUMPTION OF CONTRACTS

Section 6.1. Assumed Contracts. Attached hereto as Schedule 6.1 is a list of Executory Contracts to which the Sellers represent that a Seller is a party and as to which Purchaser has advised the Sellers of its desire for the relevant Seller to assume and assign such Contracts to Purchaser at the Closing in accordance with Section 365 of the Bankruptcy Code, subject to the provisions of Section 6.2 (each an "Assumed Contract," and, collectively, the "Assumed Contracts"). All Contracts which contain Liabilities of the Sellers, and are not set forth on Schedule 6.1, shall not be assumed by, nor shall they be the responsibility of, Purchaser, and shall constitute Non-Assumed Liabilities.

Section 6.2. Requirements to Assume and Assign Assumed Contracts. To the extent Purchaser has identified an Executory Contract as an Assumed Contract under this Agreement, Purchaser shall be responsible to (a) perform and discharge any and all Liabilities (including cure or other payments) which may be required pursuant to the Bankruptcy Code as a precondition in order to allow the Sellers to assume and assign such Assumed Contract to Purchaser in accordance with the terms of this Agreement; and (b) provide adequate assurance of future performance and otherwise satisfy the obligations under Section 365(b)(1) of the Bankruptcy Code. The Sellers are required to obtain any necessary consents to assume and

assign such specified Assumed Contracts to Purchaser pursuant to Section 365 of the Bankruptcy Code. Notwithstanding the foregoing, any and all cure payments that need to be paid to consummate the sale shall be paid by Purchaser out of the Purchase Price and not in addition to the Purchase Price.

ARTICLE 7
INSTRUMENTS OF TRANSFER AND ASSUMPTION

Section 7.1. Transfer Documents. Upon satisfaction or waiver of all conditions to the parties' obligation to close set forth herein, and the Sellers' receipt of the payment of the Purchase Price at the Closing, the Sellers shall deliver to Purchaser (a) a bill of sale with respect to each of the Purchased Assets, and (b) as reasonably requested by Purchaser within three (3) business days following the conclusion of the hearing on the Sale Motion, all such other good and sufficient instruments of sale, transfer and conveyance consistent with the terms and provisions of this Agreement, including assignments of Assumed Contracts, as shall be reasonably necessary to vest in Purchaser, all of the Sellers' right and title to, and interest in, the applicable Purchased Assets.

ARTICLE 8
CLOSING

Subject to the terms and conditions hereof, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Levene, Neale, Bender, Yoo & Brill L.L.P., 10250 Constellation Boulevard, Suite 1700, Los Angeles, California 90067 (or close electronically upon agreement of the Parties), on the date (the "Closing Date") which is the later of: (i) the second (2nd) business day following the date on which all conditions to Closing set forth in Articles 13 and 14 hereof have been satisfied or waived, or (ii) the second (2nd) business day after expiration of the 14-day appeal period following entry of the Sale Order. In any event, the Closing shall occur by no later than October 3, 2017 unless Purchaser and the Sellers agree in writing to a later date.

ARTICLE 9
THE SELLERS' REPRESENTATIONS AND WARRANTIES

Each Seller represents and warrants (and, as necessary, acknowledges) to Purchaser that the statements contained in this Article 9 are true, correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article 9.)

Section 9.1. Organization, Qualification and Corporate Power. Such Seller is duly organized and validly existing under the Laws of such Seller's state of incorporation or organization, and such Seller has all necessary power and authority to own and operate its properties and to carry on its Business as it is now being conducted, and, subject to obtaining Bankruptcy Court approval as contemplated herein, to carry out the transactions contemplated by this Agreement. Such Seller has the power and authority to execute and deliver and, subject to

entry of the Sale Order, perform its obligations under this Agreement, and to undertake the transactions contemplated hereby.

Section 9.2. Authorization, Execution and Delivery of Agreement and Transaction Documents. Subject to obtaining the Sale Order and pursuant thereto, the execution, delivery and performance of this Agreement and the other Transaction Documents by such Seller in accordance with their terms, and the sale or assignment of the Purchased Assets to Purchaser in accordance therewith, have been duly and validly authorized and approved by all necessary action of on the part of such Seller. Subject to obtaining the Sale Order and pursuant thereto, such Seller will have full power, right and authority to sell and convey to Purchaser the Purchased Assets owned by such Seller. Subject only to the entry of the Sale Order, this Agreement is, and as of the Closing Date, the other Transaction Documents will be, the legal, valid and binding obligations of Seller, enforceable in accordance with their respective terms.

Section 9.3. Title to and Condition of Assets. To the best of Seller's knowledge, all of the Purchased Assets constitute property of such Seller's bankruptcy estate as provided in Section 541 of the Bankruptcy Code, and, subject to the entry of the Sale Order, such Seller has the valid and enforceable right to transfer, sell and assign to Purchaser the Purchased Assets, free and clear of all Liens except for Liens and Assumed Liabilities specifically set forth herein.

Section 9.4. No Violation of Laws or Agreements. Assuming that the Bankruptcy Court enters the Sale Order, the execution and delivery by such Seller of this Agreement and other documents contemplated hereby to which such Seller is a party, the performance by such Seller of its obligations hereunder and thereunder and the consummation by such Seller of the transactions contemplated herein will not violate in any material respect, any statute or Law or any judgment, decree, order, regulation or rule of any court or governmental authority to which such Seller is subject or any contract, instrument or other agreement to which such Seller is a party.

Section 9.5. Brokers. Such Seller has not engaged any agent, broker or other Person acting pursuant to the express or implied authority of such Seller which is or may be entitled to a commission or broker or finder's fee in connection with the transactions contemplated by this Agreement or otherwise with respect to the sale of the Purchased Assets.

Section 9.6. No Undisclosed Liabilities. To the best of Seller's knowledge, there are currently no existing or threatened Liens, litigation, claims, circumstances or conditions that have not been disclosed in writing to Purchaser and that would impose any Liability upon Purchaser notwithstanding the entry of the Sale Order or would otherwise limit the use and exploitation of the Purchased Assets in a material way.

Section 9.7. Governmental Approvals. Assuming that the Bankruptcy Court enters the Sale Order, there shall be no further governmental approvals required as a precondition to Seller's consummation of the transactions contemplated by this Agreement.

Section 9.8. Content.

(a) Sellers are the owners of all right, title and interest in and to the Content and/or have all necessary authority to permit Purchaser to use the Content as set forth in Article 17 hereto.

(b) Use of the Content by Purchaser pursuant to Article 17 hereto will not infringe the rights of any third party, including, but not limited to, such third party's copyrights, rights of privacy or rights of publicity.

(c) There are no actions, complaints, claims or litigation (including any oppositions, interferences or re-examinations) settled, pending or, to Sellers' knowledge, threatened (including in the form of offers to obtain a license) relating to the Content that allege any infringement, misappropriation, dilution or violation of the intellectual property rights of personality, or other rights of any Person. Sellers are not subject to any outstanding Governmental Authority order (including any motion or petition therefor) that does or would restrict or impair the use of the Content by Purchaser as permitted herein.

ARTICLE 10 PURCHASER'S REPRESENTATIONS AND WARRANTIES

Purchaser represents and warrants (and, as necessary, acknowledges) to the Sellers that the statements contained in this Article 10 are true, correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date (as though made then and as though the Closing Date were substituted for the date of this Agreement throughout this Article 10).

Section 10.1. Organization; Qualification and Corporate Power. Purchaser is a limited liability company duly organized, validly existing and in good standing under the Laws of the State of Delaware. Purchaser has all necessary power and authority to (a) own and operate its properties, (b) carry on its business as it is now being conducted, (c) undertake and carry out the transactions contemplated by this Agreement; (d) perform its obligations under this Agreement, the other Transaction Documents, the Sale Order (and any other Final Order of the Bankruptcy Court relating to the transactions contemplated by this Agreement), and (e) own and operate the Purchased Assets.

Section 10.2. Governmental Approvals. Assuming that the Bankruptcy Court enters the Sale Order, there shall be no further governmental approvals required as a precondition to Purchaser's consummation of the transactions contemplated by this Agreement.

Section 10.3. Authorization, Execution and Delivery of Agreement and Transaction Documents. All limited liability company or other legal consents and approvals necessary to authorize its execution and delivery of this Agreement and the Transaction Documents and its performance hereunder have been obtained by Purchaser. The execution, delivery and performance of this Agreement and the other Transaction Documents in accordance with their terms has been duly and validly authorized and approved by all necessary limited liability company action of Purchaser. It has full power, right and authority to acquire the Purchased Assets to be acquired by it. This Agreement is, and each of the other Transaction Documents when so executed and delivered will be, its valid and binding obligation, enforceable

against it in accordance with its terms. The representatives of Purchaser that execute this Agreement on its behalf are duly-authorized and empowered to bind Purchaser to the terms and conditions of this Agreement.

Section 10.4. Brokers. Purchaser has not engaged any agent, broker or other Person acting pursuant to the express or implied authority of Purchaser which is or may be entitled to a commission or broker or finder's fee in connection with the transactions contemplated by this Agreement or otherwise with respect to the sale of the Purchased Assets.

Section 10.5. Funding. At Closing, it shall have available to it all of the required cash or financing to pay its respective portion of the Purchase Price and to perform all of its obligations required to be performed by it at the Closing pursuant to this Agreement, the other Transaction Documents, or applicable orders of the Bankruptcy Court. Purchaser's ability to consummate the transactions contemplated by this Agreement is not subject to any financing contingency.

ARTICLE 11 DISCLAIMER OF WARRANTIES

Section 11.1. Disclaimer of Warranties. Purchaser hereby acknowledges and agrees that, except for the representations and warranties of the Sellers expressly set forth in this Agreement, neither Seller makes any representations or warranties whatsoever, express or implied, with respect to any matter relating to the Purchased Assets (including income to be derived or expenses to be incurred in connection with the Purchased Assets, the physical condition of any personal property comprising a part of the Purchased Assets or which is the subject of any Assumed Contract, the value of the Purchased Assets (or any portion thereof), the terms, amount, validity, collectability or enforceability of any accounts receivable or any Assumed Liabilities or Assumed Contracts, the title of the Purchased Assets (or any portion thereof), the merchantability or fitness of the personal property comprising a portion of the Purchased Assets or any other portion of the Purchased Assets for any particular purpose, or any other matter or thing relating to the Purchased Assets (or any portion thereof). Without in any way limiting the foregoing, except as otherwise expressly set forth in Article 9 above, each Seller hereby disclaims any warranty (express or implied) of merchantability or fitness for any particular purpose of the Purchased Assets or any portion of the Purchased Assets. Purchaser further acknowledges that (a) Purchaser has conducted such independent inspections and investigations as Purchaser deemed necessary or appropriate of the physical condition of all of the Purchased Assets and any and all other matters relating to or affecting the Purchased Assets or the Assumed Liabilities, and that (b) in proceeding with the consummation of the transactions contemplated by this Agreement, including its acquisition of the Purchased Assets and assumption of the Assumed Liabilities and any and all other obligations contemplated hereby, Purchaser is doing so based solely upon such independent inspections and investigations (except for the representations and warranties expressly set forth in Article 9 above and the covenants set forth in Article 12 below). Accordingly, except for the representations and warranties expressly set forth in Article 9 above and the covenants set forth in Article 12 below, Purchaser accepts the Purchased Assets at the Closing "AS IS," "WHERE IS," and "WITH ALL FAULTS."

ARTICLE 12
SELLERS' AND PURCHASER'S COVENANTS

Section 12.1. Conduct of Business. Unless otherwise ordered by the Bankruptcy Court, each Seller will, without the express written consent of Purchaser, refrain from doing or failing to do anything that would: (i) dispose of, or transfer, any Purchased Asset, (ii) transfer any tangible Purchased Asset to any location other than its location as of the date of this Agreement, (iii) terminate, amend or modify the terms of any of the Assumed Contracts, or (iv) grant any interest (whether ownership, security, participation or otherwise) in or to any of the Purchased Assets or permit or authorize any third party to grant any interest (whether ownership, security, participation or otherwise) in or to any of the Purchased Assets.

Section 12.2. Assurances Regarding SMHD. Sellers covenant that neither they nor any of their Affiliates, employees, directors, officers and members, shall initiate, or intentionally encourage to be initiated by third parties, any adverse action or claim against the SMHD or any of its representatives, employees, board members, officers, directors or members, whether pre-Closing or post-Closing notwithstanding any other provision of this Agreement, relating solely and exclusively to the Purchased Assets and Assumed Liabilities and the conduct of the Sellers' Business prior to the Closing.

Section 12.3. TITANS OF MAVERICKS Trademark and Mavericks Geographic Descriptor. CMI shall retain any and all right, title and interest throughout the world in and to the trademarks TITANS OF MAVERICKS and TITANS OF MAVERICKS & Design that are the subjects of U.S. Trademark Registrations Nos. 5,073,729 and 5,134,074 (the "Titans of Mavericks Trademarks"), subject to the following provisions:

(a) Neither Seller shall use the Titans of Mavericks Trademarks or otherwise brand, promote, distribute or sell its goods or services in a manner that would be likely to cause confusion with Purchaser or its Sport of Surfing contests. For the avoidance of doubt, (i) Sellers are expressly prohibited from using the Titans of Mavericks Trademarks as the name of any Sport of Surfing contest; (ii) by way of example but not limitation, and subject to the foregoing restriction, Sellers shall not be prohibited from using, or otherwise branding, promoting, distributing or selling products under, the Titans of Mavericks Trademarks in connection with other services in Class 41 (including without limitation the production and/or distribution of audio/visual content), goods in Classes 16 or 25, or services in Class 35, as long as they do not do so in a manner that is likely to cause confusion with Purchaser or its Sport of Surfing contests; and (iii) nothing in this provision would prohibit Sellers from becoming an official sponsor of one or more of Purchaser's Sport of Surfing events, sponsoring an athlete participating in Purchaser's Sport of Surfing events or that athlete wearing apparel or using equipment branded with the Titans of Mavericks Trademarks, as long as the use of branded goods complies with Purchaser's rules applicable to all participating athletes.

(b) Purchaser may use the Titans of Mavericks Trademarks and any related stylizations thereof or logos in connection with the Content and/or to make historical references to the Titans of Mavericks surfing event.

(c) Sellers acknowledge and agree that Purchaser may use the geographic descriptor “Mavericks” in relation to its own surfing event without infringing any rights Sellers may have in the Titans of Mavericks Trademarks.

Section 12.4. Non-Disparagement. Each Seller and Purchaser agrees that it will not, directly or indirectly, disparage the other or the other’s directors, officers, management, employees, representatives, professionals, business, services, products, culture or competition, and will not encourage any third parties to do so. Without limiting the generality of the foregoing, each Seller and Purchaser agrees that it will not post disparaging comments about the other on internet websites or chat rooms or via instant messaging; provided, however, that each Seller and Purchaser understands that nothing in this Agreement is intended to prevent, impede or otherwise interfere with its ability and/or right to provide truthful testimony in any lawsuit or arbitration or governmental inquiry or investigation (including a proceeding between the Parties), provided, further, that, other than in connection with a proceeding between the Parties, each such Seller or Purchaser provides the other with advance notice of such testimony to the extent reasonably practicable.

Section 12.5. Mutual Covenants. The Parties hereto mutually covenant (in addition to and subject to the other terms of this Agreement), as follows:

(a) after the Closing Date, each of the Parties hereto will give, or cause to be given, to the other and/or the other’s representatives, during normal business hours: (i) reasonable access, to the extent permitted by applicable law, to the Documentation; provided, however, that the Sellers shall only be entitled to such reasonable access from Purchaser as is otherwise necessary or appropriate in connection with the Sellers’ ongoing administration pertaining to any litigation involving either of the Sellers and/or the preparation of any Tax Return or any other document relating to Taxes applicable to the Sellers and/or the closing of the Bankruptcy Case; and (ii) at the requesting Party’s expense, copies of such Documentation, as necessary to allow the requesting Party to obtain information in connection with any claims, demands, other audits, suits, actions or proceedings by or against such requesting Party as the owner and operator of the Purchased Assets or otherwise in furtherance of the purposes described in clause (i) above, including, without limitation, in connection with the Sellers’ bankruptcy proceedings. In connection with access to the records of a Party’s accountants, the requesting Party shall execute and deliver such “hold harmless” agreements as the other Party’s accountants may reasonably request; and

(b) from the date of this Agreement to the Closing Date, the Parties shall cooperate with each other in determining whether filings are required to be made or consents required to be obtained in any jurisdiction in connection with the consummation of the transactions contemplated by this Agreement and in making or causing to be made any such filings promptly and in seeking to obtain timely any such consents (each Party shall furnish to the other and to the other’s counsel all such information as may be reasonably required in order to effectuate the foregoing action), which consents shall not, in any event, include any consent the need for which is obviated by the Sale Order or otherwise by the provisions of the Bankruptcy Code; and

(c) from the date of this Agreement to the Closing Date, to advise the other Party promptly if such Party determines that any condition precedent to its obligations hereunder will not be satisfied in a timely manner; and

(d) after Closing, the Parties shall mutually issue a joint press release in substantially the same form and content as the joint press release attached as **Exhibit C** hereto.

Section 12.6. Filings and Authorizations. The Parties hereto, as applicable, shall, as promptly as practicable, cause to be made all such filings and submissions as may be required to consummate the terms of this Agreement. Each Seller and Purchaser shall keep each other apprised of the status of any communications with, and inquiries or requests for additional information from, any Governmental Authority, and shall comply promptly with any such inquiry or request. Neither Seller shall make any filings or submissions without the prior approval of Purchaser, which approval shall not be unreasonably withheld.

Section 12.7. Access and Information. Upon execution of this Agreement and through the Closing Date, each Seller will give, or cause to be given, to Purchaser or its representatives designated in writing: (i) reasonable access, to the extent permitted by applicable law, during normal business hours, to the Documentation; (ii) at the requesting Party's expense, copies of such Documentation, as necessary to allow such party to obtain information in connection with any claims, demands, audits, suits, actions or proceedings by or against such requesting Party as the owner and operator of the Purchased Assets or otherwise in furtherance of the purposes described in clause (i) above; and (iii) any and all such information as such Party reasonably may request pertaining to the Purchased Assets, as promptly as practicable. In connection with access to the records of the Sellers' accountants, such Party shall execute and deliver such "hold harmless" agreements as the Sellers' accountants may reasonably request.

Section 12.8. Public Announcement. Subject to the provisions of the Bankruptcy Code and the Sellers' right to make such filings and disclosures as it in good faith deems necessary or appropriate in connection with the Bankruptcy Case, no Party hereto, nor their respective affiliates, agents and representatives, shall make or issue, or cause to be made or issued, any public announcement or written statement concerning this Agreement or the transactions contemplated hereby without the prior written consent of the other Party hereto (which will not be unreasonably withheld or delayed), unless counsel to such party advises that such announcement or statement is required by law (in which case the parties hereto shall make reasonable efforts to consult with each other prior to such required announcement). The restrictions imposed hereunder shall not apply to communications between Purchaser and either of the Sellers.

Section 12.9. Taxes.

(a) Except for the Liabilities under Assumed Contracts, the Sellers shall be responsible for all taxes, charges, fees, levies, penalties or other assessments imposed by any federal, state, territorial, local or foreign taxing authority, including income, gross receipts, excise, property, sales, transfer, franchise, payroll, withholding, social security and other taxes, and shall include any interest, penalties or additions attributable thereto ("Taxes") in connection with, relating to or arising out of the ownership of the Purchased Assets, or the Assumed

Liabilities attributable to taxable periods, or portions thereof, ending on or before the Closing, which Taxes shall be a Non-Assumed Liability. Purchaser shall be responsible for all Taxes that are Liabilities under its respective Assumed Contracts, and all applicable Taxes in connection with, relating to or arising out of the Purchased Assets, attributable to taxable periods, or portions thereof, from and after the Closing. All state and local sales and use Taxes, to the extent attributable to periods prior to the Closing, shall be paid or otherwise discharged by the Sellers.

(b) If either of the Sellers is unable to obtain an exemption (pursuant to Section 1146(c) of the Bankruptcy Code included in the Sale Order) from all transfer and documentary Taxes and recording fees and Taxes applicable to the transactions contemplated hereby (collectively, the “Transfer Taxes”), such Transfer Taxes shall be borne and paid by such Seller.

(c) The Sellers and Purchaser shall (i) provide the other with such assistance as may reasonably be requested by either of them in connection with the preparation of any return, report, information return or other document (including any related or supporting information) (“Tax Return”), any audit or other examination by any taxing authority or any judicial or administrative proceeding with respect to Taxes, (ii) retain and provide the other with any records or other information which may be relevant to such return, audit, examination or proceeding, and (iii) provide the other with any final determination of any such audit or examination proceeding or determination that affects any amount required to be shown on any Tax Return of the other for any period (which shall be maintained confidentially).

Section 12.10. Consents. Subject to Section 6.2, each Party hereto will use its good faith efforts and will cooperate with the other Party hereto to obtain all consents required from third persons, whose consent or approval is required pursuant to any Assumed Contract, or otherwise, in order to consummate the transaction contemplated hereby; provided, however, that the Sellers shall not be required to obtain any consent the need for which is obviated by the entry of the Sale Order or otherwise by any provision of the Bankruptcy Code.

Section 12.11. Good Faith Efforts. Without limiting the specific obligations of any Party hereto under any covenant or agreement hereunder, each Party hereto shall use its good faith efforts to take all action and do all things necessary to consummate the transactions contemplated in this Agreement.

Section 12.12. Further Assurances. From time to time after the Closing and without further consideration, Purchaser or the Sellers, at the request of the other, will execute and deliver such other instruments of conveyance and transfer or other instruments or documents, and take or arrange for such other actions, as may reasonably be required to effect any of the transactions contemplated by this Agreement, or to provide any Party hereto with the benefits intended to be conferred and conveyed by this Agreement. To the extent required to effectuate the foregoing, Purchaser shall be appointed attorney in fact for each of the Sellers. Notwithstanding anything to the contrary in this Section 12.12 or any other provision of this Agreement, neither Purchaser nor either of the Sellers shall be required to execute any document or take any action that would (i) materially increase the liability or obligation of the party of whom such document or action is requested beyond that which such Party would have pursuant to the other provisions of this Agreement, (ii) require or cause the Party of whom such action or

document is requested to initiate, join in or otherwise become a Party to any litigation, action or other proceeding, or (iii) cause such Party to incur any material cost or expense that is not already imposed upon it by another provision of this Agreement.

Section 12.13. Non-Assignment by the Sellers. Neither of the Sellers shall assign any of its rights under this Agreement prior to the Closing without the prior written discretionary consent of Purchaser.

ARTICLE 13 CONDITIONS PRECEDENT TO PURCHASER'S OBLIGATION TO CLOSE

Subject to the provisions of Article 8, above, the obligations of Purchaser under this Agreement with respect to the purchase and sale of the Purchased Assets shall be subject to the fulfillment on or prior to the Closing of the conditions of Sections 13.1 through 13.12, any of which may be waived in writing by Purchaser. Each of the Sellers shall use its best efforts to satisfy these conditions so that the Closing can occur no later than October 3, 2017.

Section 13.1. Accuracy of Representations and Warranties; Performance of this Agreement. To the best of Seller's knowledge, each of the representations and warranties made by each of the Sellers shall be true and correct in all material respects on and as of the date hereof and at and as of the Closing Date (unless such representation or warranty is given as of a particular date in which case such representation or warranty will be considered only as of such particular date). Each Seller shall have complied with and performed in all material respects all of the agreements and covenants required by this Agreement, each other Transaction Document and the Sale Order (and any other Final Order of the Bankruptcy Court relating to the transactions contemplated by this Agreement) to be performed or complied with by it prior to the Closing and shall be able to perform in all material respects all of the agreements and covenants required by this Agreement, each other Transaction Document and the Sale Order (and any other Final Order of the Bankruptcy Court relating to the transactions contemplated by this Agreement) to be performed or complied with at Closing.

Section 13.2. Bankruptcy Matters. The Sale Order shall have been entered by September 14, 2017, and the hearing on the Sale Motion shall have been held by the Hearing Deadline. The Sale Order must be a Final Order.

Section 13.3. Consents. Purchaser shall have received duly authorized, executed and delivered consents to the transactions contemplated hereby and waivers of rights to terminate or modify any material rights or obligations of the Sellers from any Person from whom such consent or waiver is required under or in connection with any Assumed Contracts or instruments who, as a result of the transactions contemplated hereby, would have such rights to terminate or modify such Assumed Contracts or instruments, either by the terms thereof or as a matter of law; provided that, the consents required under this Section 13.3 shall not, in any event, include any consent the need for which is obviated by the Sale Order or otherwise by the provisions of the Bankruptcy Code. Notwithstanding the foregoing, as a condition to Purchaser's obligations hereunder, at a public hearing to be held by the SMHD on or before September 20, 2017, the SMHD must expressly confirm that it does not oppose the assignment and transfer of the Permit to Purchaser.

Section 13.4. No Material Adverse Change or Destruction of Property. Between the date hereof and the Closing Date and except as otherwise provided in this Agreement, (i) there shall have been no material adverse change with respect to the Purchased Assets which would affect the Purchased Assets following the Closing, or which would otherwise continue to impact, following the Closing, the benefits and obligations of the transaction with respect to which Purchaser contemplated under this Agreement, and (ii) there shall have been no adverse federal, state or local legislative change, or injunction affecting in any material respect any of the Purchased Assets, which would affect the Purchased Assets following the Closing, or which would otherwise impact, following the Closing, the benefits and obligations of the transaction with respect to which Purchaser contemplated under this Agreement.

Section 13.5. Outside Closing Date. The Closing shall have occurred no later than October 3, 2017.

Section 13.6. Good Faith Purchaser. Purchaser shall have been found by the Bankruptcy Court at the hearing on the Sale Motion to be a good faith purchaser entitled to the protections of Section 363(m) of the Bankruptcy Code.

Section 13.7. Delivery of Transaction Documents. Each of the Sellers shall have delivered to Purchaser all of the Transaction Documents (other than this Agreement) which shall have been fully and duly executed by such Seller to the extent required by Purchaser.

Section 13.8. Delivery of Purchased Assets. All Purchased Assets will be transferred to Purchaser, pursuant to section 363(f) of the Bankruptcy Code, free and clear of all Liens, and any restrictions of any kind or nature whatsoever (other than those restrictions set forth in Assumed Contracts), including, without limitation, any ownership interest or other interest or claim asserted by Maverick's Invitational, Inc. in the Permit or any other Purchased Assets. Any Liens on, in or against the Purchased Assets existing at the time of the Closing Date will attach to the sale proceeds according to their relative priorities or be a claim against the bankruptcy estate of the Sellers as applicable, but not a Lien against the Purchased Assets or Purchaser.

Section 13.9. Delivery of Content. Sellers shall provide to Purchaser copies of the Content in a format acceptable to Purchaser.

Section 13.10. Satisfaction of All Cure Payments. With respect to all Assumed Contracts to be assumed and assigned to Purchaser in accordance with the terms of this Agreement, Seller shall have provided Purchaser with all information and amounts needed for Purchaser to perform and discharge any and all of its applicable Liabilities (including cure or other payments, all of which shall be paid out of the Purchase Price and not in addition to the Purchase Price) and to satisfy all other requirements imposed by the provisions of Section 365 of the Bankruptcy Code to allow the applicable Seller to assume and assign such Assumed Contracts, if such Contracts are assumable and assignable under applicable Law, to Purchaser at the Closing. This shall include, without limitation, providing to Purchaser the correct amount for past due payments under the Permit.

Section 13.11. Delivery of Assignment and Assumption Agreements. Delivery of all assignment and assumption agreements for Assumed Contracts as requested by Purchaser substantially in the form attached hereto as **Exhibit B**, duly executed by Sellers, transferring all of each Seller's right, title and interest in and to the Assumed Contracts to Purchaser.

Section 13.12. Due Diligence Materials. Sellers shall have delivered or made available to Purchaser all of the Due Diligence Materials, and shall have provided to Purchaser copies of any additional information to be included with the Due Diligence Materials reasonably requested by Purchaser at any time prior to the hearing on the Sale Motion.

Section 13.13. No Breach of Covenants. There shall be no breach of Sellers' covenants set forth in Article 12 hereof.

ARTICLE 14 CONDITIONS PRECEDENT TO THE SELLERS' OBLIGATION TO CLOSE

The obligations of the Sellers under this Agreement with respect to the purchase and sale of the Purchased Assets shall be subject to the fulfillment on or prior to the Closing of each of the following conditions, any of which may be waived in writing by the Sellers. Purchaser and Purchaser's Affiliates shall use their best efforts to satisfy these conditions so that the Closing can occur on the later of (i) the second (2nd) business day following the date on which all conditions to Closing set forth in Articles 13 and 14 hereof have been satisfied or waived, and (ii) the second (2nd) business day after expiration of the 14-day appeal period following entry of the Sale Order.

Section 14.1. Accuracy of Representations and Warranties; Performance of this Agreement. Each of the representations and warranties made by Purchaser shall be true and correct in all material respects on and as of the date hereof and at and as of the Closing Date (unless such representation or warranty is given as of a particular date in which case such representation or warranty will be considered only as of such particular date). Purchaser and Purchaser's Affiliates shall have complied with and performed in all material respects all of the agreements and covenants required by this Agreement, each other Transaction Document, the Sale Procedures Order or the Sale Order (or any other Final Order of the Bankruptcy Court with respect to the transactions contemplated by this Agreement) to be performed or complied with by them prior to the Closing, and shall be able to perform in all material respects all of the agreements and covenants required by this Agreement, each other Transaction Document and the Sale Order (or any other Final Order of the Bankruptcy Court with respect to the transactions contemplated by this Agreement) to be performed or complied with at Closing.

Section 14.2. Good Faith Purchaser. Purchaser shall have been found by the Bankruptcy Court at the hearing on the Sale Motion to be a good faith purchaser entitled to the protections of Section 363(m) of the Bankruptcy Code.

Section 14.3. Satisfaction of All Cure Payments. With respect to all Assumed Contracts to be assumed and assigned to Purchaser in accordance with the terms of this Agreement, Purchaser shall have performed and discharged any and all of its applicable Liabilities (including cure or other payments, all of which shall be paid out of the Purchase Price

and not in addition to the Purchase Price) and satisfied all other requirements imposed by the provisions of Section 365 of the Bankruptcy Code to allow the applicable Seller to assume and assign such Assumed Contracts, if such Contracts are assumable and assignable under applicable Law, to Purchaser at the Closing.

Section 14.4. Bankruptcy Matters. The Sale Order must be a Final Order.

Section 14.5. Outside Closing Date. The Closing shall have occurred no later than October 3, 2017.

Section 14.6. Delivery of Transaction Documents. Purchaser shall have prepared and delivered to the Sellers all of the Transaction Documents (other than this Agreement) required by Purchaser which shall have been fully and duly executed by Purchaser to the extent required.

ARTICLE 15 INDEMNIFICATION

Section 15.1. Indemnification by Purchaser. Subject to the provisions of this Article 15 and if (but only if) the Closing is consummated, Purchaser agrees to indemnify, defend and hold each of the Sellers, and each of its respective subsidiaries, officers, directors, advisors, employees, representatives, successors and assigns (collectively, the “Seller Indemnified Parties”) harmless of, from and against the aggregate of all losses, costs, damages, claims, demands, obligations, liabilities, actions, causes of action, fine, liens, charges, penalties, costs and expenses (including, without limitation, all court costs and attorneys’ fees) (collectively, “Indemnification Costs”) incurred or suffered by such Seller Indemnified Party, resulting from failure of Purchaser to satisfy its Assumed Liabilities with respect to the Purchased Assets; provided, however, this Article 15 does not apply to (i) any such failure by Purchaser if in any way caused by or contributed to by the Seller Indemnified Parties’ breach of obligations under this Agreement or actions not consistent with the purpose and intent of this Agreement, (ii) any Indemnification Costs related to or incurred with respect to (a) Maverick Invitational, Inc. or its officers, directors, advisors, employees, representatives, successors and assigns, or (b) the SMHD or its officers, directors, advisors, employees, representatives, members, successors and assigns.

Section 15.2. Determination of Damages and Related Matters. In calculating any amounts payable pursuant to Section 15.1 hereof, Purchaser shall receive credit for any insurance recoveries by any Seller Indemnified Parties with respect to the Purchased Assets as to which any Indemnification Costs arose.

Section 15.3. Notice of Indemnification. In the event any legal proceeding shall be instituted or any claim or demand shall be asserted by any Seller Indemnified Party entitled to indemnification in respect of which payment may be sought under the provisions of this Article 15, any Seller Indemnified Party entitled to indemnification seeking indemnification (the “Indemnitee”) shall promptly cause written notice of the assertion of any such claim of which it has knowledge which it reasonably believes to be covered by this indemnity to be forwarded to Purchaser. Subject to the foregoing, any notice of a claim shall state specifically the facts giving

rise to an alleged basis for the claim and the amount of the liability asserted against Purchaser by reason of the claim. For the avoidance of doubt, no Party hereto may seek indemnification under the provisions of this Article 15 unless a legal proceeding shall have been instituted and finally determined by the applicable legal authority.

Section 15.4. Indemnification Procedure for Third Party Claims. Except as otherwise provided herein, in the event of the initiation of any legal proceeding against an Indemnitee by a third party, Purchaser shall have the right after the receipt of written notice, at its option and at its own expense, to be represented by counsel (which counsel shall be reasonably satisfactory to the Indemnitee) and to defend against, negotiate, settle or otherwise deal with any proceeding, claim, or demand which relates to any damage claim subject to Indemnification, provided, however, that (i) Purchaser exercises such option in writing within 30 days of receipt of written notice; and (ii) the Indemnitee may participate in any such proceeding with counsel of its choice and at Purchaser's reasonable expense. The parties hereto agree to cooperate fully with each other in connection with the defense, negotiation or settlement of any such legal proceeding, claim or demand. To the extent Purchaser elects not to defend such proceeding, claim or demand, and the Indemnitee defends against or otherwise deals with any such proceeding, claim or demand, the Indemnitee may retain counsel (reasonably satisfactory to Purchaser) at the reasonable expense of Purchaser and control the defense of and settlement of such proceeding; provided, that Purchaser shall nevertheless indemnify the Indemnitee for the full amount of the damages relating to such proceeding, claim or demand and provided, further, that the Indemnitee shall give Purchaser twenty (20) days' written notice prior to entering into any such settlement and shall not settle any such claim without the consent of Purchaser, which consent shall not be unreasonably withheld and which consent shall be deemed to have been granted if Purchaser fails to respond to the Indemnitee's properly noticed written request for such consent. If the Indemnitee shall settle any such proceeding without the consent or deemed consent of Purchaser, the Indemnitee shall thereafter have no claim, except for reasonable attorneys' fees and costs, against Purchaser under this Article 15 with respect to any damages occasioned by such settlement, unless it is found or otherwise determined that Purchaser unreasonably withheld its consent to such settlement.

ARTICLE 16 TERMINATION

Section 16.1. Breaches and Defaults; Opportunity to Cure. Subject to the provisions of Article 8, above, and prior to the exercise by a Party of any termination rights afforded under Section 16.2 of this Agreement, if the Sellers or Purchaser (the "Non-Breaching Party") believes that either Seller or Purchaser, as applicable (the "Breaching Party") is in breach hereunder, the Non-Breaching Party shall provide the Breaching Party with written notice (a "Default Notice") specifying in reasonable detail the nature of such breach, whereupon if such breach is curable the Breaching Party shall have ten (10) calendar days from the receipt of such Default Notice to cure such breach to the reasonable satisfaction of the Non-Breaching Party; provided, however, that the cure period for a breach shall in no event extend, or cause the Closing Date to extend, beyond October 3, 2017 without the express written consent of the Non-Breaching Party. The Parties hereby agree that disputes concerning the validity or adequacy of any Default Notice shall be resolved by the Bankruptcy Court, and each Party hereto specifically consents to the jurisdiction of the Bankruptcy Court to resolve any such disputes. If the breach is

not cured within the cure period described above and if there has been no challenge to the sufficiency of any Default Notice, or, to the extent of any such challenge, the Default Notice has been upheld by the Bankruptcy Court as proper under the circumstances, then the Non-Breaching Party shall be entitled to terminate this Agreement.

Section 16.2. Termination. In addition to termination under Section 16.1, this Agreement may be terminated and the transactions contemplated herein may be abandoned, by written notice given to the other Party hereto in accordance with Section 18.2, at any time prior to the Closing:

- (a) at any time, by mutual written consent of the Sellers and Purchaser;
- (b) by the Sellers or Purchaser if the Sale Order is for any reason (other than a material breach or material default hereunder by the Party seeking to terminate) not entered on or before September 14, 2017;
- (c) subject to the right to cure set forth in Section 16.1, at any time prior to the Closing Date, by Purchaser if either Seller (i) alters, amends or breaches any of the covenants of this Agreement, or (ii) is in breach of any material covenant, representation, undertaking or warranty, or if it appears that a condition set forth in Article 13 is impossible (other than through the failure of Purchaser to comply with its obligations under this Agreement) to satisfy and Purchaser has not waived such condition in writing on or before the Closing Date;
- (d) subject to the right to cure set forth in Section 16.1, at any time prior to the Closing Date, by the Sellers if Purchaser is in breach of any material covenant, representation or warranty, or if a condition set forth in Article 14 is impossible (other than through the failure of the Sellers to comply with its obligations under this Agreement) to satisfy and the Sellers have not waived such condition in writing on or before the Closing Date;
- (e) by Purchaser if, notwithstanding the entry of a Final Order approving the sale, the Sellers refuse to close for any reason whatsoever, other than a breach or default by Purchaser of Purchaser's obligations at Closing;
- (f) by the Sellers or Purchaser if the Closing shall not have occurred by October 3, 2017, unless the failure to have the Closing shall be due to the failure of the Party seeking to terminate this Agreement to perform in any material respect its obligations under this Agreement required to be performed by it at or prior to the Closing; or
- (g) by Purchaser if either Seller enters into an agreement for the sale of any of the Purchased Assets with any party other than Purchaser (which action of such Seller constitutes a non-curable breach under this Agreement).

ARTICLE 17 LICENSE OF CONTENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sellers hereby grant to Purchaser, in perpetuity, the worldwide, non-exclusive, royalty-free, irrevocable right, license and authority to: (a) use the Content, in whole or in part,

for any purpose, including, without limitation, on Purchaser's websites, social media and digital channels, and in any and all productions in any and all media and by any and all means now known or hereinafter devised (collectively, "Productions"), in merchandising, products, promotions and/or advertising relating to the Productions and/or Purchaser, and in connection with any other materials created in relation thereto; (b) edit, distribute, publicly perform, promote, sell, lease, broadcast, transmit, exhibit and otherwise use and exploit the Content, in connection with the Productions and (c) collaborate with third parties to permit it to enjoy the rights conferred to it by this Article 17. Sellers expressly acknowledge that they have no future right or claim to compensation of any kind for Purchaser's use of the Content in accordance with this Agreement. For the avoidance of doubt, Sellers may continue to use, exploit, or produce any Content licensed to Purchaser.

ARTICLE 18 MISCELLANEOUS

Section 18.1. Additional Instruments of Transfer. From time to time after the Closing, each party shall, if requested by another Party, make, execute and deliver such additional assignments, bills of sale, deeds and other instruments and documents, as may be reasonably necessary or proper to carry out the specific provisions of this Agreement, including, without limitation, the transfer to Purchaser of all of the Sellers' right, title and interest in and to the applicable Purchased Assets.

Section 18.2. Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, sent by telecopier, recognized overnight delivery service or registered or certified mail, return receipt requested, postage prepaid, to the following addresses:

If to Purchaser:

Attention: General Counsel
World Surf League
147 Bay Street
Santa Monica, CA 90405
Facsimile: [310.450.7257](tel:310.450.7257)
Email: legal@worldsurfleague.com

With a required copy to:

Jonathan S. Marshall
COO
World Surf League
147 Bay Street
Santa Monica, CA 90405
Facsimile: [310.450.7257](tel:310.450.7257)
Email: jsm@worldsurfleague.com

If to either Seller:

Attn: Griffin Guess
Titans of Mavericks, LLC
1223 Windward Lane
Capitola, CA 95010
Email: g@titansofmavericks.com

with a required copy to:

David L. Neale, Esq.
Levene, Neale, Bender, Yoo & Brill L.L.P.
10250 Constellation Boulevard, Suite 1700
Los Angeles, California 90067
Facsimile: (310) 229-1244
Email: dln@lnbyb.com

and

Jeffrey R. Groendal, Esq.
Klinedinst PC
777 S. Figueroa St., Ste. 2800
Los Angeles, CA 90017
Facsimile: (213) 406-1101
Email: jgroendal@klinedinstlaw.com

Notices delivered personally or by electronic mail shall be effective upon receipt. Notices transmitted by telecopy shall be effective when received, provided that the burden of proving receipt when notice is transmitted by telecopy shall be the responsibility of the Party providing such notice. Notices delivered by overnight mail shall be effective when received. Notices delivered by registered or certified mail shall be effective on the date set forth on the receipt of registered or certified mail, or 72 hours after mailing, whichever is earlier.

Section 18.3. Expenses. Each Party shall bear its own expenses and costs, including the fees of any attorney retained by it, incurred in connection with the preparation of this Agreement and the consummation of the transactions contemplated hereby. In the event either Party shall bring any action or proceeding in connection with the performance, breach or interpretation of this Agreement or any Transaction Document, the prevailing Party in such action or proceeding shall be entitled to recover from the losing Party all court costs and reasonable costs and expenses of such action, including, without limitation, reasonable attorneys' fees.

Section 18.4. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California (without application of principles of conflicts of law). In connection with any controversy arising out of or related to this Agreement, each of the Sellers and Purchaser hereby irrevocably consent to the exclusive jurisdiction of the Bankruptcy Court, or if, and only if, the Bankruptcy Case has been closed, any federal court located in the Central District of California (Los Angeles Division) or any courts of the State of California located in Los Angeles County. Each of the Sellers and Purchaser each

irrevocably consents to service of process out of the aforementioned courts and waives any objection which it may now or hereafter have to the venue of any action or proceeding arising out of or in connection with this Agreement brought in the aforementioned courts.

Section 18.5. Assignment. This Agreement binds and benefits the Parties and their respective successors and assignees. Purchaser shall have the right to freely assign any of its rights under this Agreement to any other entity, but if prior to the Closing, only to an entity (i) the majority of which is owned or controlled by Purchaser, or (ii) that is an Affiliate of Purchaser. Sellers shall not assign this Agreement to another party. No party may delegate any performance of its obligations under this Agreement, except that Purchaser may at any time delegate the performance of its obligations to any Affiliate of Purchaser so long as Purchaser remains fully responsible for the performance of the delegated obligation.

Section 18.6. Successors and Assigns. Subject to Section 18.5, all agreements made and entered into in connection with this transaction shall be binding upon and inure to the benefit of the Parties hereto, their successors and permitted assigns.

Section 18.7. Amendments; Waivers. No alteration, modification or change of this Agreement shall be valid except by an agreement in writing executed by the Parties hereto. Except as otherwise expressly set forth herein, no failure or delay by any Party hereto in exercising any right, power or privilege hereunder (and no course of dealing between or among any of the Parties) shall operate as a waiver of any such right, power or privilege. No waiver of any default on any one occasion shall constitute a waiver of any subsequent or other default. No single or partial exercise of any such right, power or privilege shall preclude the further or full exercise thereof.

Section 18.8. Entire Agreement. This Agreement, together with the other Transaction Documents, merges all previous negotiations and agreements between the Parties hereto, either verbal or written, and constitutes the entire agreement and understanding between the Parties with respect to the subject matter of this Agreement.

Section 18.9. Counterparts. This Agreement may be executed in one or more counterparts, each of which when so executed shall be an original, but all of which together shall constitute one agreement. Facsimile or electronic signatures shall be deemed original signatures.

Section 18.10. Severability. If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby and shall be enforced to the greatest extent permitted by law, but only as long as the continued validity, legality and enforceability of such provision or application does not materially (a) alter the terms of this Agreement, (b) diminish the benefits of this Agreement or (c) increase the burdens of this Agreement, for any person.

Section 18.11. Section Headings. The section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement.

Section 18.12. Interpretation. This Agreement has been negotiated at arms' length between persons knowledgeable in the matters dealt with herein. In addition, each Party has been represented by experienced and knowledgeable legal counsel. Accordingly, the parties hereto agree that any rule of law, including, but not limited to, California Civil Code Section 1654, or any other statutes, legal decisions, or common law principles of similar effect, that would require interpretation of any ambiguities in this Agreement against the Party that has drafted this Agreement, is of no application and is hereby expressly waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the intentions of the parties hereto.

Section 18.13. Third Parties. Nothing herein, expressed or implied, is intended to or shall confer on any Person other than the Parties hereto any rights, remedies, obligations or liabilities under or by reason of this Agreement.

Section 18.14. Escrow Holder Matters. Escrow Holder shall hold all of the funds in the Deposit Account pursuant to the terms of this Agreement, and shall not be entitled to receive any compensation for serving as Escrow Holder. Escrow Holder shall only disburse the contents of the Deposit Account at the times and pursuant to the terms and conditions set forth in this Agreement; provided, however, that if there are any disputes and/or conflicting instructions from and/or among the Sellers, Purchaser and/or any other relevant party in interest regarding the disbursement of the funds in the Deposit Account, the Escrow Holder shall either (a) not release any funds in the Deposit Account until such dispute is resolved by the entry of an order of the Bankruptcy Court or otherwise by agreement of the Parties, or (b) deposit any funds in the Deposit Account into the registry of the Bankruptcy Court and commence an interpleader action so that the Bankruptcy Court may determine the Parties' respective rights, if any, with respect to such funds. Escrow Holder shall not be deemed to have assumed any fiduciary duty to the Parties hereto, shall have no liability to any party for actions taken in substantial compliance with the terms of this Agreement and/or controlling court order.

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

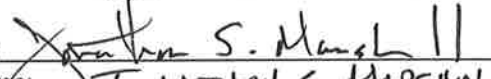
SELLERS:

CARTEL MANAGEMENT, INC.
Debtor and Debtor in Possession

By: _____
Name: _____
Title: _____

PURCHASER:

ASSOCIATION OF SURFING
PROFESSIONALS LLC D/B/A WORLD
SURF LEAGUE [or its permitted designee]

By: 
Name: JONATHAN S. MARSHALL
Title: CHIEF OPERATING OFFICER

TITANS OF MAVERICKS, LLC
Debtor and Debtor in Possession

By: _____
Name: _____
Title: _____


**SOLELY WITH RESPECT TO SECTION
18.14 OF THE FOREGOING
AGREEMENT: Escrow Holder:**

By: _____

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed by its duly authorized representative as of the day and year first above written.

SELLERS:

CARTEL MANAGEMENT, INC.
Debtor and Debtor in Possession


By: 
Name: GRIFFIN GUSS
Title: PRESIDENT

PURCHASER:

ASSOCIATION OF SURFING
PROFESSIONALS LLC D/B/A WORLD
SURF LEAGUE [or its permitted designee]

By: _____
Name: _____
Title: _____

TITANS OF MAVERICKS, LLC
Debtor and Debtor in Possession

By: 
Name: GRIFFIN GUSS
Title: MANAGER

**SOLELY WITH RESPECT TO SECTION
18.14 OF THE FOREGOING
AGREEMENT: Escrow Holder:**

Levene, Neale, Bender, Yood & Brill L.L.P.
By: David L. Neale
Krikor J. Meshejian

EXHIBIT A

PURCHASED ASSETS/LICENSED ASSETS/CONTENT USE/EXCLUDED ASSETS

This Exhibit A forms a part of and is incorporated into the Asset Purchase Agreement (“Agreement”) to which it is attached. Capitalized terms used herein and not defined are as defined in the Agreement.

All assets below (with the exception of Section A.2) are listed as titled in the Sellers’ data room files provided to Purchaser on May 17, 2017, or as otherwise provided by Seller, notwithstanding any spelling corrections.

A. Purchased Assets

1. TOM Event Permit

a. San Mateo Harbor Permit Number 2016-01

2. Customer lists, mailing lists or other compilations: Shopify Account (Cartel Bankruptcy Schedules filed February 28, 2017, Schedule A/B: Assets-Real and Personal Property, Part 10, Item 63).

B. Licensed Assets

1. In perpetuity, the worldwide, non-exclusive, royalty-free, irrevocable right, license and authority to: (a) use the Content, in whole or in part, for any purpose, including, without limitation, on Purchaser’s websites, social media and digital channels, and in any and all productions in any and all media and by any and all means now known or hereinafter devised (collectively, “Productions”), in merchandising, products, promotions and/or advertising relating to the Productions and/or Purchaser, and in connection with any other materials created in relation thereto; (b) edit, distribute, publicly perform, promote, sell, lease, broadcast, transmit, exhibit and otherwise use and exploit the Content, in connection with the Productions and (c) collaborate with third parties to permit it to enjoy the rights conferred to it by Article 17 of the Agreement.

C. Content

1. **Content located in TOM_EVENT_DRIVE A_1**
2. **Content located in TOM_EVENT_DRIVE A_2**
3. **Content located in TOM_EVENT_ROAM_CAMS_2016_TOM_EVENT**
4. **Content located in EVENT_TOM_PHOTOS**
5. **Content located in TOM_AWARDS CEREMONY**
6. **Content located in TOM_MAV_2016/17_OC**
7. **Content located in TOM_MAV_EVENT_B-ROLL**
- D. **Excluded Assets**
 1. **CM, INC**
 - a. Cartel Management Articles of Incorporation
 2. **Executed contracts (CM:TOM)**
 - a. FOXSPORTS – Cartel Management Event Agmt
 - b. FOX_Amendment Event Agreement
 - c. MII:Cartel Agreement_License
 - d. MII:TitansOfMavericks_IP_Amendment_Final
 - e. REDBULL_Fully Executed Webcast Rights – Titans of Mavericks Surf Competition – Cartel
 - f. REDBULL_Fully Executed Amendment to Webcast Rights Titans of Mavericks – Cartel
 3. **Festival_TOM**
 - a. Festival Grounds
 4. **Misc Docs (2016-17) Insurances**
 - a. SMC Insurance Doc
 - b. Titans Insurance Prod Pkg
 - c. TOM Marine floater
 - d. TOM Prod. Insurance

- e. TOM TROPHIES PROOF V4
- f. TOM_insurances_2016-17
- g. ToM-Jersey-Green
- h. ToM-Jersey-Yellow

5. TOM Apparel

- a. Breast Cancer Line_TOM
- b. Titans of Mavericks Apparel Lookbook – First Collection
- c. Titans of Mavericks Apparel Lookbook – Second Collection
- d. TOM online store look

6. TOM, LLC

- a. Titans of Mavericks LLC Statement of Information
- b. Titans of Mavericks LLC Articles of Organization
- c. Titans of Mavericks Operating Agreement
- d. First Amended Operating Agreement

7. Trademark(s)

- a. Titans of Mavericks (standard character mark)
- b. Titans of Mavericks (design mark)

8. Event Operation Agreements

- a. ATHLETE Liability Waiver 2016:17
- b. ATHLETE Media Release 2016:17
- c. Event photographer Agreement V.1
- d. Liability Waiver 2016:17
- e. Liability Waiver free-surf Media Day
- f. Media Release 2016:17
- g. TOM Anti-Doping Policy 2016:17

h. TOM Competitor Rulebook 2016:17

i. TOM Surfers Contract 2016:17

9. Event Decks_TOM

a. Brand Overview 2016

b. ESPN:Burton Comp

c. Event Results 2016

d. From the Channel FB Live

e. Opening Ceremony FB Live

f. Titans of Mavericks_Brand Guide

g. TOM 2015 Pandora Results

h. TOM 2016 EVENT News Coverage TV & Radio

i. TOM Event News Coverage Digital

j. TOM media asset list 2014 – 2016

10. Media Asset List

a. TOM Trailer Video

b. Wipeout_Roundtable Video

c. TOM Media Asset List

11. TOM Event Permits

a. BareBoat_NVIC 7-94

b. CalTrans0416-6TK2639 [Encroachment Permit]

c. CCC_Adopted 2-15-1458-A1 (Cartel Management Titans of Mavericks)

d. Charter Brochure (2)

e. CHP 16_17 Approval TOM

f. CHP Sign Placements (event)

g. IAP (all active agencies)

- h. IAP 2017
- i. Mavericks CHP Contract
- j. MavericksFinalGraphic
- k. NOAA
- l. OCM_Cartel_Management_Approval_Memo_Signed
- m. Parks Permit
- n. Sheriff Titans
- o. SLR USCG-2015-0949 Mavericks Surf Competition Final
- p. SMC (Public Works Permit)
- q. SMC Business License
- r. TOM CASL
- s. TOMCCC
- t. Traffic Management Plan – 16_17 TMP
- u. USCG 2016-2017 TOM MPWC Permit Map
- v. USCG Letter 12Oct16 Mavericks
- w. USCG Titans of Mavericks
- x. 2017-0183-SF Titans of Mavericks Permit

12. Event Production

- a. Active production stations
- b. The Book w:tables only
- c. TOM Vessel(s) 2016:17
- d. TOM_Run Guide_2016-17
- e. TV SHOW LINK

13. Social Media Accounts/Website

- a. www.titansofmavericks.com

- b. Instagram [@titansofmavericks]
- c. Facebook.com\titansofmavericks
- d. Twitter [@titansofmavs]

In addition, any other assets not expressly listed in Section A above (Purchased Assets) nor included in the definition of Purchased Assets in the Agreement are Excluded Assets.

EXHIBIT B

ASSIGNMENT AND ASSUMPTION AGREEMENT

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (this “**Assignment Agreement**”), is entered into as of _____, 2017, by and between Cartel Management, Inc., a California corporation, as debtor and debtor in possession (“CMI”), Titans of Mavericks, LLC, a California limited liability company, as debtor and debtor in possession (“TOM,” and together with CMI, the “**Transferors**,” and each individually, a “**Transferor**”), jointly administered under Case No. 2:17-bk-11179-DS (the “**Bankruptcy Case**”) in the United States Bankruptcy Court for the Central District of California, Los Angeles, Division, the Honorable Deborah Saltzman, United States Bankruptcy Judge, presiding (the “**Bankruptcy Court**”), and Association of Surfing Professionals LLC d/b/a World Surf League or its permitted designee (“**Acquirer**”).

RECITALS

WHEREAS, Acquirer and Transferors are parties to that certain Asset Purchase Agreement dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the “**Asset Purchase Agreement**”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Asset Purchase Agreement.

WHEREAS, pursuant to the terms of the Asset Purchase Agreement, Acquirer shall purchase and Transferors shall sell, transfer and assign to Purchaser the Purchased Assets and transfer and assign the Assumed Contracts, and Purchaser shall assume the Assumed Liabilities.

WHEREAS, it is a condition precedent to the consummation of the transactions contemplated by the Asset Purchase Agreement that the Parties execute and deliver this Assignment Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

1. Assignment. Subject to the terms of the Asset Purchase Agreement, Transferors hereby transfer and assign to Acquirer all right, title and interest in the Assumed Contracts set forth on Schedule 6.1 to the Asset Purchase Agreement, which is comprised of the San Mateo County Harbor District Special Use Permit Number 2016-01 (5-Year term: 2016/2017 through 2020/2021), a copy of which is attached as Exhibit A hereto.

2. Assumption. Subject to the terms of the Asset Purchase Agreement, Acquirer hereby undertakes and agrees from and after the date hereof, to assume and to pay, perform and discharge when due each of the Assumed Liabilities.

3. Terms of the Acquisition Agreement. The parties hereto acknowledge and agree that this Assignment Agreement is entered into pursuant to the Asset Purchase Agreement, to which reference is made for a further statement of the rights and obligations of Transferors and Acquirer with respect to the Assigned Contracts and the Assumed Liabilities. Neither the Asset Purchase Agreement, nor any of its terms, shall be superseded hereby, but shall remain in full force and effect to the full extent provided therein. In the event of any conflict or inconsistency between the terms of

the Asset Purchase Agreement and the terms hereof, the terms of the Asset Purchase Agreement shall govern.

4. Counterparts. This Assignment Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed one and the same agreement. A signed copy of this Assignment Agreement delivered by facsimile, e-mail, or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Assignment Agreement.

5. Successors and Assigns. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors and assigns.

6. Governing Law. This Assignment Agreement shall be construed and enforced in accordance with the laws of the State of California, without giving effect to any choice or conflict of law provision or rule. In connection with any controversy arising out of or related to this Assignment Agreement, each of the Transferors and Acquirer hereby irrevocably consent to the exclusive jurisdiction of the Bankruptcy Court, or if, and only if, the Bankruptcy Case has been closed, any federal court located in the Central District of California (Los Angeles Division) or any courts of the State of California located in Los Angeles County. Each of Transferors and Acquirer each irrevocably consents to service of process out of the aforementioned courts and waives any objection which it may now or hereafter have to the venue of any action or proceeding arising out of or in connection with this Agreement brought in the aforementioned courts.

IN WITNESS WHEREOF, the parties have caused this Assignment Agreement to be duly executed and delivered as of the date first above written.

CARTEL MANAGEMENT, INC.,
A California corporation,
as Debtor and Debtor in Possession

ASSOCIATION OF SURFING
PROFESSIONALS LLC d/b/a WORLD
SURF LEAGUE

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

TITANS OF MAVERICKS, LLC,
A California Limited Liability Company,
as Debtor and Debtor in Possession

By: _____
Name: _____
Title: _____

EXHIBIT C

JOINT PRESS RELEASE

WSL, Titans of Mavericks and Cartel Management Reach Agreement on Mavericks.

Mavericks Added to 2017/2018 WSL BWT Schedule

HALF MOON BAY, California/USA (DATE) – The World Surf League (WSL), Titans of Mavericks and Cartel Management are pleased to announce an agreement in which WSL Big Wave Tour events will have the opportunity to run at the world-famous Mavericks in Northern California through 2021.

“We’re delighted to have the opportunity to work with the big wave community in bringing the Mavericks event to life on the international stage,” Sophie Goldschmidt, WSL CEO, said. “The League has always held a huge amount of respect for the both venue and its community as one of the pillars of big wave surfing and we are appreciative of the work that Cartel has done to preserve the event through Titans of Mavericks. The WSL intends to continue to run the Mavericks event and celebrate the stories of those who steward and surf it through the Big Wave Tour.”

Surfing competitions have run under various structures at Mavericks since 1999, with Cartel overseeing the event starting in 2014 with the formation of Titans of Mavericks. The Titans of Mavericks event ran successfully in 2016, won by Nic Lamb (USA), and the company will continue to produce premium lifestyle goods and services and media content under the “Titans of Mavericks” brand.

“My primary vision in founding Titans of Mavericks was to allow these special athletes the platform and ability to have a successful career,” Griffin Guess, Titans of Mavericks Founder, said. “The event and brand I created generated a global audience for the event unlike anything before and I look forward to the WSL and their leadership continuing the success of the athletes, the event and the Mavericks community at large.”

Formed in 2009, the Big Wave Tour joined the WSL in 2014, producing historic performances at never-before-contested venues such as Nazaré in Portugal and Pe’ahi on Maui’s North Shore. Monitoring swell systems and weather patterns throughout the season, the Big Wave Tour only runs events when surf reaches the 30-foot-plus mark, mobilizing on 72 hours’ notice with an international field of Big Wave men’s and women’s athletes.

The 2017/2018 WSL Big Wave Tour has completed its first event of the season with **Kai Lenny (HAW)** winning the Puerto Escondido Challenge in Mexico. After discussion between Senior Management, the WSL Commissioner’s Office and BWT athletes, the WSL has decided to include Mavericks in the 2017/2018 season.

“Every big wave surfer and fan on the planet knows that Mavericks holds a special place within this community,” Mike Parsons, WSL Big Wave Commissioner, said. “It’s one of the best big wave locations in the world and the opportunity to put it alongside Puerto Escondido, Nazaré and Pe’ahi is massive for

the Big Wave Tour. After discussion with the athletes and the Senior Management team, including it in this year's season was a no brainer. We're all thrilled at the opportunity to run an event there."

For more information, please visit WorldSurfLeague.com

About World Surf League

The World Surf League (WSL), formerly the Association of Surfing Professionals (ASP), is dedicated to celebrating the world's best surfing on the world's best waves through a variety of best-in-class audience platforms. The League, headquartered in Santa Monica, is a truly global sport with regional offices in Australasia, Africa, North America, South America, Hawaii, Japan and Europe.

The WSL has been championing the world's best surfing since 1976, running in excess of 180 global events across the Men's and Women's Championship Tours, the Big Wave Tour, Qualifying Series, Junior and Longboard Championships, as well as the WSL Big Wave Awards. The League possesses a deep appreciation for the sport's rich heritage while promoting progression, innovation and performance at the highest levels, and in doing so crowns the undisputed world champions in Men's, Women's across all divisions within the tour.

Showcasing the world's best surfing on its digital platform at WorldSurfLeague.com as well as the free WSL app, the WSL has a passionate global fan base with millions tuning in to see world-class athletes like Tyler Wright, John John Florence, Paige Alms, Grant Baker, Phil Rajzman, Tory Gilkerson, Mick Fanning, Stephanie Gilmore, Kelly Slater, Carissa Moore, Gabriel Medina, Courtney Conlogue and more battle on the most unpredictable and dynamic field of play of any sport in the world.

For more information, please visit WorldSurfLeague.com.

About Titans of Mavericks

Titans of Mavericks, LLC. is a lifestyle and media brand that developed the world's premiere big wave surfing event that takes place south of San Francisco, in Northern California. Titans of Mavericks is an expansive brand that includes media, distribution, apparel, hard and soft goods, festival, and licensing.

For more information, please visit titansofmavericks.com

Schedule 6.1

Assumed Contracts/Cure Amounts

1. San Mateo County Harbor District Special Use Permit Number 2016-01 (5-Year term: 2016/2017 through 2020/2021) [Copy Attached]. Cure amount: \$6,385.01 (to be paid out of the Purchase Price to the extent the Permit is deemed to be an executory contract)

SPECIAL USE PERMIT

San Mateo County Harbor District
Physical: 504 Avenue Alhambra, El Granada, CA 94018
Mailing: PO Box 1449, El Granada, CA 94018
Phone Number: (650)583-4400/ Fax Number (650)583-4611

Special Use Permit

(5-Year term: 2016/2017 through 2020/2021)

Permit Number: 2016-01

1. Special Use Permittee

- | | | |
|------|-----------------------|---|
| 1.1. | Name of Permittee: | Cartel Management, Inc. |
| 1.2. | Contact Person: | Zoe Lee Ahn (Cartel) |
| 1.3. | Address of Permittee: | 25 Johnson Pier, HMB, CA 94019
5870 Melrose Ave., LA 90038 |
| 1.4. | Phone Number: | Day: (510) 305-6262/ Cell: (310) 480-2577 |

2. Special Use Permit Description

- 2.1. This Special Use Permit is issued only for the purpose of using the portion of the property controlled by the San Mateo County Harbor District ("District") and/or other District facilities as approved by the General Manager (collectively referred to as "District Property") for use during a Surfing Event at Mavericks surf break (the "Event"). District Property is specified in Section 2.1.1, with an accompanying map for illustration purposes only attached as Exhibit A.

2.1.1 District Property to be utilized by Permittee is specifically defined as follows:

- a. West Trail (Law enforcement will have this blocked off and be controlling area)
- b. West Trail Parking Lot (a.k.a. "MIT Lot")- Minimum is ½ the spaces. The Harbormaster can agree to include 100% of the spaces as needed for the success and safety of the event.
- c. "C-1" Lot - Minimum 25% of spaces. The Harbormaster can agree to include 50% and up to 100% of the spaces as needed for the success and safety of the event, 100% dependent on availability and seasonal needs of the space as Harbormaster and Staff will advise. (100% most likely not available November through January 3rd)
- d. Perch Beach – Exclusive use of up to 100% of the vacant space. The Harbormaster will work with Permittee to minimize the space based on area needed for the success and safety of the event;
- e. One lane of launch ramp;
- f. 10' X 10' tent at H dock in vicinity of Fuel Dock Ice Machine as determined by the Harbormaster that interference with commercial and charter boats is limited.

- 2.1.2 The District and Permittee understand that circumstances may change during the term of this Permit, such that Permittee may be required to seek additional or different access to District Property, and/or that the District may need to modify Permittee's access to District Property. Therefore, the Parties mutually agree that, in the event that such changes are required, they will meet and confer in

11595547.1

Special Use Permit
(5-Year term: 2016/2017 through 2020/2021)
Permit Number: 2016-01
Page 2 of 6

good faith, in concert with the General Manager or his designee, to reach agreement on such modifications.

- 2.2 The term of this Permit shall be for Five (5) "seasons," each "season" being defined as the period from November 1 through March 31, and specifically November 1, 2016 through March 31, 2017, November 1, 2017 through March 31, 2018, November 1, 2018 through March 31, 2019, November 1, 2019 through March 31, 2020, and November 1, 2020 through March 31, 2021.
- 2.3 Each Event will be a paddle-in event and will take place on one day. The exact date will be determined by Permittee but must be between November 1 and March 31 for each season, as defined in 2.2 above, and as set forth more fully in Section 4.10.

3. Special Use Permit Fee

- 3.1 Payment by Permittee of the Application Fee of Five thousand dollars (\$5,000), which the District acknowledges for the 2016/2017 season was made on August 5, 2015. For each successive season, payment of the application fee shall be due by no later than July 1 of each season year (e.g. payment for the 2016/2017 season shall be due by July 1, 2016).
- 3.2 Payment by Permittee of a Permit Fee of Eleven thousand six hundred dollars (\$11,600.00), which shall be due on or before November 1 of each season (e.g. payment of the Permit Fee for the 2016/2017 season shall be due by November 1, 2016). The parties agree to the following with regard to the Permit Fees payable by the Permittee.
- 3.2.1 The Permit Fee is intended to cover the District's costs for each season's Event, including administrative costs as well as costs incurred by the District in planning for and supporting Permittee's holding the Event each season. The Parties agree to work cooperatively to minimize costs where possible.
- 3.2.2 To the extent the District costs relating to a specific season's Event are in excess of \$11,600.00, the District shall provide to the Permittee an invoice setting forth the costs incurred and the Permittee agrees to pay any undisputed invoice thirty days from the date of the invoice. This provision applies regardless of whether or not an Event actually occurs in a particular season.
- 3.2.3 To the extent the District costs relating to a specific season's Event are less than \$11,600, the amount less than \$11,600 shall be credited to Permittee's Permit Fee for the following season. Notwithstanding the foregoing, The District will not refund any amount upon the expiration or termination of this Permit, even if District Costs associated with the 2020/2021 Event are less than \$11,600. This provision applies regardless of whether or not an Event actually occurs in a particular season.
- 3.2.4 Along with any invoice submitted in accordance with Section 3.2.2, the District will provide Permittee an accounting of District Costs. Permittee will notify District within 15 days of receipt of any invoice if it disputes such accounting.

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Special Use Permit
(5-Year term: 2016/2017 through 2020/2021)
Permit Number: 2016-01
Page 3 of 6

In such an event, the parties agree mutually to use best efforts to try and resolve any dispute.

- 3.3 Payments of undisputed amounts not paid by the due date shall bear interest at 10.00% per annum until paid.
- 3.4 Permittee shall be charged \$30.00 for each check that is returned to the District for lack of sufficient funds.

4. Terms and Conditions

- 4.1 **Operating Hours:** This Permit is in force on the day of the Event from approximately 5 a.m. to approximately 11 p.m.
- 4.2 Permittee shall provide on-water safety arrangements during the Event that meet all District requirements and any other requirements imposed on Permittee by other regulatory agencies.
- 4.3 Public safety for the non-participating public during the Event is of paramount importance. Both Permittee and the District are committed to conducting the Event in a manner that allows for the public to view the Event safely. At the District's direction, Permittee shall prohibit public access (a) to the District's marsh parking lot, (b) to the trail connecting the District's marsh parking lot to the Maverick's beach and (c) to the Maverick's beach, and use of these areas may be limited to use by law enforcement and public safety personnel and equipment.
- 4.4 Permittee's access (a) to the District's marsh parking lot, and (b) to the trail connecting the District's marsh parking lot to the Maverick's beach shall be limited to access required to comply with the terms of Section 4.3 above, or as may otherwise be permitted in writing by the District's Harbormaster, or for emergency use by Permittee staff with prior notice to District staff.
- 4.5 Permittee shall not provide for or use the Property for Event vehicles parking, except as required to comply with the terms of Section 4.3 above, or as may otherwise be permitted in writing by the District's Harbormaster.
- 4.6 Permittee must use reasonable care and may not unreasonably increase the burden on the Property. Permittee shall ensure the immediate area of the Event and all of the Property are kept free of debris, trash, etc., and shall return the Property to its original condition following completion of the Event.
- 4.7 Permittee shall provide an adequate number of portable toilets as determined by the General Manager in consultation with the Harbor Master.
- 4.8 **Solicitation of Business and Advertising**
 - 4.8.1 On-site advertising, including informational and directional signs is allowed in the form prescribed at the discretion of the General Manager in consultation with the Harbor Master. Permittee shall obtain prior approval of the General Manager before placing any advertising or signs on the Property. Other than as set forth above, Permittee shall not alter, modify, remove any portion of, or affix any item

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Special Use Permit
(5-Year term: 2016/2017 through 2020/2021)
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Page 4 of 6

- to any structure on the Property at any time during the term of this Permit, except as specifically authorized by the District's General Manager or Harbor Master.
- 4.8.2 Companies other than those authorized by Permittee are not permitted to advertise on District property and any such advertising must comply with section 4.8.1.
- 4.9 Permittee shall be required to obtain and/or comply with the following:
- 4.9.1 Permittee shall provide the District with a copy of the Seller's Permit issued from the California State Board of Equalization, which entitles the Permittee to sell products and any other licenses, which may be required by other agencies. Licenses shall be maintained in accordance with law and Permittee must be able to produce licenses when requested to do so by a representative of the District.
- 4.9.2 The District will not grant a Commercial Activity Permit to other vendors for use of the Property for commercial purposes during the Event without prior authorization of the Permittee. Even with Permittee authorization, the District will grant any such Commercial Activity Permit at its sole discretion, to be exercised in accordance with its policies.
- 4.9.3 A Certificate of Insurance for the Permittee's activities related to the Event described in Section 2.1 attesting to liability coverage consisting of a Comprehensive General Liability policy with a Broad Form Endorsement that provides coverage for bodily injury and property damage in the amount of \$1,000,000.00 per occurrence and \$2,000,000.00 per aggregate and a \$5,000,000.00 Umbrella and naming the San Mateo County Harbor District as an Additional Insured. The Certificate of Insurance shall provide evidence that the insurance includes the following endorsements: Additional Insured, Primary and Non-Contributory wording; and Waiver of Subrogation in favor of the District. It is understood that as provided for in Section 4.13 below, Permittee shall defend, indemnify, and hold harmless San Mateo County Harbor District. This certificate shall be maintained in full force and effect during the term of the permit. The Permittee will provide the District a Certificate of Insurance, or other proof of insurance, no later than November 1 for each season.
- 4.9.4 Permittee shall obtain and comply with all permits and other approvals, licenses and certifications as required by other government agencies and departments. Permittee shall furnish satisfactory evidence of such compliance upon request of the District. In particular, the effectiveness of this permit is subject to the California Coastal Commission and/or San Mateo County granting a Coastal Development Permit as necessary, after appropriate environmental review under the California Environmental Quality Act; Permittee is expressly subject to any mitigation measures required through any environmental review process.
- 4.9.5 Permittee shall not sell or permit to be sold alcoholic beverages on the Property.
- 4.10 Term of Permit. This Permit is effective from November 1, 2016, and shall terminate on the earlier of 11:00 pm on the day of the last Event for the 2020/2021 season, or on March 31, 2021. This Permit becomes immediately null and void should any of the

11595547.1

Special Use Permit
(5-Year term: 2016/2017 through 2020/2021)
Permit Number: 2016-01
Page 5 of 6

conditions specified in Section 4 not be met, or should any required certificates expire or be revoked or suspended.

- 4.11 This Permit shall be the sole Permit issued for the purpose of using the Property in connection with holding a Surfing Event(s) at Mavericks surf break during the term of this Permit.
- 4.12 This Permit is for Permittee's exclusive use and is not assignable without the prior consent of the District, to be granted at its sole discretion.
- 4.13 Permittee, as a material part of the consideration to be rendered to the District under this Permit, waives all claims against the District for damages to all personal property in, on or about the District's facilities, and for injuries to persons in or about the District's facilities from any cause arising at any time. Permittee hereby agrees to defend, indemnify, and save harmless the District, its governing board, officers, employees and agents, from and against any and all claims, suits, actions liability, loss, damage, expense, cost (including, without limitation, costs and fees of litigation) of every nature, kind or description, which may be brought against, or suffered or sustained by, the District, its governing board, officers, employees or agents arising or resulting from the use of the Property by Permittee, its agents, employees, contractors, subcontractors or invitees or Permittee's breach of this Permit. The duty of the Permittee to indemnify and save harmless, as set forth herein, shall include the duty to defend as set forth in Section 2778 of the California Civil Code. It is the express intent of the parties that Permittee will indemnify and hold harmless the District from any and all claims, suits or actions arising from any cause whatsoever as set forth above, other than the sole negligence, willful misconduct or criminal acts of the District. Permittee waives any and all rights to any type of express or implied indemnity against the JPB arising out of Permittee's use of or activities on the Property. This indemnity shall survive expiration or termination of this Permit.
- 4.14 Should either party to this agreement bring any legal action, dispute, or proceeding arising out of or relating to this permit, the parties shall meet in mediation and attempt to reach a resolution with the assistance of a mutually acceptable mediator. Neither party shall be permitted to file legal action without first meeting in mediation and making a good faith attempt to reach a mediated resolution. The costs of the mediator, if any, shall be paid equally by the parties. If a mediated settlement is reached neither party shall be deemed the prevailing party for purposes of settlement and each party shall bear its own legal fees and costs.
- 4.15 The laws of the State of California shall govern this agreement and any suit or action initiated by either party shall be brought in the County of San Mateo, California. In the event of litigation between the parties hereto to enforce any provision of the agreement, the unsuccessful party will pay the reasonable attorney's fees, court costs, discovery costs and expenses of litigation of the successful party.
- 4.16 Permittee shall pay a fee pursuant to Section 1719 of the Civil Code for the State of California for each check that is returned to the District for lack of sufficient funds.

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Special Use Permit
(5-Year term: 2016/2017 through 2020/2021)
Permit Number: 2016-01
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4.17 Any person, firm or corporation Permittee authorizes to work upon or enter upon the Property, including any contractor(s) and subcontractor(s), shall be deemed to be Producer's agent and shall be subject to all the applicable terms of this Permit.

5.0 Revocation or Suspension of Permit

This Permit is effective from **November 1, 2016**, and shall terminate on **March 31, 2021**. This Permit becomes immediately null and void should Permittee not submit the Permit Fee by November 1 of each year, should any of the conditions specified in Section 4 above not be met, or should any required certificates or permits expire or be revoked or suspended.

This Permit may be revoked or suspended by the San Mateo County Harbor District at any time and without notice by the District for violation of any Terms or Conditions of the Permit, or for violation of the Ordinances of the District.

PERMITTEE:

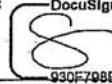
**SAN MATEO COUNTY
HARBOR DISTRICT**

Zoe Lee Ahn

Glenn Lutz

Print Name _____

Print Name _____

DocuSigned by:


Glenn Lutz
SMCHD

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Cartel Management, Inc. -- Signature

10/28/2015

11/10/2015

Date _____

Date _____

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Schedule 6.1.1

Excluded Contracts

1. Event Agreement between Cartel Management and Fox Sports 1, LLC dated November 1, 2015, as amended on February 11, 2016, and as further amended or supplemented.
2. Intellectual Property License Agreement between Mavericks Invitational, Inc. and Cartel Management, Inc. dated May 23, 2014 (signed and unsigned versions), as amended on July 10, 2014, and as further amended or supplemented.
3. Webcast Rights Agreement by and between Cartel Management and Red Bull Media House North America, Inc., effective August 26, 2014, as amended on November 1, 2015, and as further amended or supplemented.
4. Any leases or rental agreements for real or personal property, including without limitation, storage units.
5. Any and all insurance policies.
6. Any other webcast, event, permit, license or other agreements or Contracts which include Liabilities of either or both Sellers to the counter party(ies) or third parties (except for the items listed on Assumed Contracts **Schedule 6.1**).

EXHIBIT “2”



2020 Hurley Way, Suite 350 Sacramento, CA 95825
Local: (916) 564-7800 Fax: (916) 564-7900 Toll Free: (800) 952-5696

Ask us about UCC eZFILE®

UCC Search Report

Type of Search	UCCs, Federal Tax Liens, State Tax Liens, and Judgments
Jurisdiction/Filing Office	State of California, Secretary of State Uniform Commercial Code Division
Indexed Through	Jan. 19, 2017
Subject Search Name	CARTEL MANAGEMENT, INC.
Search Key Entered	CARTE* MANA*

Results

Based on a search of the indices of the Uniform Commercial Code Division of the Secretary of State of California, there are no active liens of record other than those set out below. Liens reflected in this report were based on the searcher's individual search parameters, the search key entered, as well as the searcher's choice of the liens ultimately included or excluded herein. Certification can only be obtained through the office of the California Secretary of State.

Clear, no matches were found for the search key as detailed above.

Similar name(s) found. Please refer to attached listing.

We assume no liability with respect to the identity of any party named or referred to in this report, nor with respect to the validity, legal effect or priority of any matter shown herein; nor, due to our inability to independently verify the accuracy of this data as provided by government and other sources, do we make any guaranty or representation as to its accuracy.

----- END OF REPORT -----

Report Parameters

The UCC Revised Article 9 Model Administrative Rules (MARS) provide state filing offices with a set of guidelines for producing a legally compliant UCC lien search report. The search tool used to create this search report was designed to satisfy the requirements under MARS while providing the searcher with increased flexibility.

Flexible search logic generates a more inclusive search report and addresses the inconsistencies in searches performed within states that did not effectively adopt the MARS guidelines. Further, these specially designed broad-based searching features aid in the location of involuntary liens such as Federal and State Tax Liens and Judgment Liens and liens that may not be located in state databases limited to the MARS guidelines for the reporting of UCCs.



2020 Hurley Way, Suite 350 Sacramento, CA 95825
Local: (916) 564-7800 Fax: (916) 564-7900 Toll Free: (800) 952-5696

Ask us about UCC eZFILE®

California Similar Name Report

Subject Search Name CARTEL MANAGEMENT, INC.
Truncated Search Name CARTE* MANA*
Indexed Through January 19, 2017
 Contains all debtor names not included on the final results report.

Filing #	Debtor Name	Address	City	State	Zip	Type
20117269199207	CARTER, LYMAN A	11164 BAKER ROAD	VICTORVILLE	CA	92392	JL
20067093945447	CARTER MANAGEMENT GROUP, INC.	2027 ELEVADO HILLS DRIVE	VISTA	CA	92084	UCC
20067093853677	CARTERA/TRILLIUM CONSTRUCTION MANAGERS	4609 E. FLOWER ST.	PHOENIX	AZ	85018	STL

EXHIBIT “3”



2020 Hurley Way, Suite 350 Sacramento, CA 95825
 Local: (916) 564-7800 Fax: (916) 564-7900 Toll Free: (800) 952-5696

Ask us about UCC eZFILE®

UCC Search Report

Type of Search	UCCs, Federal Tax Liens, State Tax Liens, and Judgments
Jurisdiction/Filing Office	State of California, Secretary of State Uniform Commercial Code Division
Indexed Through	Jan. 19, 2017
Subject Search Name	TITANS OF MAVERICKS, LLC
Search Key Entered	TITAN* MAVE*

Results

Based on a search of the indices of the Uniform Commercial Code Division of the Secretary of State of California, there are no active liens of record other than those set out below. Liens reflected in this report were based on the searcher's individual search parameters, the search key entered, as well as the searcher's choice of the liens ultimately included or excluded herein. Certification can only be obtained through the office of the California Secretary of State.

Clear, no matches were found for the search key as detailed above.

We assume no liability with respect to the identity of any party named or referred to in this report, nor with respect to the validity, legal effect or priority of any matter shown herein; nor, due to our inability to independently verify the accuracy of this data as provided by government and other sources, do we make any guaranty or representation as to its accuracy.

----- END OF REPORT -----

Report Parameters

The UCC Revised Article 9 Model Administrative Rules (MARS) provide state filing offices with a set of guidelines for producing a legally compliant UCC lien search report. The search tool used to create this search report was designed to satisfy the requirements under MARS while providing the searcher with increased flexibility.

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PROOF OF SERVICE OF DOCUMENT

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I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled **DEBTORS’ MOTION FOR ENTRY OF AN ORDER: (1) APPROVING SALE OF CERTAIN OF THE DEBTORS’ ASSETS RELATED TO “TITANS OF MAVERICKS” FREE AND CLEAR OF ALL LIENS, CLAIMS AND INTERESTS; (2) TO THE EXTENT APPLICABLE, APPROVING DEBTORS’ ASSUMPTION AND ASSIGNMENT OF PERMIT ISSUED BY SAN MATEO COUNTY HARBOR DISTRICT; (3) WAIVING THE 14-DAY STAY PERIODS SET FORTH IN BANKRUPTCY RULES 6004(h) AND 6006(d); AND (4) GRANTING RELATED RELIEF; MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT THEREOF; DECLARATION OF GRIFFIN GUESS** will be served or was served **(a)** on the judge in chambers in the form and manner required by LBR 5005-2(d); and **(b)** in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **August 23, 2017**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Lynn Brown notices@becket-lee.com
- Emily M Charley echarley@hansonbridgett.com, ihaas@hansonbridgett.com
- Stephen D Finestone sfinestone@fhlawllp.com
- Mary H Haas maryhaas@dwt.com, melissastrobel@dwt.com;laxdocket@dwt.com
- Jeffrey S Kwong jsk@lnbyb.com, jsk@ecf.inforuptcy.com
- Kenneth G Lau kenneth.g.lau@usdoj.gov
- Paul J Laurin plaurin@btlaw.com, slmoore@btlaw.com;jboustani@btlaw.com
- Krikor J Meshefejian kjm@lnbrb.com
- David L. Neale dln@lnbyb.com
- Adam M Satnick dmarioni@r2lawgroup.com
- Stewart K Schmella sschmella@lanzalawfirm.com, rbanda@lanzalawfirm.com
- United States Trustee (LA) ustpreion16.la.ecf@usdoj.gov
- Phillip K Wang phillip.wang@rimonlaw.com, david.kline@rimonlaw.com

2. SERVED BY UNITED STATES MAIL: On **August 23, 2017**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **August 23, 2017**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

1 **Served via Attorney Service**
Hon. Deborah J. Saltzman
2 United States Bankruptcy Court
Edward R. Roybal Federal Building
3 255 E. Temple Street, Suite 1334
Los Angeles, CA 90012

4
5 I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

6
7

August 23, 2017	Stephanie Reichert	/s/ Stephanie Reichert
<i>Date</i>	<i>Type Name</i>	<i>Signature</i>

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Cartel Management, Inc.
Titans of Mavericks, LLC
Master Mailing List & RSN

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Capitola, CA 95010-3936

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San Mateo County Harbor District
504 Avenue Alhambra
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Ahn Group
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American Express
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