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7

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **RIVERSIDE DIVISION**

11 In re
12 **SECTOR111, LLC,**
13 Debtor and Debtor-in-
14 Possession.
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Case No. 6:16-bk-19532-WEJ

Chapter 11

MOTION FOR ORDER:

- (1) **AUTHORIZING THE SALE OF THE DEBTOR'S ASSETS PURSUANT TO 11 U.S.C. § 363(b)(1), FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, EXCEPT AS PROVIDED IN THE ASSET PURCHASE AGREEMENT, PURSUANT TO 11 U.S.C. § 363(f);**
- (2) **AUTHORIZING AND APPROVING THE ASSET PURCHASE AGREEMENT;**
- (3) **APPROVING BUYER AS A GOOD-FAITH PURCHASER PURSUANT TO 11 U.S.C. § 363(m);**
- (4) **AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS PURSUANT TO 11 U.S.C. § 365; AND**

MEMORANDUM OF POINTS AND AUTHORITIES; AND DECLARATIONS OF SHINOO MAPLETON AND RICHARD NORDEEN IN SUPPORT

DATE: December 20, 2016
TIME: 1:00 p.m.
CTRM: 304

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1 **TO THE HONORABLE WAYNE E. JOHNSON, UNITED STATES BANKRUPTCY**
2 **JUDGE, THE OFFICE OF THE UNITED STATES TRUSTEE, AND ALL OTHER**
3 **INTERESTED PARTIES:**

4 Sector111, LLC, a Delaware limited liability company, the debtor and debtor-in-
5 possession (the "Debtor") in the above captioned chapter 11 case (the "Case"), hereby
6 moves (the "Motion") the Court for an order pursuant to sections 105(a), 363 and 365 of
7 title 11 of the United States Code (the "Bankruptcy Code"), Rules 2002, 6004, 6006, and
8 9014 of the Federal Rules of Bankruptcy Procedure (as amended, the "Bankruptcy
9 Rules"), and Rule 6004-1 of the Local Rules of Bankruptcy Procedures of the United
10 States Bankruptcy Court for the Central District of California (the "Local Rules");

- 11 (1) approving and authorizing the sale of substantially all of the Debtor's assets
12 to InoKinetic Group, LLC (the "Buyer") free and clear of all liens, security
13 interests, claims, charges, encumbrances and liabilities, and other interests,
14 except as provided in the asset purchase agreement (the "APA"), for a
15 purchase price of \$43,000 (plus certain additional consideration) and
16 authorizing the Debtor to consummate the sale and execute all documents,
17 agreements, and contracts in conjunction therewith;
- 18 (2) authorizing and approving the APA;
- 19 (3) determining the Buyer to be a good-faith purchaser pursuant to section
20 363(m) of the Bankruptcy Code;
- 21 (3) approving the assumption and assignment of certain of the Debtor's
22 unexpired leases and executory contracts related thereto; and
- 23 (3) granting such other relief as the Court deems just and proper.

24 The Debtor believes that a sale consummated pursuant to section 363 of the
25 Bankruptcy Code will maximize value for the Debtor's estate and creditors and will provide
26 the most stability for the Debtor's customers and vendors. Critical to the success of the
27 reorganization process will be the approval and consummation of a sale of the Debtor's
28 business without significant disruption or delay. The goal of the 363 sale process, as

described herein, is to ensure that the Debtor continues as a going concern, which will preserve asset value, maintain important contracts, and provide value to fund payments to unsecured creditors under a plan. In contemplation of the sale of substantially all of the Debtor's assets, the Debtor entered into a stipulation with Forum Capital, LLC ("Forum") for the use of cash collateral on a final basis through and including January 31, 2017 (the "Cash Collateral Stipulation"). The use of cash collateral is intended to provide for the Debtor's cash needs pending the sale of substantially all of its assets.

Following a review of strategic alternatives for its business, the Debtor, in consultation with its advisors, determined that maximizing the value of its estate is best accomplished through an orderly sale, free and clear of liabilities, of substantially all of its assets, comprised mainly of the Debtor's (i) work in progress vehicles, (ii) Drakan test mule; (iii) Lotus elite (track vehicle); (iv) inventory and raw materials; (v) non-vehicle fixed assets (e.g., office furniture, equipment, tooling, etc.); (vi) accounts receivable; and (vii) other miscellaneous intangible items and intellectual property (collectively defined herein as the "Assets"). All of the Debtor's rights, title, and interest in all of the Assets shall be sold free and clear of any liens, security interests, claims, charges, or encumbrances pursuant to section 363(f) of the Bankruptcy Code. The sale will be on an "as is, where is" basis and without representations and warranties of any kind by the Debtor, its agents or the Debtor's estate, except and solely to the extent expressly set forth in the APA. The Debtor and the Buyer will consummate the transactions contemplated by the APA pursuant to the terms and conditions thereof, upon the Bankruptcy Court's approval of the APA pursuant to the order of this Bankruptcy Court.

By virtue of the Debtor's financial position and the cash available to the Debtor through the use of cash collateral, it is imperative that the sale of the Assets occur as quickly as possible while providing interested parties with sufficient notice. The Debtor believes that the sale proposed herein presents the best opportunity to maximize value for all interested parties. The Debtor submits that the relief requested herein is in the best interest of the Debtor, its estate, creditors, and other parties-in-interest and therefore

1 should be granted. The sale is fair, reasonable and supported by a valid business
2 purpose. Here, the Debtor's CEO and President and COO will be shareholders of, and
3 employed by, the Buyer; however, the sale satisfies the heightened standards for a sale
4 involving insiders under section 363 of the Bankruptcy Code.

5 In addition, the Debtor has demonstrated a sound business justification for the
6 assumption of the Designated Executory Contracts (defined below) and Designated
7 Unexpired Leases (defined below). Further, the Debtor and the Buyer have presented
8 sufficient evidence necessary to demonstrate adequate assurance of future performance
9 by the Buyer of the assumed contracts. Therefore, the Debtor requests approval of the
10 assumption and assignment of all of the Designated Executory Contracts and Designated
11 Unexpired Leases on the closing date to the Buyer. A list of the Designated Executory
12 Contract and Designated Unexpired Leases by party name and subject contract or lease
13 can be found at Exhibit "2" attached to the Motion.

14 This Motion is based upon the foregoing, the Memorandum of Points and
15 Authorities and the Declarations of Shinoo Mapleton, appended hereto, and Richard
16 Nordeen filed concurrently herewith, all other pleadings and papers on file in the Case, the
17 arguments and representations of counsel, and any oral or documentary evidence that
18 may be properly presented to this Court at or before any hearing or ruling on the Motion.

19 **WHEREFORE**, the Debtor respectfully requests the Court enter an order:

- 20 1. Granting the Motion;
- 21 2. Approving the terms of the sale as outlined herein and set forth in the APA
22 attached hereto as Exhibit "1";
- 23 3. Authorizing the Debtor to sell the Assets to the Buyer "as is, where is"
24 without representation or warranty, except as otherwise provided for in the APA, pursuant
25 to 11 U.S.C. § 363(b) and free and clear of any and all liens, security interests, claims,
26 charges, encumbrances and liabilities, and other interests, pursuant to 11 U.S.C. § 363(f),
27 except as provided in the APA;
- 28

1 4. Determining that the Buyer is entitled to the protections of 11 U.S.C.
2 § 363(m);

3 5. Determining that the transfer of the sale will be a legal, valid, and effective
4 transfer of the Assets and vests the Buyer with all right, title and interest of the Debtor to
5 the Assets free and clear of any liens, including any liens that purport to give any party a
6 right or option to effect any forfeiture, modifications, right of first refusal, or termination of
7 the Debtor's or Buyer's interest in the Assets, or similar rights, or relating to taxes or any
8 other liabilities relating to the Asset, the Debtor or its business, other than the assumed
9 obligations;

10 6. Determining that the Buyer will have no further obligation with respect to any
11 liabilities of the Debtor other than the assumed obligations set forth in the APA and the
12 obligation under the APA and any other collateral agreements;

13 7. Determining that upon the closing and the transactions contemplated
14 thereby, the Buyer will not be deemed to (i) be the successor to the Debtor, (ii) have,
15 defacto or otherwise, merged with or into the Debtor, or (iii) be a continuation or
16 substantial continuation of the Debtor or the enterprise of the Debtor.

17 8. Authorizing the Debtor to execute any documents or take any actions
18 reasonably necessary to effectuate the terms of the sale;

19 9. Approving the assumption and assignment the Designated Executory
20 Contracts and the Designated Leases on the terms provided for in the APA based upon
21 section 365 of the Bankruptcy Code and the evidence that Buyer has provided adequate
22 assurance of future performance;

23 10. Waiving any requirements for lodging periods imposed by Local Bankruptcy
24 Rule 9021-1 and any other applicable bankruptcy rules;

25 ///

26 ///

27 ///

28

11. Waiving the stay imposed by Federal Rule of Bankruptcy Procedure 6004(h)
and 6006(d) and any other applicable bankruptcy rules; and

12. For such other and further relief as the Court may deem just and proper.

Dated: October 27, 2016

LOBEL WEILAND GOLDEN FRIEDMAN LLP

By: /s/ Beth E. Gaschen

ALAN J. FRIEDMAN

BETH E. GASCHEN

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MEMORANDUM OF POINTS AND AUTHORITIES

I. FACTUAL BACKGROUND

A. The Bankruptcy Filing

On October 27, 2016 (the "Petition Date"), the Debtor commenced the Case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Riverside Division (the "Court"). The Debtor continues to operate and manage its business as a debtor-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or examiner has been made in the Case and no committee has been appointed or designated. Concurrently with the filing of the Petition, the Debtor filed its Schedules and Statement of Financial Affairs (the "Schedules").

The purpose of this Case is to sell all of the Debtor's assets and to propose a chapter 11 plan. Concurrently herewith, the Debtor has filed a motion to establish a claims bar date and for approval of the Cash Collateral Stipulation.

B. The Debtor's Operations

The Debtor is a Delaware limited liability company which was started in 2006 and is the North American market leader in niche lightweight sports cars (including the Lotus, Ariel, BAC, Alfa and Drakan). The Debtor is engaged in wholesale and retail distribution of after-market and performance automotive parts specific to the Lotus and Alfa Romeo sports cars, including wheels, suspension, brakes, exhausts, and racing accessories. In addition, the Debtor is involved in the manufacturing and distribution of specialty performance vehicles for on-track use such as the Drakan Spyder. The Debtor is also a licensed dealer for Ariel Motorcars in California, specifically for the Ariel Atom and the Ariel Nomad. The Debtor provides service for all of the above listed cars, including race preparation. The Debtor's main office is located at 26661 Pierce Circle, Murrieta, California 92562, a 5,500 sq. ft. R&D and warehouse and it also operates a race shop located at Spring Mountain Motor Resort, Pahrump, Nevada.

As with many other businesses, the Debtor experienced a drop in revenue with the recession in 2008 through 2009 during which time its revenue decreased by 30%. The Debtor began focusing on car sales through 2010, which increased its sales revenue, but added risk and required a higher capital investment on the part of the Debtor in order to obtain the parts and cover the labor involved in the production of the vehicles it was selling. In December 2014, the Debtor developed a prototype/test mule for the Drakan Spyder to determine if it was a financially viable car that could be developed for distribution within the sports car industry. The Debtor sold ten (10) Drakan Spyders and began production, but delays in the production and delivery of the finished vehicles caused the Debtor to suffer financial losses. The Debtor has not been able to reproduce the car without suffering a loss based on the cost of parts and labor versus the fair market price. The Debtor has completed and delivered seven (7) of the ten (10) Drakans, with the remaining cars still in the beginning stages of production. The Debtor faced a new challenge in recent years as Lotus stopped selling cars in the U.S. market in 2014-2015 and Alfa Romeo delayed reentering the U.S. market by two (2) years. This caused the Debtors parts development and sales to slow dramatically.

C. The Secured Debt

On December 3, 2015, Commerce Bank of Temecula Valley ("Commerce Bank") loaned the Debtor the principal sum of \$200,000 evidenced by a promissory note dated December 3, 2015, and related instruments, guaranties, documents, and agreements (the "Loan"). As partial security for the Loan, the Debtor granted to Commerce Bank a security interest in its inventory, accounts, equipment, chattel paper, instruments (including but not limited to all promissory notes), letter of credit rights, letters of credit, documents, deposit account, investment property, money, fixtures, other rights to payment and performance, and general intangibles (including but not limited to all software and all payment intangibles) (the "Cash Collateral") as set forth in a commercial security agreement dated December 3, 2015. Commerce Bank perfected the security interest by the filing of a UCC financing statement in the Office of the Secretary of State of California on November 5,

2015, under Filing No. 157493750465. The Loan was also guaranteed by Shinoo J. Mapleton, as an individual, S. Mapleton Holdings, LLC, a California limited liability company, and the Mapleton Family Trust. The guaranty of S. Mapleton Holdings, LLC is secured by a deed of trust on the real property where the Debtor's main office is located.

On September 23, 2016, Forum purchased the Loan from Commerce Bank for \$197,747.62, the total outstanding amount of the Loan. Prior to the Petition Date, Forum filed an amended UCC financing statement reflecting the assignment of the security from Commerce Bank to Forum. This is the only secured claim against the Debtor's assets.

D. The Debtor's Assets and Their Value

The Assets consist of the following:

(i) Work in Progress Vehicles: The Debtor is in the process of completing a Drakan Spyder pursuant to a sale order with Timothy Hoiles. Mr. Hoiles has paid the entire purchase price of \$130,000; however, the Debtor still needs to install a sequential gear box before the Drakan will be completed and ready for delivery.¹ The Drakan has a fair market value of \$100,000 as is, and it will cost more than \$30,000 for the car to be completed. In addition, the Debtor could not sell this particular Drakan to any other party without breaching the contract with Mr. Hoiles and incurring a claim for such breach in the amount of \$130,000.

(ii) Drakan Test Mule: The Drakan test mule is the prototype Drakan built by the Debtor when the car was developed. It is an early stage design that does not resemble the final Drakan fully assembled for a customer. Instead, this vehicle is used by the Debtor to test various parts to be installed in the Drakans sold by the Debtor. It currently has no drive train and is not in good mechanical condition. The Debtor believes that the Drakan test mule has a value of no more than \$20,000 based upon its current

¹ Mr. Hoiles originally paid \$100,000 for a complete car. After the original purchase order, he requested a special transmission to be fitted to the Drakan, for which he was quoted and paid \$30,000.

condition and its limited use to a third party other than in the construction of the Drakan Spyder.

(iii) Lotus Elite: The Lotus elite is a vehicle that the Debtor salvaged to determine whether the Debtor could salvage these vehicles and rebuild them for track use only. The vehicle is not street legal, limiting the market of interested buyers. The Debtor contends that the value of the Lotus elite is \$18,000.

(iv) Inventory and Raw Materials: The Debtor currently holds parts specifically for building the Drakan vehicles, including chassis and miscellaneous wheels, headlights, and other materials. As the chassis is only tack-welded, it could not be used in its current condition. Additional labor would be required before the chassis was safe to install in a Drakan Spyder, which only the Debtor builds. The other Drakan parts only have value in the completion of the executory contracts that the Debtor holds. As such, the Debtor has valued this inventory and raw materials at \$13,285. There are additional inventory parts that the Debtor holds as of the Petition Date that the Debtor can sell for use in other sports cars. However, these parts take many months to sell and some could not be sold because they are so specific as to their use. The Debtor has determined a fair market liquidation value for this particular inventory at \$140,583.

(v) Non-Vehicle Fixed Assets: The Debtor has certain equipment, computer hardware, printers, servers, machinery, furniture, fixtures, leasehold improvements, office and packaging supplies, and other tangible property owned by the Debtor in the conduct of its business. The Debtor has valued these non-vehicle fixed assets at \$5,000. Excluding the equipment/machinery, the items are aged and if the Debtor were otherwise forced to liquidate them, the Debtor believes that the items would not be worth anything. As for the equipment/machinery, while the Debtor paid a higher value for the items new, the equipment could not be sold used for more than \$5,000.

(vi) Accounts Receivable: The Debtor conducts part of its business online where customers can place orders with their credit card. There is a small amount of outstanding A/R representing credit card charges that are still processing. This totals \$2,192. In

1 addition, the Debtor is entitled to receive additional payments from Drakan Cars East LLC
2 (\$32,000), San Francisco Motorsports (\$25,000), and Bob Peterson (\$25,600), but only
3 upon the completion of the Drakan cars for which they have placed orders. If the Debtor
4 cannot complete the cars, then these receivables would no longer exist and instead each
5 of the three parties would hold a claim against the Debtor for breach of contract in the
6 amount that they have paid, which totals \$132,000. The Debtor is also a licensed broker
7 for Ariel and there are two pending sales for an Ariel Nomad with Steve Rimmer for which
8 he owes \$62,775 and an Ariel Nomad with Alec Stefansky for which he owes \$57,146.
9 These payments will be made upon the completion of the manufacturing of the vehicles by
10 TMI. While the payments are made to the Debtor, those payments are then directly
11 transferred to TMI and the Debtor is only entitled to a 10% commission on the transaction,
12 which based on the total price paid will be \$11,992.

13 (vii) Other Intangibles and Intellectual Property: In the operation of its business,
14 the Debtor has other intangible items that are not otherwise described above, including a
15 customer mailing list, certain permits and business licenses, warranties, and other
16 authorizations from third party entities, amortized R&D, website development, and
17 goodwill. These assets have no extrinsic value other than to the Debtor. The Debtor
18 holds certain patents and trademarks that have very little value outside of the operation of
19 the Debtor. The Debtor has placed a fair market value on the intellectual property at
20 \$1,000.

21 The total value of the Debtor's Assets, without considering the liabilities associated
22 with them is \$502,581. However, to fully understand the value, the corresponding
23 liabilities have to be considered. First, there is the security interest held by Forum in the
24 amount of \$197,747.62, which is secured by all of the Debtor's Assets. Second, there are
25 the deposits that have been paid to the Debtor for the Drakan cars. These liabilities have
26 to be weighed against the remaining payments to be made for the Drakan because if the
27 sale to the Buyer does not go through and, thus, the Debtor cannot perform on the
28 contracts, the Debtor will have claims against it for breach of contract in an amount no

less than the deposits already paid. Those deposits are \$130,000 for Mr. Hoiles, \$50,000 for Mr. Peterson, \$32,000 for Drakan Cars East, LLC, and \$50,000 for San Francisco Motorsports, Inc., totaling \$262,000. Third, in determining the value associated to the contracts with Mr. Rimmer and Mr. Stefansky, the corresponding liabilities of \$58,950 and \$52,039.70, representing the amounts already paid for the Ariel vehicles must be considered, as well as the fact that the Debtor will really only receive \$10,947 representing its 10% commission. Consequently, the real value of the Assets, considering the corresponding liabilities, is negative.

E. The Designated Executory Contracts and Designated Unexpired Leases

1. The Designated Executory Contracts

The Debtor is a party to the following executory contracts (collectively, the "Designated Executory Contracts"):

A. A sales order between the Debtor and Timothy Hoiles for a Drakan Spyder. As set forth above, the production of this vehicle is complete except for the installation of the sequential gear box. The total fair market for the vehicle as it is now is \$100,000. Mr. Hoiles has paid \$130,000, but it will take more than \$30,000 to cover the cost of the parts and labor to complete and deliver the vehicle. The Buyer has agreed to assume this contract and undertake the completion of the vehicle despite the additional funds it will require to complete the Debtor's obligations under the contract. No cure amount is owed as the contract only requires the Debtor's performance of services. A true and correct copy of the Hoiles sales order is attached hereto as Exhibit "3."

B. A sales order between the Debtor and Drakan Cars East, LLC for a Drakan Spyder. As of the Petition Date, the car has a tack-welded chassis and nothing further except for raw materials. Drakan Cars East, LLC has made a payment of \$32,000 towards the purchase of the vehicle and will owe the Debtor an additional \$32,000 upon completion of the contract. No cure amount is owed as the contract only requires the Debtor's performance of services, although if the contract is not completed, Drakan Cars

1 East, LLC will have a claim against the Debtor for the deposit of \$32,000. The Buyer has
2 agreed to assume this contract and undertake the completion of the vehicle. A true and
3 correct copy of the Drakan Cars East, LLC sales order is attached hereto as Exhibit "4."

4 C. A sales order between the Debtor and Robert Peterson for a Drakan Spyder.
5 As of the Petition Date, the Debtor has the raw materials for the vehicle, but has not
6 begun to manufacture the car. Mr. Peterson has made a payment of \$50,000 towards the
7 purchase of the vehicle and will owe the Debtor an additional \$25,600 upon the
8 completion of the contract. No cure amount is owed as the contract only requires the
9 Debtor's performance of services, although if the contract is not completed, Mr. Peterson
10 will have a claim against the Debtor for the deposit of \$50,000. The Buyer has agreed to
11 assume this contract and undertake the completion of the vehicle. A true and correct
12 copy of the Peterson sales order is attached hereto as Exhibit "5."

13 D. A dealer agreement between the Debtor and San Francisco Motorsports,
14 Inc. ("SFMI") for a Drakan Spyder. As of the Petition Date, the Debtor has the raw
15 materials for the vehicle, but has not begun to manufacture the car. SFMI has made a
16 payment of \$50,000 towards the purchase of the vehicle and will owe the Debtor an
17 additional \$25,000 upon the completion of the contract. No cure amount is owed as the
18 contract only requires the Debtor's performance of services, although if the contract is not
19 completed, SFMI will have a claim against the Debtor for the deposit of \$50,000. The
20 Buyer has agreed to assume this contract and undertake the completion of the vehicle. A
21 true and correct copy of the SFMI dealer agreement is attached hereto as Exhibit "6."

22 E. TMI Autotech Ariel dealer agreement. This is a contract between the Debtor
23 and TMI Autotech ("TMI") that authorizes the Debtor to sell Ariel vehicles that are then
24 manufactured by TMI and the Debtor receives a 10% commission for each of the sales.
25 The written contract between the parties expired pre-petition, but the Debtor and TMI have
26 continued to operate pursuant to the terms of the written contract. There is no cure
27 amount owed as the contract only requires the Debtor's performance of services.
28

1 **2. The Designated Unexpired Leases**

2 The Debtor has two unexpired leases that it is seeking to assume and assign to the
3 Buyer (collectively, the "Designated Unexpired Leases"). The first lease is between the
4 Debtor and Balboa Capital (Agreement No. 230661-000) for the Debtor's telephone
5 system entered into on December 28, 2015 (the "Phone Lease"). The Phone Lease
6 payments are \$151.79 per month for a term of 60 months, with a deposit paid of \$303.58.
7 A true and correct copy of the Phone Lease is attached hereto as Exhibit "7."

8 The second unexpired lease is the commercial lease between the Debtor and S.
9 Mapleton Holdings, LLC, for the lease of the real property located at 26661 Pierce Cir.,
10 Murrieta, California (the "Building Lease") entered into on January 1, 2016. The Building
11 Lease payments are \$4,500 per month for a term of 20 years, with a one-time option to
12 extend the term of the Building Lease for 10 years. The Building Lease also requires the
13 Debtor to pay as additional rent, the real property taxes paid by the landlord. A true and
14 correct cop of the Building Lease is attached hereto as Exhibit "8."

15 **II. THE MATERIAL TERMS OF THE PROPOSED SALE**

16 The Debtor seeks to sell the Assets for the benefit of the Estate and the Buyer,
17 whose address is 25 E. Providencia, Burbank, California 91502, desires to purchase the
18 Assets. Below is a summary of the material terms of the APA, a true and correct copy of
19 which is attached to the Motion as Exhibit "1":

- 20 A. Subject to Bankruptcy Court Approval: The sale and purchase of the Assets
21 is subject to the approval of the Bankruptcy Court. The Debtor shall file a
22 motion and seek the entry of an order approving the sale;
- 23 B. Purchase of the Assets: The Assets are being sold and assigned to the
24 Buyer pursuant to sections 363 and 365 of the Bankruptcy Code, free and
25 clear of any and all liens, claims, encumbrances, mortgages, security
26 interests, pledges, claims, equities and other restrictions or charges of any
27 kind or nature whatsoever pursuant to section 363(f) of the Bankruptcy
28

- Code, except as set forth in Schedule A to the APA (and excluding assets held by the Debtor in trust or for the benefit of parties other than the Debtor);
- B. Excluded Assets: The sale specifically excludes (i) avoidance actions under Chapter 5 of the Bankruptcy Code and the proceeds thereof; (ii) membership interests of the Debtor, (iii) the Purchase Price, (iv) excluded confidential information; (v) cash, securities, and investments other than any lock box or bank accounts necessary for the operation of the Debtor's business (except that the Debtor shall withdraw the cash or cash equivalents from the lock box and bank accounts prior to closing); (vi) insurance policies and contracts, coverage, and claims owned and payable to the Debtor; (vii) any assets of any employee benefit plan held or administered by the Debtor and any rights under such plan; and (viii) any assets held by the Debtor in trust or for the benefit of parties other than the Debtor;
- C. Purchase Price: As payment in full for the Assets, the Buyer shall pay to the Debtor the sum of \$43,000 (the "Purchase Price"), plus or minus the proration of the apportioned obligations. The Purchase Price shall be paid by wire transfer to the Debtor's account on the closing date;
- D. Delivery: The sale, transfer, conveyance, assignment and delivery of the Assets to the Buyer shall be effectuated on the closing date by the Debtor's execution and delivery of a bill of sale and assignment of transfer title to the Buyer, without representation, recourse, or warranty, express or implied, and such other assignments as are necessary to effectuate the purchase and sale of the Assets;
- E. Assumed Obligations: As of the closing, the Buyer shall assume and agrees to pay, perform, discharge and satisfy when due in accordance with their term: (i) all liabilities under the Designated Executory Contracts and Designated Unexpired Leases to be performed from and after the closing; (ii) all credit and other obligations and related liabilities with respect to the

1 return of products or other claims by customers occurring after the closing,
2 regardless of whether the sale of the product was made by the Debtor or the
3 Buyer, except that returns received prior to the closing but that remain
4 outstanding shall reduce the amount of the accounts receivables; (iii) all
5 costs and expenses incurred in connection with, or related to the
6 administration of the Bankruptcy Case, including, without limitation, any
7 accrued professional fees and expenses of attorneys, accountants, financial
8 advisors, and other professionals; and (iv) all liabilities which exist under the
9 Loan with Forum.

10 **III. THE SALE IS FAIR AND REASONABLE AND IN THE BEST INTERESTS OF**
11 **THE ESTATE AND CREDITORS AND IS A SOUND EXERCISE OF THE**
12 **DEBTOR'S BUSINESS JUDGMENT**

13 **A. The Debtor May Sell Property of the Estate Pursuant to 11 U.S.C. §**
14 **363(b)**

15 Section 363 of the Bankruptcy Court provides that a trustee, "after notice and a
16 hearing, may use, sell or lease, other than in the ordinary course of business, property of
17 the estate." 11 U.S.C. § 363(b). In considering a proposed sale, courts look at whether
18 the sale is in the best interests of the estate based on the facts and the history of the
19 case. *In re American West Airlines*, 166 B.R. 908, 912 (Bankr. D. Ariz. 1994) (citing
20 *Committee of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.)*, 722 F.2d 1063,
21 1070 (2d Cir. 1983)). This requires an examination of the "business justification" for the
22 proposed sale. *In re 240 North Brand Partners, Ltd.*, 200 B.R. 653 (B.A.P. 9th Cir. 1996);
23 *In re Wilde Horse Enterprises, Inc.*, 136 B.R. 830 (Bankr. C.D. Cal. 1991); *In re Ernst*
24 *Home Center, Inc.*, 209 B.R. 974 (Bankr. W.D. Wash. 1997). The trustee or debtor-in-
25 possession has "broad power" under section 363 to sell property of an estate, and
26 indicates that "the manner of sale is within the discretion of the trustee. . . ." *In re The*
27 *Canyon Partnership*, 55 B.R. 520, 524 (Bankr. S.D. Cal. 1985). *See also, Meyers v.*
28 *Martin (In re Martin)*, 91 F.3d 289, 295 (3d Cir. 1996); *In re Abbotts Dairies of*

1 *Pennsylvania, Inc.*, 788 P.2d 143 (2d Cir. 1986); *Official Committee of Unsecured*
2 *Creditors v. The LTV Corp. (In re Chateaugay Corp.)*, 973 F.2d 141, 143 (2d Cir. 1992).

3 The paramount goal in any proposed sale of property of the estate is to maximize
4 the proceeds received by the estate. See, e.g., *Official Committee of Subordinated*
5 *Bondholders v. Integrated Resources, Inc. (In re Integrated Resources, Inc.)*, 147 B.R.
6 650, 659 (S.D.N.Y. 1992) ("It is a well-established principle of bankruptcy law that the . . .
7 [debtors'] duty with respect to such sales is to obtain the highest price or greatest overall
8 benefit possible for the estate.") (quoting *Cello Bag Co. Inc. v. Champion Int'l Corp. (In re*
9 *Atlanta Packaging Prods., Inc.)*, 99 B.R. 124, 131 (Bankr. N.D. Ga. 1988)); see also *Four*
10 *B. Corp. v. Food Barn Stores, Inc. (In re Food Barn Stores, Inc.)*, 107 F.3d 558, 564-65
11 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the
12 value of the estate at hand"). As long as the sale appears to enhance a debtor's estate,
13 court approval of a trustee's or debtor-in-possession's decision to sell should only be
14 withheld if their judgment is clearly erroneous, too speculative, or contrary to the
15 provisions of the Bankruptcy Code. *In re Lajjani*, 325 B.R. 282, 289 (B.A.P. 9th Cir. 2005);
16 *GBL Holding Co., Inc. v. Blackburn/Travis/Cole, Ltd.*, 331 B.R. 251, 255 (N.D. Tex. 2005);
17 *In re WPRV-TV, Inc.*, 143 B.R. 315, 319 (D.P.R. 1991) ("The trustee has ample discretion
18 to administer the estate, including authority to conduct public or private sales of estate
19 property. Courts have much discretion on whether to approve proposed sales, but the
20 trustee's business judgment is subject to great judicial deference.").

21 Further, in accordance with Bankruptcy Rule 6004, sales of property rights outside
22 the ordinary course of business may be conducted by private sale or public auction. In
23 this case, the Debtor has determined that the sale of its Assets by private sale will enable
24 it to obtain the highest or otherwise best offer for its Assets (thereby maximizing the value
25 of its Assets), is the best interests of its creditors, and is supported by a legitimate
26 business justification.

27 The Debtor believes that the Purchase Price along with the assumed obligations is
28 a reasonable price for the Assets. The Debtor could not achieve a higher price by other

1 means of liquidation of the Assets. As set forth in Section I.D. above, some of the Assets
2 have no value outside of the operation of the Debtor's business such as the Debtor's non-
3 vehicle fixed assets, the other intangible items and the intellectual property. Additional
4 assets are highly specialized with an extremely limited market for resale such as the
5 Drakan test mule, Lotus elite, and the inventory and raw materials. The remaining Assets
6 are the subject of executory contracts whereby the value to be received (the A/R) can only
7 be realized by completing performance thereunder, which is actually illusory as it will cost
8 more to finish manufacturing the vehicles than the purchase price of the vehicles. The
9 alternative to the sale and assumption of these contracts is to breach, but this leads to
10 large unsecured claims that the Debtor cannot pay. It is also unlikely that there will be any
11 other interested buyer who will want to assume contracts that will cause them to lose
12 money. Moreover, when the value of the Assets is calculated along with the
13 corresponding liabilities, the value of the Assets turns out to be a negative number. As
14 such, the \$43,000 being received by the Debtor is a fair and reasonable price for the
15 Assets.

16 The assumed obligations must be considered when looking at whether a fair value
17 is being paid. These assumed obligations represent significant consideration for the
18 Debtor and its creditors. First and foremost, the Buyer is assuming the obligations under
19 the Loan with Forum. That amounts to \$197,747.62 that would otherwise have to be paid
20 by any other buyer before any value could be realized from the Assets as Forum has a
21 perfected UCC secured by all of the Assets. Second, the Buyer is assuming all of the
22 liabilities that arise from the assumed and assigned contracts and leases. If the Debtor
23 fails to perform under these contracts, it would result in an additional \$262,000 in
24 unsecured claims for breach of the Drakan contracts, completely diluting the payment to
25 other general unsecured creditors. By the assumption of these liabilities, it also eliminates
26 the financial loss that would otherwise be suffered by the Debtor by having to complete
27 construction of the vehicles. As stated above, the Debtor has not been able to complete
28 the construction of the Drakan vehicles for the fair market value and has suffered a loss

1 on each build. This will now be an obligation of the Buyer. Third, the Buyer is assuming
2 the responsibility of paying for all fees and expenses incurred by the Debtor's
3 professionals relating to the administration of the Case. By doing so, it allows the
4 Purchase Price to be used for the benefit of priority and general unsecured creditors
5 rather than administrative expenses.

6 With the assumed liabilities, the Purchase Price is sufficient to pay the Debtor's
7 non-contingent, undisputed, liquidated debts in full. The Debtor believes its only valid
8 unsecured debt is that of Chase Card Services (Visa), which is in the approximate amount
9 of \$42,000. Concurrently with the filing of the petition, the Debtor filed a motion to
10 establish a general claims bar date as thirty (30) days from service of the claims bar date
11 notice. The Debtor expects that the claims bar date will have run by the time the Motion is
12 heard. The Debtor did so in order to determine if any of the contingent, disputed,
13 unliquidated debts held by former equity of the Debtor that was converted to debt for no
14 consideration would file proofs of claim. If no claims are filed, the Purchase Price will pay
15 the Debtor's unsecured creditors in full. Even if other claims are filed by the former equity,
16 the Debtor will be moving forward with an adversary proceeding to determine the debt
17 invalid as a fraudulent conveyance. The Purchase Price being paid for the Assets is fair
18 and reasonable.

19 Part of the draw for the Buyer in purchasing the Assets and assuming the
20 Designated Executory Contracts and Unexpired Leases is because Shinoo Mapleton, the
21 Debtor's CEO and President, and Stacy Mapleton, the Debtor's COO, will be shareholders
22 of, and employed by, the Buyer after the sale. Even where a sale is to an insider or
23 insider transaction, bankruptcy courts have recognized that the sale of a debtor's assets
24 to an insider is not *per se* prohibited, although the transaction may be subjected to higher
25 scrutiny. See *e.g.*, *In re Med. Software Solutions*, 286 B.R. 431, 445 (Bankr. D. Utah
26 2002) (holding that under section 363(b) when transactions benefit insiders, "the
27 purchaser [of the asset] has a heightened responsibility to show that the sale is proposed
28 in good faith and for fair value"); *In re Bidermann Indus. U.S.A., Inc.*, 203 B.R. 547, 551

(Bankr. S.D.N.Y. 1997) (“[S]ales to fiduciaries in chapter 11 cases are not per se prohibited, ‘but [they] are necessarily subject to heightened scrutiny because they are rife with the possibility of abuse.’”); *In re Summit Global Logistics, Inc.*, 2008 WL 819934, at *9 (Bankr. D.N.J. Mar. 26, 2008); *C & J Clar Am. Inc. v. Carol Ruth Inc. (In re Wingspread Corp.)*, 92 B.R. 87 (Bankr. S.D.N.Y. 1988) (sale to insider will not be approved if transaction is fraught with fraud or impropriety).

Here, even applying a heightened standard of scrutiny under section 363, the proposed sale should be approved. The evidence presented with the Motion is more than sufficient to establish that the sale on the terms set forth in the APA is not fraught with fraud nor impropriety. The Debtor has gone through in detail how the Purchase Price, along with the additional consideration from the Buyer in the assumption of liabilities and the Designated Executory Contracts and Unexpired Leases is a fair and reasonable price. The terms of the sale were negotiated over the course of months between the Debtor and the Buyer and their respective counsel. It also took several drafts of the APA before it was finalized. The Buyer has determined that employing and providing equity to Mr. and Mrs. Stapleton will assist in the operation of the Buyer's business, but the parties have fully disclosed this relationship and neither is receiving a windfall from the transaction.

The Debtor conducted a review of the strategic alternatives and determined that the proposed sale of the business through a 363 sale process would maximize the value of its estate and is in the best interest of its stakeholders. The Debtor is receiving a fair and reasonable price for the Assets along with the assumption of significant liabilities of the Debtor. Thus, the sale is supported by good business reasons and should be approved.

B. The Sale of the Assets Free and Clear of Liens, Claims and Other Interests is Authorized by Section 363(f)

Pursuant to section 363(f) of the Bankruptcy Code, a debtor in possession may sell property of the estate “free and clear of any interest in such property of an entity other than the estate” if any one of the following conditions is satisfied:

- (1) applicable nonbankruptcy law permits sale of such property free and clear of such interests;
- (2) such entity consents;
- (3) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;
- (4) such interest is in bona fide dispute; or
- (5) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f). This provision is supplemented by section 105(a) of the Bankruptcy Code, which provides that “[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a).

Because section 363(f) of the Bankruptcy Code is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Assets “free and clear” of liens and interests. See e.g., *Michigan Employment Sec. Comm’n v. Wolverine Radio Co. (In re Wolverine Radio Co.)*, 930 F.2d 1132, 1147 n. 24 (6th Cir. 1991) (section 363(f) of the Bankruptcy Code is written in the disjunctive, thus a court may approve the sale “free and clear” provided at least one of the subsections of Bankruptcy Code section 363(f) is met); *Citicorp Homeowners Serv., Inc. v. Elliot (In re Elliot)*, 94 B.R. 343, 345 (Bankr. E.D. Pa. 1988) (because section 363(f) is written in the disjunctive, a court may approve a “free and clear” sale even if only one of the subsections is met); *In re Bygaph, Inc.*, 56 B.R. 596, 606 n.8 (Bankr. S.D.N.Y. 1986) (same).

The Debtor believes that one or more of the tests of section 363(f) will be satisfied with respect to the sale of the Assets. In particular, the Debtor believes that section 363(f)(2) will be met because the only party holding a lien on the Assets, Forum, supports the sale as its lien is being assumed by the Buyer, will remain secured by all of the Assets, and will ultimately be paid by the Buyer. There are no other liens on the Assets of the Debtor as evidenced by a UCC search performed on October 19, 2016, a true and correct copy of which is attached to the Motion as Exhibit “9.”

1 As for any unknown holder of a lien, claim, or interest, the Debtor believes that they
2 will be deemed to have consented to the sale by lack of opposition to the Motion. See
3 e.g., *Futuresource LLC v. Reuters Ltd.*, 312 F.3d 281, 285-86 (7th Cir. 2002); *Elliot*, 94
4 B.R. at 345 (failure to object constitutes deemed consent under section 363(f)(2)).
5 Alternatively, the Debtor believes that the conditions imposed by section 363(f)(4) for a
6 free and clear sale have been satisfied. Section 363(f)(4) permits the sale of estate
7 property free and clear of the claiming interest where there is a "bona fide dispute" over
8 the interest. "Bona fide dispute" is not defined in the Bankruptcy Code, but it has been
9 interpreted to mean that "there is an objective basis for either a factual or legal dispute as
10 to the validity of the debt." See *In re Gaylord Grain L.L.C.*, 306 B.R. 624, 627-28 (B.A.P.
11 8th Cir. 2004) (citing *In re Busick*, 810 F.2d 745, 750 (7th Cir. 1987)). Any purported lien,
12 secured claim, or encumbrance would not have been properly perfected as it did not
13 appear on the UCC search, thus, there is a legal dispute as to the validity of any such
14 debt, and it would, be the subject of a bona fide dispute.

15 The Debtor submits that is appropriate to sell the Assets free and clear of
16 successor liability relating to the Debtor's business. Such a provision ensures that the
17 Buyer is protected from any claims or lawsuits premised on the theory that the Buyer is a
18 successor in interest to the Debtor. Courts have consistently held that a buyer of a
19 debtor's assets pursuant to section 363 sales takes free from successor liability relating to
20 the debtor's business. See e.g., *In re Trans World Airlines, Inc.*, 322 F.3d 283, 288-89 (3d
21 Cir. 2003) (sale of assets pursuant to section 363(f) barred successor liability claims for
22 employment discrimination and rights under travel voucher program); *In re Leckie*
23 *Smokeless Coal Co.*, 99 F.2d 573, 585 (4th Cir. 1996) (affirming the sale of debtors'
24 assets free and clear of certain taxes); *In re General Motors Corp.*, 407 B.R. 463, 505-06
25 (Bankr. S.D.N.Y. 2009) (holding that "the Court will permit GM's assets to pass to the
26 purchaser free and clear of successor liability claims, and in that connection, will issue the
27 requested findings and associated injunction."); *In re Chrysler LLC*, 405 B.R. 84, 111
28 (Bankr. S.D.N.Y. 2009) ("in personam claims, including any potential state successor or

transferee liability claims against New Chrysler, as well as *in rem* interests are encompassed by section 363(f) and are therefore extinguished by the Sale Transaction.”); *see also WBQ P’ship v. Commonwealth of Virginia Dep’t of Medical Assistant Servs.*, 189 B.R. 97, 103 (Bankr. E.D. Va. 1995) (approving sale of debtor’s assets under section 363(f) and precluding governmental entity from collecting depreciation recapture arising from such sale from purchaser); *P.K.R. Convalescent Ctrs., Inc. v. Commonwealth of Virginia Dep’t of Medial Assistance Serv. (In re P.K.R. Convalescent Ctrs., Inc.)*, 189 B.R. 90, 94 (Bankr. E.D. Va. 1995) (same); *Am. Living Sys. V. Bonapfel (In re All Am. of Ashburn, Inc.)*, 56 B.R. 186, 189-90 (Bankr. N.D. Ga. 1986) (sale pursuant to section 363(f) barred successor liability for product defect claims), *aff’d*, 805 F.2d 1515 (11th Cir. 1986); *Rubinstein v. Alaska Pac. Consortium (In re New England Fish Co.)*, 19 B.R. 323, 328 (Bankr. W.D. Wash. 1982) (sale pursuant to section 363(f) was free and clear of successor liability claims for employment discrimination and civil rights violations).

The purpose of an order purporting to authorize the transfer of assets free and clear of all liens, claims, encumbrances and other interests would be frustrated if claimants could thereafter use the transfer as a basis to assert claims against a purchaser arising from a seller’s pre-sale conduct. Moreover, without such assurances, the Debtor would run the risk that the Buyer may not enter into the APA or would do so at a reduced amount. To that end, the Buyer should not be liable under any theory of successor liability relating to the Debtor’s business, but should hold the purchased Assets free and clear.

The Debtor reserves the right to object to all or any portion of each and every claim, lien or encumbrance that has or will be asserted against the Assets.

C. The Buyer is a Good Faith Purchaser Pursuant to 11 U.S.C. § 363(m)

Section 363(m) of the Bankruptcy Code provides:

The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

A good faith buyer "is one who buys 'in good faith' and 'for value.'" *Ewell v. Diebert* (*In re Ewell*), 958 F.2d 276, 281 (9th Cir. 1992) (citing *In re Abbotts Dairies of Pennsylvania, Inc.*, 788 F.2d 143, 147 (3d Cir. 1986)). "[L]ack of good faith is [typically] shown by 'fraud, collusion between the purchaser and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.'" *Id.* (quoting *Community Thrift & Loan v. Suchy* (*In re Suchy*), 786 F.2d 900, 902 (9th Cir. 1985)). In the instant case, the Buyer is buying in good faith and has offered to pay fair value for the Assets. The anticipated sale has been negotiated with the Buyer, which is represented by its own counsel, in "arm's-length" discussions over the course of months. There has been no fraud or collusion between the Buyer and the Debtor. While certain of the Debtor's insiders will be shareholders of, and employed by, the Buyer, the sale to the Buyer meets the heightened scrutiny under 363. The Buyer is also paying a fair and reasonable value for the Assets. Based on such facts and circumstances, the Debtor believes that this Court can properly determine the Buyer as a "good faith purchaser" pursuant to section 363(m) of the Bankruptcy Code.

D. Tax Consequences

To the extent there is any tax liability to the Estate from the sale, the Debtor will pay such taxes from the net proceeds.

IV. THE COURT SHOULD AUTHORIZE THE ASSUMPTION AND ASSIGNMENT OF CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS

A. The Assumption of the Designated Unexpired Leases and Designated Executory Contracts is a Valid Exercise of the Debtor's Business Judgment

Section 365(a) of the Bankruptcy Code provides that, subject to the court's approval, a trustee (or the debtor-in-possession pursuant to section 1107(a) of the Bankruptcy Code) "may assume or reject any executory contracts or unexpired lease of the debtor." 11 U.S.C. § 365(a). Generally, the Ninth Circuit has afforded debtors wide discretion in assuming executory contracts and leases under section 365 of the

1 Bankruptcy Code. The Supreme Court has held that the proper standard for the court to
2 use in determining whether to approve the assumption or rejection of a lease or executory
3 contract is the "business judgment test." See *Group of Institutional Investors v. Chicago,*
4 *Milwaukee, St. Paul and Pacific R. Co.*, 318 U.S. 523, 550 (1943); see also *In re Am.*
5 *Suzuki Motor Corp.*, 494 B.R. 466 (Bankr. C.D. Cal. 2013) (Whether to assume or reject
6 an executory contract is generally left to the business judgment of the trustee or debtor-in-
7 possession).

8 If the trustee's or debtor's business judgment has been reasonably exercised, a
9 court should approve the assumption or rejection of an unexpired lease or executory
10 contract. See *NLRB v. Bildisco & Bildisco (In re Bildisco)*, 682 F.2d 72, 79 (3d Cir. 1982);
11 see also *Orion Pictures Corp. v. Showtime Networks, Inc. (In re Orion Pictures Corp.)*, 4
12 F.3d 1095, 1099 (2d Cir. 1993) (stating that section 365 of the Bankruptcy Code "permits
13 the trustee or debtor-in-possession, subject to the approval of the bankruptcy court, to go
14 through the inventory of executory contracts of the debtor and decide which ones it would
15 be beneficial to adhere to and which ones it would be beneficial to reject.")

16 Here, the APA provides for the Debtor to assume and assign certain unexpired
17 leases and executory contracts. A list of the Designated Unexpired Leases and
18 Designated Executory Contracts is attached hereto as Exhibit "2." The assumption of the
19 contracts and leases is supported by a sound business justification. If the Debtor were to
20 reject and breach the contracts, the Estate would be subject to hundreds of thousands of
21 dollars in liability that can be avoided by the assumption of the Designated Executory
22 Contracts. By assuming the Designated Unexpired Leases, the Buyer will be able to
23 begin its operations more seamlessly, which provides a benefit to the Debtor's vendors
24 and customers. Furthermore, there are no cure amounts owed on the Designed
25 Unexpired Leases or Executory Contracts. The Debtor has paid, in the ordinary course of
26 business and pursuant to the Cash Collateral Stipulation, all amounts owed on the Phone
27 Lease and Building Lease. As for the Designated Executory Contracts, the Debtor has no
28 monetary obligations; the contracts provide for the Debtor to manufacture certain vehicles

1 for the other party to the contract or to sell vehicles on behalf of a third party. With the
2 assumption and assignment of the contracts, the Debtor will be able to fulfill its obligations
3 under these contracts.

4 For all of the above reasons, the Debtor submits that assumption and assignment
5 of the Designated Executory Contracts and Designated Unexpired Leases as of the
6 closing date, is in the best interests of the Debtor's estate, creditors, and other parties-in-
7 interest and is supported by a valid business justification.

8 **B. The Debtor Has Demonstrated That There Are No Defaults Under the**
9 **Designated Unexpired Leases and Designated Executory Contracts**
10 **and Has Provided Adequate Assurance of Future Performance in**
11 **Satisfaction of Section 365(b)(1) of the Bankruptcy Code**

12 In addition to the Debtor's ability to satisfy the "business judgment" standard,
13 section 365(b)(1) of the Bankruptcy Code requires that if there has been a default under a
14 lease or an executory contract, the debtor may not assume such lease or contract unless,
15 at the time of assumption of such contract or lease it:

- 16 (A) cures, or provides adequate assurance that [it] will
17 promptly cure, such default;
18 (B) compensates, or provides adequate assurance that [it]
19 will promptly compensate, a party other than the debtor to such
20 contract or lease, for any actual pecuniary loss to such party
21 resulting from such default; and
22 (C) provides adequate assurance of future performance
23 under such contract or lease.

21 11 U.S.C. § 365(b)(1).

22 As stated above, there are no defaults under the Designated Unexpired Leases
23 and there are no monetary obligations on the part of the Debtor under the Designated
24 Executory Contracts. The cure amount owed to any particular counterparty is set forth in
25 Exhibit "2" attached hereto. If any counterparty to a contract or lease disagrees with the
26 cure amount then they must to file an objection to the proposed cure amount by the
27 objection deadline set for this Motion. To the extent a counterparty fails to file an
28 objection to the proposed cure amount by the objection deadline, the Debtor seeks to

1 have the proposed cure amount constitute the sole amount necessary under section
2 365(b)(1)(A) and (B) to cure defaults and pay all actual and pecuniary losses under the
3 Designated Executory Contract or Designated Unexpired Lease. Unless an objection is
4 filed then the party will (a) be forever barred from objecting to the cure amount and from
5 asserting any additional cure or other amounts as with respect to such Designated
6 Executory Contract or Designated Unexpired Lease against the Debtor, and (b) be
7 deemed to have consented to the assumption, assignment and/or transfer of such
8 Designated Executory Contract and Designated Unexpired Lease, notwithstanding any
9 consent right that such party could have asserted, and shall be forever barred and
10 estopped from asserting or claiming against the Debtor, the Buyer or any other assignee
11 of the relevant Designated Executory Contract or Designated Unexpired Lease that any
12 additional amounts are due or defaults exist, or conditions to assumption, assignment
13 and/or transfer must be satisfied, as of the closing date, under such Designated Executory
14 Contract or Designated Unexpired Lease.

15 As to adequate assurance of future performance under the Designated Executory
16 Contract or Designated Unexpired Lease, the Buyer has provided adequate assurance of
17 its future performance under the same upon assignment.

18 In summary, the Debtors have satisfied the requirements of section 365(b)(1) by
19 providing for the immediate payment of any cure amounts and the continued performance
20 under the contract or lease pending the assignment of the Designated Executory Contract
21 or Designated Unexpired Lease. The Debtor should be authorized to assume the
22 Designated Executory Contract or Designated Unexpired Lease.

23 **C. The Court Should Authorize the Assignment of the Designated**
24 **Executory Contracts or Designated Unexpired Leases**

25 Pursuant to section 365(f)(2) of the Bankruptcy Code, a trustee may assign an
26 executory contract or unexpired lease of nonresidential real property if:

27 (a) the trustee assumes such contract or lease in
28 accordance with the provisions of this section; and

(b) adequate assurance of future performance by the assignee of such contract or lease is provided, whether or not there has been a default in such contract or lease.

11 U.S.C. § 365(f)(2).

The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given "practical, pragmatic construction." See *In re Art & Architecture Books of the 21st Century*, 2013 WL 4874342 (Bankr. C.D. Cal. Sept. 12, 2013); *Carlisle Homes, Inc. v. Arrari (In re Carlisle Homes, Inc.)*, 54 B.R. 436, 440 (Bankr. S.D.N.Y. 1985) (adequate assurance of future performance does not mean absolute assurance that debtor will thrive and pay rent); *In re Bon Ton Rest. & Pastry Shop, Inc.*, 53 B.R. 789, 803 (Bankr. N.D. Ill. 1985) ("Although no single solution will satisfy every case, the required assurance will fall considerably short of an absolute guarantee of performance.").

Among other things, adequate assurance may be given by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. See *Bygraph*, 56 B.R. at 605-06 (adequate assurance of future performance is present when prospective assignee of lease has financial resources and expressed willingness to devote sufficient funding to business to give it strong likelihood of succeeding; chief determinant of adequate assurance is whether rent will be paid).

The Buyer has the financial capability to perform under the Designated Unexpired Leases and Executory Contracts. The Buyer has been fully funded and can make the necessary rent payments under the Building Lease, which total \$4,500 per month and the Phone Lease payment which totals \$151.79 per month. The Buyer also has the financial wherewithal to complete the manufacturing of the cars. The Buyer also has a willingness and ability to perform on the executory contracts. Shinoo Mapleton, the CEO and President of the Debtor, will be an employee of the Buyer. His knowledge, experience, and skill will vastly assist the Buyer in completing the manufacturing of the Drakans. Mr. Mapleton was the one who designed the Drakan Spyder and who has already built seven of the vehicles. He also has an established relationship with the companies who sell the

1 parts that are required to complete the builds and with TMI in the Debtor's selling of the
2 Ariel cars. Mr. Mapleton will help the Buyer in moving forward with operations. Mr.
3 Mapleton has years of experience that are vital for the Buyer's future performance and he
4 has contacts that will be essential to seamlessly transitioning the operation of the
5 business. Mrs. Mapleton's services will also help the transition and start-up of the
6 operations by the Buyer based on her knowledge of the Debtor's books and records and
7 operations.

8 The Debtor has proven the financial credibility, willingness, and ability of the Buyer
9 to perform under the Designated Executory Contracts and Designated Unexpired Leases
10 to be assumed and assigned pursuant to the APA.

11 **V. WAIVER OF THE STAY IS APPROPRIATE**

12 Bankruptcy Rule 6004(h) provides that an "order authorizing the use, sale, or lease
13 of property . . . is stayed until the expiration of 14 days after the entry of the order, unless
14 the court orders otherwise." Similarly, Bankruptcy Rule 6006(d) provides that an "order
15 authorizing the trustee to assign an executory contract or unexpired lease . . . is stayed
16 until the expiration of 14 days after the entry of the order, unless the court orders
17 otherwise." The Debtor requests that the sale order be effective immediately by providing
18 that the fourteen (14) day stay under Bankruptcy Rule 6004(h) and 6006(d) are waived.

19 The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time
20 for an objecting party to appeal before an order can be implemented. See Advisory
21 Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Bankruptcy Rules
22 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court
23 should "order otherwise" and eliminate or reduce the fourteen (14) day stay period, Collier
24 suggests that the fourteen (14) day stay period should be eliminated to allow a sale or
25 other transaction to close immediately "where there has been no objection to the
26 procedure." COLLIER ON BANKRUPTCY, ¶ 6004[11] (Alan N. Resnick & Henry J. Sommer
27 eds., 16th ed.). Furthermore, Collier provides that if an objection is filed and overruled,
28

1 and the objecting party informs the court of its intent to appeal, the stay may be reduced
2 to the amount of time actually necessary to file such an appeal. Id.

3 In light of the Debtor's financial constraints and the impending deadlines in the
4 executory contracts that are being assumed and assigned, the Debtor hereby requests
5 that the Court waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and
6 6006(d) or, in the alternative, if an objection to the sale is filed, reduce the stay period to
7 the minimum amount of time needed by the objecting party to file its appeal.

8 **VI. CONCLUSION**

9 Based on the foregoing, the Debtor respectfully requests that the Court enter an
10 order:

- 11 1. Granting the Motion;
- 12 2. Approving the terms of the sale as outlined herein and set forth in the APA
13 attached hereto as Exhibit "1";
- 14 3. Authorizing the Debtor to sell the Assets to the Buyer "as is, where is"
15 without representation or warranty, except as otherwise provided for in the APA, pursuant
16 to 11 U.S.C. § 363(b) and free and clear of any and all liens, security interests, claims,
17 charges, encumbrances and liabilities, and other interests, pursuant to 11 U.S.C. § 363(f),
18 except as provided in the APA;
- 19 4. Determining that the Buyer is entitled to the protections of 11 U.S.C.
20 § 363(m);
- 21 5. Determining that the transfer of the sale will be a legal, valid, and effective
22 transfer of the Assets and vests the Buyer with all right, title and interest of the Debtor to
23 the Assets free and clear of any liens, including any liens that purport to give any party a
24 right or option to effect any forfeiture, modifications, right of first refusal, or termination of
25 the Debtor's or Buyer's interest in the Assets, or similar rights, or relating to taxes or any
26 other liabilities relating to the Asset, the Debtor or its business, other than the assumed
27 obligations;
- 28

6. Determining that the Buyer will have no further obligation with respect to any liabilities of the Debtor other than the assumed obligations set forth in the APA and the obligation under the APA and any other collateral agreements;

7. Determining that upon the closing and the transactions contemplated thereby, the Buyer will not be deemed to (i) be the successor to the Debtor, (ii) have, defacto or otherwise, merged with or into the Debtor, or (iii) be a continuation or substantial continuation of the Debtor or the enterprise of the Debtor.

8. Authorizing the Debtor to execute any documents or take any actions reasonably necessary to effectuate the terms of the sale;

9. Approving the assumption and assignment the Designated Executory Contracts and the Designated Leases on the terms provided for in the APA based upon section 365 of the Bankruptcy Code and the evidence that Buyer has provided adequate assurance of future performance;

10. Waiving any requirements for lodging periods imposed by Local Bankruptcy Rule 9021-1 and any other applicable bankruptcy rules;

11. Waiving the stay imposed by Federal Rule of Bankruptcy Procedure 6004(h) and 6006(d) and any other applicable bankruptcy rules; and

12. For such other and further relief as the Court may deem just and proper.

Respectfully submitted,

Dated: October 27, 2016

LOBEL WEILAND GOLDEN FRIEDMAN LLP

By: /s/ Beth E. Gaschen

ALAN J. FRIEDMAN

BETH E. GASCHEN

Proposed Attorneys for Debtor and
Debtor-in-Possession

DECLARATION OF SHINOO MAPLETON

I, Shinoo Mapleton, declare as follows:

1. I am the Chief Executive Officer ("CEO") and President of Sector111, LLC, the debtor and debtor-in-possession (the "Debtor") in the above-captioned chapter 11 case. In my role as CEO and President, I am responsible for the daily operations of the Debtor's business. Except as otherwise noted, I have personal knowledge of the matters set forth in this Declaration and, if called as a witness, could testify competently thereto. I am submitting this Declaration in support of the Motion for Order: (1) Authorizing the Sale of the Debtor's Assets Pursuant to 11 U.S.C. § 363(b)(1), Free and Clear of Liens, Claims, Encumbrances, and Other Interests, Except as Provided in the Asset Purchase Agreement Pursuant to 11 U.S.C. § 363(f); (2) Authorizing and Approving the Asset Purchase Agreement; (3) Approving Buyer as a Good-Faith Purchaser Pursuant to 11 U.S.C. § 363(m); and (4) Authorizing the Assumption and Assignment of Certain Unexpired Leases and Executory Contracts Pursuant to 11 U.S.C. § 365 (the "Motion"). All capitalized terms set forth in the Motion are incorporated herein by this reference.

2. I have been involved in the automotive industry since 1985. I began my career working as an engineer at the Pontiac Fiero assembly plant. Since then I worked for 3M Co. in various automotive engineering and management capacities from 1988 to 1998. After which, I worked as an Automotive Market Manager for AQF Technologies from 1998 to 2000. I have been the CEO and President of the Debtor since its inception in 2006. I have a Bachelor of Science degree in engineering from Kettering University, a M.B.A. from the University of St. Thomas, and M.I.M. from the University of St. Thomas.

3. I have spent my entire career as an entrepreneur commercializing hundreds of automotive products.

4. On October 27, 2016 (the "Petition Date"), the Debtor commenced the Case under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Riverside Division (the "Court"). The Debtor continues to

1 operate and manage its business as a debtor-in-possession pursuant to sections 1107(a)
2 and 1108 of the Bankruptcy Code. No request for the appointment of a trustee or
3 examiner has been made in the Case and no committee has been appointed or
4 designated. Concurrently with the filing of the petition, the Debtor filed its Schedules and
5 Statement of Financial Affairs (the "Schedules") and a motion to establish a claims bar
6 date.

7 5. The purpose of this Case is to sell substantially all of the Debtor's assets
8 and to propose a chapter 11 plan.

9 6. Pending the sale of the Debtor's assets, I have obtained Forum's consent to
10 use cash collateral on a final basis through and including January 31, 2017, according to
11 the terms set forth in the Cash Collateral Stipulation and according to the Budget attached
12 to the Cash Collateral Stipulation. A motion to approve the Cash Collateral Stipulation
13 has been filed concurrently with this Motion.

14 7. The Debtor is a Delaware limited liability company which was started in 2006
15 and is the North American market leader in niche lightweight sports cars (including the
16 Lotus, Ariel, BAC, Alfa and Drakan). The Debtor is engaged in wholesale and retail
17 distribution of after-market and performance automotive parts specific to the Lotus and
18 Alfa Romeo sports cars, including wheels, suspension, brakes, exhausts, and racing
19 accessories. In addition, the Debtor is involved in the manufacturing and distribution of
20 specialty performance vehicles for on-track use such as the Drakan Spyder. The Debtor
21 is also a licensed dealer for Ariel Motorcars in California, specifically for the Ariel Atom
22 and the Ariel Nomad. The Debtor provides service for all of the above listed cars,
23 including race preparation. The Debtor's main office is located at 26661 Pierce Circle,
24 Murrieta, California 92562, a 5,500 sq. ft. R&D and warehouse and it also operates a race
25 shop located at Spring Mountain Motor Resort, Pahrump, Nevada.

26 8. The Debtor experienced a drop in revenue in 2008 through 2009 during
27 which time its revenue decreased by 30%. The Debtor began focusing on car sales
28 through 2010, which increased its sales revenue, but added risk and required a higher

1 capital investment on the part of the Debtor in order to obtain the parts and cover the labor
2 involved in the production of the vehicles it was selling. In December 2014, I developed a
3 prototype/test mule for the Drakan Spyder to determine if it was a financially viable car
4 that could be developed for distribution within the sports car industry. I sold ten (10)
5 Drakan Spyders and began production, but delays in the production and delivery of the
6 finished vehicles caused the Debtor to suffer financial losses. The Debtor has not been
7 able to reproduce the car without suffering a loss based on the cost of parts and labor
8 versus the fair market price. The Debtor has completed and delivered seven (7) of the ten
9 (10) Drakans, with the remaining cars still in the beginning stages of production. The
10 Debtor faced a new challenge in recent years as Lotus stopped selling cars in the U.S.
11 market in 2014-2015 and Alfa Romeo delayed reentering the U.S. market by two (2)
12 years. This caused the Debtors parts development and sales to slow dramatically.

13 9. On December 3, 2015, Commerce Bank of Temecula Valley ("Commerce
14 Bank") loaned the Debtor the principal sum of \$200,000 evidenced by a promissory note
15 dated December 3, 2015, and related instruments, guaranties, documents, and
16 agreements (the "Loan"). As partial security for the Loan, the Debtor granted to
17 Commerce Bank a security interest in the Cash Collateral as set forth in a commercial
18 security agreement dated December 3, 2015. Commerce Bank perfected the security
19 interest by the filing of a UCC financing statement in the Office of the Secretary of State of
20 California on November 5, 2015, under Filing No. 157493750465. The Loan was also
21 guaranteed by myself, S. Mapleton Holdings, LLC, a California limited liability company,
22 and the Mapleton Family Trust. The guaranty of S. Mapleton Holdings, LLC is secured by
23 a deed of trust on the real property where the Debtor's main office is located.

24 10. On September 23, 2016, Forum purchased the Loan from Commerce Bank
25 for \$197,747.62, the total outstanding amount of the Loan. Prior to the Petition Date,
26 Forum filed an amended UCC financing statement reflecting the assignment of the
27 security from Commerce Bank to Forum. This is the only secured claim against the
28 Debtor's assets.

11. The Debtor is in the process of completing a Drakan Spyder pursuant to a sale order with Timothy Hoiles. Mr. Hoiles has paid the entire purchase price of \$130,000; however, the Debtor still needs to install a sequential gear box before the Drakan will be completed and ready for delivery. Mr. Hoiles originally paid \$100,000 for a complete car. After the original purchase order, he requested a special transmission to be fitted to the Drakan, for which he was quoted and paid \$30,000. The Drakan has a fair market value of \$100,000 as is, and it will cost more than \$30,000 for the car to be completed. In addition, the Debtor could not sell this particular Drakan to any other party without breaching the contract with Mr. Hoiles and incurring a claim for such breach in the amount of \$130,000.

12. The Drakan test mule is the prototype Drakan built by the Debtor when the car was developed. It is an early stage design that does not resemble the final Drakan fully assembled for a customer. Instead, this vehicle is used to test various parts to be installed in the Drakans sold to third parties. It currently has no drive train and is not in good mechanical condition. I believe that the Drakan test mule has a value of no more than \$20,000 based upon its current condition and its limited use to a third party other than in the construction of the Drakan Spyder.

13. The Lotus elite is a vehicle that I salvaged to determine whether the Debtor could salvage these vehicles and rebuild them for track use only. The vehicle is not street legal, limiting the market of interested buyers. I believe that the value of the Lotus elite is \$18,000.

14. The Debtor currently holds parts specifically for building the Drakan vehicles, including chassis and miscellaneous wheels, headlights, and other materials. As the chassis is only tack-welded, it could not be used in its current condition. Additional labor would be required before the chassis was safe to install in a Drakan Spyder, which only the Debtor builds. The other Drakan parts only have value in the completion of the executory contracts that the Debtor holds. As such, I have valued this inventory and raw materials at \$13,285.

15. There are additional inventory parts that the Debtor holds that can be sold for use in other sports cars. However, these parts take many months to sell and some could not be sold because they are so specific as to their use. I have determined a fair market liquidation value for this particular inventory at \$140,583.

16. The Debtor has certain equipment, computer hardware, printers, servers, machinery, furniture, fixtures, leasehold improvements, office and packaging supplies, and other tangible property owned by the Debtor in the conduct of its business. I have valued these non-vehicle fixed assets at \$5,000. Excluding the equipment/machinery, the items are aged and if the Debtor were otherwise forced to liquidate them, I believe that the items would not be worth anything. As for the equipment/machinery, while the Debtor paid a higher value for the items new, the equipment could not be sold used for more than \$5,000.

17. The Debtor conducts part of its business online where customers can place orders with their credit card. There is a small amount of outstanding A/R representing credit card charges that are still processing. This totals \$2,192.

18. The Debtor is entitled to receive additional payments from Drakan Cars East LLC (\$32,000), San Francisco Motorsports (\$25,000), and Bob Peterson (\$25,600), but only upon the completion of the Drakan cars for which they have placed orders. These parties have already paid \$132,000 as a deposit for the three Drakan Spyders.

19. The Debtor is also a licensed broker for Ariel and there are two pending sales for an Ariel Nomad with Steve Rimmer for which he owes \$62,775 and an Ariel Nomad with Alec Stefansky for which he owes \$57,146. These payments will be made upon the completion of the manufacturing of the vehicles by TMI. While the payments are made to the Debtor, those payments are then directly transferred to TMI and the Debtor is only entitled to a 10% commission on the transaction, which based on the total price paid will be \$11,992.

20. In the operation of its business, the Debtor has other intangible items including a customer mailing list, certain permits and business licenses, warranties, and

1 other authorizations from third party entities, amortized R&D, website development, and
2 goodwill. These assets have no extrinsic value other than to the Debtor.

3 21. The Debtor holds certain patents and trademarks that I believe has very little
4 value outside of the operation of the Debtor. I have placed a fair market value on the
5 intellectual property at \$1,000.

6 22. I believe that when the corresponding liabilities are considered, the real
7 value of the Assets is negative.

8 23. The Debtor is a party to a sales order with Timothy Hoiles for a Drakan
9 Spyder. The production of this vehicle is complete except for the installation of the
10 sequential gear box. The total fair market for the vehicle as it is now is \$100,000. Mr.
11 Hoiles has paid \$130,000, but it will take more than \$30,000 to cover the cost of the parts
12 and labor to complete and deliver the vehicle. The Buyer has agreed to assume this
13 contract and undertake the completion of the vehicle. No cure amount is owed as the
14 contract only requires the Debtor's performance of services. A true and correct copy of
15 the Hoiles sales order is attached hereto as Exhibit "3."

16 24. The Debtor is a party to a sales order with Drakan Cars East, LLC for a
17 Drakan Spyder. As of the Petition Date, the car has a tack-welded chassis and nothing
18 further except for raw materials. Drakan Cars East, LLC has made a payment of \$32,000
19 towards the purchase of the vehicle and will owe the Debtor an additional \$32,000 upon
20 completion of the contract. No cure amount is owed as the contract only requires the
21 Debtor's performance of services. The Buyer has agreed to assume this contract and
22 undertake the completion of the vehicle. A true and correct copy of the Drakan Cars East,
23 LLC sales order is attached hereto as Exhibit "4."

24 25. The Debtor is a party to a sales order between the Debtor and Robert
25 Peterson for a Drakan Spyder. As of the Petition Date, the Debtor has the raw materials
26 for the vehicle, but has not begun to manufacture the car. Mr. Peterson has made a
27 payment of \$50,000 towards the purchase of the vehicle and will owe the Debtor an
28 additional \$25,600 upon the completion of the contract. No cure amount is owed as the

1 contract only requires the Debtor's performance of services. The Buyer has agreed to
2 assume this contract and undertake the completion of the vehicle. A true and correct
3 copy of the Peterson sales order is attached hereto as Exhibit "5."

4 26. There is a dealer agreement between the Debtor and San Francisco
5 Motorsports, Inc. ("SFMI") for a Drakan Spyder. As of the Petition Date, the Debtor has
6 the raw materials for the vehicle, but has not begun to manufacture the car. SFMI has
7 made a payment of \$50,000 towards the purchase of the vehicle and will owe the Debtor
8 an additional \$25,000 upon the completion of the contract. No cure amount is owed as
9 the contract only requires the Debtor's performance of services. The Buyer has agreed to
10 assume this contract and undertake the completion of the vehicle. A true and correct
11 copy of the SFMI dealer agreement is attached hereto as Exhibit "6."

12 27. The Debtor was a party to a written dealer agreement with TMI that
13 authorized the Debtor to sell Ariel vehicles that are then manufactured by TMI and the
14 Debtor receives a 10% commission for each of the sales. The written contract between
15 the parties expired pre-petition, but the Debtor and TMI have continued to operate
16 pursuant to the terms of the written contract. There is no cure amount owed as the
17 contract only requires the Debtor's performance of services.

18 28. The Debtor is a party to the Phone Lease with Balboa Capital entered into
19 on December 28, 2015. The Phone Lease payments are \$151.79 per month for a term of
20 60 months, with a deposit paid of \$303.58. A true and correct copy of the Phone Lease is
21 attached hereto as Exhibit "7."

22 29. The Debtor also is a party to the Building Lease entered into on January 1,
23 2016. The Building Lease payments are \$4,500 per month for a term of 20 years, with a
24 one-time option to extend the term of the Building Lease for 10 years. The Building Lease
25 also requires the Debtor to pay as additional rent, the real property taxes paid by the
26 landlord. A true and correct cop of the Building Lease is attached hereto as Exhibit "8."

27 30. I have reviewed the APA and believe that the sale of the Debtor's assets
28 pursuant to its terms is fair and reasonable, in the best interests of creditors, and is

1 supported by a valid business justification. I reviewed alternatives to the sale and
2 determined it was the best way to maximize the value of its assets. A true and correct
3 copy of the APA is attached hereto as Exhibit "1."

4 31. Based upon my experience in the industry and my knowledge of the
5 Debtor's business and assets, I believe that the sale to the Buyer as set forth in the APA
6 will enable the Debtor to obtain the highest or otherwise best offer for its Assets. I further
7 believe that the Purchase Price along with the other assumed obligations represents a
8 reasonable price for the Assets. I do not believe that a higher price could be achieved by
9 liquidating the assets in any other way.

10 32. I am familiar with the market for the Assets and do not believe that there is
11 another party who would be interested in buying the Assets and assuming the Debtor's
12 contracts and leases.

13 33. The Purchase Price is sufficient to pay the debt of Chase Card Services
14 (Visa), which is in the approximate amount of \$42,000, in full.

15 34. The only other potential claims, although disputed, contingent, and
16 unliquidated, are those held by the former equity of the Debtor that was converted to debt
17 for no consideration. Based upon conversations with my counsel, I am informed and
18 believe that the conversion of the debt to equity would be a fraudulent conveyance.

19 35. I believe that Forum supports the sale. There are no other liens on the
20 Assets of the Debtor as evidenced by a UCC search performed by my counsel on October
21 19, 2016, a true and correct copy of which is attached hereto as Exhibit "9."

22 36. I, along with my counsel, negotiated the sale with the Buyer, which is
23 represented by its own counsel, in "arm's-length" discussions over the course of months.
24 It also took several drafts of the APA before it was finalized.

25 37. To the extent there is any tax liability to the Estate from the sale, the Debtor
26 will pay such taxes from the net proceeds.

1 38. The APA also provides for the Debtor to assume and assign certain
2 unexpired leases and executory contracts. A list of the Designated Unexpired Leases and
3 Designated Executory Contracts and cure amounts is attached hereto as Exhibit "2."

4 39. I believe that the assumption of the contracts and leases is supported by a
5 sound business justification and is in the best interests of the estate, creditors, and other
6 parties-in-interest. If the Debtor were to breach the contracts, the purchasers of the
7 vehicles would likely have a claim against the Debtor for the amount of their deposit.

8 40. The Debtor has paid, in the ordinary course of business and pursuant to the
9 Cash Collateral Stipulation, all amounts owed on the Phone Lease and Building Lease.
10 As for the Designated Executory Contracts, the Debtor has no monetary obligations.

11 41. I am informed and believe that the Buyer has the financial capability to
12 perform under the Designated Unexpired Leases and Executory Contracts. The Buyer
13 has been funded with \$100,000 and can make the necessary rent payments under the
14 Building Lease, which total \$4,500 per month and the Phone Lease payment which totals
15 \$151.79 per month.

16 42. I am further informed and believe that the Buyer has the financial ability to
17 complete the manufacturing of the Drakan Spyders.

18 43. Myself and my wife, Stacy Mapleton, will be shareholders of, and employed
19 by the Buyer after the sale.

20 44. Based upon my knowledge, experience, and skill, I can assist the Buyer in
21 completing the manufacturing of the Drakans. I designed the Drakan Spyder and I have
22 already built seven of the vehicles. I have an established relationship with the companies
23 who sell the parts that are required to complete the builds and with TMI. I will help the
24 Buyer in moving forward with operations.

25 ///

26 ///

27 ///

28 .

1 45. Mrs. Mapleton's services will also help the transition and start-up of the
2 operations by the Buyer based on her knowledge of the Debtor's books and records and
3 operations.

4 I declare under penalty of perjury that the foregoing is true and correct.

5 Executed on this 26th day of October, 2016, at Murrieta, California.

7 /s/ Shinoo Mapleton

8 Shinoo Mapleton

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Possession, Sector111, LLC
7

8 **UNITED STATES BANKRUPTCY COURT**
9 **CENTRAL DISTRICT OF CALIFORNIA**
10 **RIVERSIDE DIVISION**

11 In re
12 SECTOR111, LLC,
13 Debtor and Debtor-in-
14 Possession.

Case No. 6:16-bk-19532-WEJ
Chapter 11

**DECLARATION OF RICHARD NORDEEN
IN SUPPORT OF DEBTOR'S MOTION
FOR ORDER:**

- 15 (1) AUTHORIZING THE SALE OF THE
16 DEBTOR'S ASSETS PURSUANT TO
17 11 U.S.C. § 363(b)(1) FREE AND
18 CLEAR OF LIENS, CLAIMS,
19 ENCUMBRANCES, AND OTHER
20 INTERESTS, EXCEPT AS PROVIDED
21 IN THE ASSET PURCHASE
22 AGREEMENT, PURSUANT TO 11
23 U.S.C. § 363(f);
24 (2) AUTHORIZING AND APPROVING
25 THE ASSET PURCHASE
26 AGREEMENT;
27 (3) APPROVING BUYER AS A GOOD-
28 FAITH PURCHASER PURSUANT TO
11 U.S.C. § 363(m); AND
(4) AUTHORIZING THE ASSUMPTION
AND ASSIGNMENT OF CERTAIN
UNEXPIRED LEASES AND
EXECUTORY CONTRACTS
PURSUANT TO 11 U.S.C. § 365

[Motion Filed Concurrently]

DATE: December, 20, 2016
TIME: 1:00 p.m.
CTRM: 304

Lobel Weiland Golden Friedman LLP
650 Town Center Drive, Suite 950
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

DECLARATION OF RICHARD NORDEEN

I, Richard Nordeen, declare as follows:

1. I am the President of InoKinetic Group, LLC ("InoKinetic"). In my role as President, I am responsible for the daily operations of the InoKinetic's business. Except as otherwise noted, I have personal knowledge of the matters set forth in this Declaration and, if called as a witness, could testify competently thereto. I am submitting this Declaration in support of the Debtor's Motion for Order: (1) Authorizing the Sale of the Debtor's Assets Pursuant to 11 U.S.C. § 363(b)(1), Free and Clear of Liens, Claims, Encumbrances, and Other Interests, Except as Provided in the Asset Purchase Agreement Pursuant to 11 U.S.C. § 363(f); (2) Authorizing and Approving the Asset Purchase Agreement; (3) Approving Buyer as a Good-Faith Purchaser Pursuant to 11 U.S.C. § 363(m); and (4) Authorizing the Assumption and Assignment of Certain Unexpired Leases and Executory Contracts Pursuant to 11 U.S.C. § 365 (the "Motion"). All capitalized terms set forth in the Motion are incorporated herein by this reference.

2. I, along with my counsel, negotiated the terms of the APA entered into with the Debtor to purchase substantially all of the Assets and to assume the Designated Executory Contracts and the Designated Unexpired Leases. These negotiations were at arms-length and occurred over the course of months with the Debtor and its counsel.

3. InoKinetic was legally formed as Nevada limited liability company qualified to do business in the State of California on or about July 11, 2016. It was formed for the purpose of purchasing the Debtor's Assets.

4. I am familiar with InoKinetic's current financial strength and financial stability and capacity to meet its obligations to perform under the Designated Executory Contracts and Designated Unexpired Leases being assumed in connection with InoKinetic's acquisition of the Debtor's Assets. InoKinetic has the financial capacity and resources to fulfill these obligations.

5. InoKinetic has been funded with resources of \$100,000 for fulfillment of its business operations upon the close of the sale. As InoKinetic was only recently formed and, was formed for the purpose of purchasing the Debtor's Assets for its future operations, InoKinetic has no other monetary obligations which will dilute the \$100,000 other than payment of the purchase price. The \$100,000 will be sufficient funds for InoKinetic to make all future payments of the Phone Lease and the Building Lease. The Phone Lease requires a monthly payment of \$151.79 and the Building Lease is \$4,500 per month. I have been informed and believe that there are no cure payments owed on either the Phone Lease or the Building Lease and the Debtor has no monetary obligations under the contracts being assumed.

6. The funds will also be sufficient to allow InoKinetic to perform on the Designated Executory Contracts. In completing my due diligence prior to entering the APA, I reviewed each of the contracts and the remaining work to be done and believe that the \$100,000, plus any additional funds that may be obtained from the operation and sale of the other Assets being received, will allow InoKinetic to fulfill the obligations under the contracts in a professional manner.

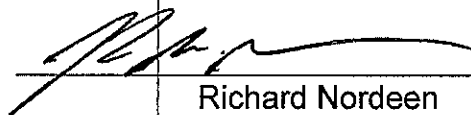
7. InoKinetic accepts and understands the terms of the contracts and leases that are being assigned and will perform all outstanding obligations on these contracts after the sale is closed and the contracts and leases are assumed and assigned.

8. I determined that employing and providing equity to Mr. and Mrs. Mapleton will assist in the operation of the Buyer's business. I believe that Mr. Mapleton's knowledge, experience, and skill will assist InoKinetic in completing the manufacturing of the Drakans. Mr. Mapleton designed the Drakan Spyder and has already built seven of the vehicles. He also has an established relationship with the companies who sell the parts that are required to complete the builds and with TMI. I believe Mr. Mapleton's years of experience are vital for the Buyer's future performance and he has contacts that will be essential to seamlessly transitioning the operation of the business.

1 9. Mrs. Mapleton's services will also help the transition and start-up of the
2 operations by the Buyer based on her knowledge of the Debtor's books and records and
3 operations.

4 I declare under penalty of perjury that the foregoing is true and correct.

5 Executed on this 26 day of October, 2016, at MURMETA, California.

6
7 
8 Richard Nordeen

Lobel Weiland Golden Friedman LLP
850 Town Center Drive, Suite 850
Costa Mesa, California 92626
Tel 714-966-1000 Fax 714-966-1002

EXHIBIT "1"

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT is made and entered into as of the _____, 2016 (the "Agreement") by and between (i) InoKinetic Group, LLC, a Nevada limited liability company qualified to do business in the State of California ("Buyer"), and (ii) Sector 111, LLC, a Delaware limited liability company, qualified to do business in the State of California and a debtor and debtor in possession under Chapter 11 of the Bankruptcy Code ("Seller").

Recitals

WHEREAS, Seller filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of _____ (the "Bankruptcy Court"), designated Case No. _____ (the "Bankruptcy Case"), _____ (the "Petition Date").

WHEREAS, Seller is operating as a debtor in possession, no trustee or examiner having been sought or appointed, and has therefore continued in the possession of its assets and in the management of its business under Section 1107 and 1108 of the Bankruptcy Code.

WHEREAS, the Seller is engaged in wholesale and retail distribution of after-market and performance automotive parts specific to the Lotus brand as well as is involved in the manufacturing and distribution of specialty performance vehicles for on-track use.

WHEREAS, Seller desires to sell and Buyer desires to purchase all right, title and interest of Seller in, to and under the Purchased Assets (as defined in Section 1.01(a) herein), on the terms, provisions and conditions set forth in this Agreement, pursuant to Sections 363 and 365 of the Bankruptcy Code.

Agreement

NOW, THEREFORE, in consideration of the premises and of the mutual covenants contained herein, the parties agree as follows:

ARTICLE I.

SALE AND PURCHASE OF ASSETS

1.01 Sale and Purchase of Assets.

a. **Purchased Assets.** On the terms and provisions and subject to the conditions of this Agreement, at the Closing referred to in Section 2.01 hereof, pursuant to Sections 363 and 365 of the Bankruptcy Code, Seller shall sell, convey, assign, transfer and deliver to Buyer and Buyer shall purchase, acquire and accept, free and clear of any and all liens, claims, encumbrances, mortgages, security interests, pledges, claims, equities and other restrictions or charges of any kind or

nature whatsoever, including without limitation all "interests" as such term is defined in Section 363 of the Bankruptcy Code (collectively "Liens") except as expressly set forth in Schedule A, all of Seller's right, title and interest in, to and under the assets set forth in this Section 1.01 existing on and as of the Closing Date (the "Purchased Assets"), and the Purchased Assets shall consist of and shall include only the items set forth in this Section 1.01 (but shall exclude such of the same as are held by Seller in trust or for the benefit of parties other than Seller (which are not property of Seller's bankruptcy estate)):

- i. the Contracts set forth on Schedule B hereto (the "Assigned Contracts"), subject to the additional rights of Buyer pursuant to Section 7.03;
- ii. all supplies, equipment, computer hardware, printers, servers, machinery, furniture, fixtures, leasehold improvements, and other tangible property owned or used by Seller in connection with the conduct of the Business and located at the Assumed Facilities, other than the items listed on Schedule C hereto, which are Excluded Assets, (collectively, the "Purchased Equipment");
- iii. all trade accounts receivable (including unbilled accounts receivable) of the Business (the "Accounts Receivable");
- iv. all Intellectual Property of Seller, provided that such Intellectual Property will remain subject to any Intellectual Property License Rights;
- v. all Inventory;
- vi. all office and packaging supplies owned or used by Seller in the conduct of the Business and located at the Assumed Facilities of Seller;
- vii. Permits, business licenses, and other authorizations of Governmental Authorities and third parties of Seller, to the extent transferable to Buyer, that are necessary to (A) the occupation of the Assumed Facilities, or (B) the operation of the Business from the Assumed Facilities (but not any facilities of the Business not being assumed by Buyer hereunder);
- viii. any warranties of third parties on any Purchased Assets;
- ix. any books of account, ledgers, financial, accounting records and all general and personnel records, files, invoices, customers' and suppliers' lists, other distribution and mailing lists, price lists, reports, plans, advertising materials, catalogues, billing records, sales and promotional literature, manuals, and customer and supplier correspondence of Seller, in each case that pertain to the Purchased Assets (the "Records"), subject to the rights of Seller pursuant to Section 2.02(c); provided, further that Records do not include any confidential or proprietary information, or trade secrets, contained in any form or medium, that Seller is prohibited from transferring to a third party under applicable Legal Requirement (if any) or any information (including attorney-client communications) related to the Bankruptcy Case or any liabilities not assumed by Buyer ("Excluded Confidential Information");

x. certain lock boxes and other bank accounts of Seller necessary for the operation of the Business, provided, that Seller shall execute any and all documents necessary to transfer title to such accounts to Buyer at the Closing; provided further that the cash and cash equivalents in such accounts as of the Closing are Excluded Assets;

xi. all goodwill associated with the Purchased Assets; and

xii. all other assets relating to or necessary to conduct of the Business (other than the Excluded Assets);

b. Excluded Assets. Notwithstanding the foregoing, Seller is not selling and Buyer is not purchasing pursuant to this Agreement, and the Purchased Assets shall not include, any assets not specifically listed in Section 1.01(a) (such assets not specifically so listed, the "Excluded Assets"), The Excluded Assets shall include, but not be limited to;

i. The Purchase Price.

ii. The assets listed on Schedule C.

iii. All avoidance actions arising under Chapter 5 of the Bankruptcy Code and, all proceeds thereof.

iv. All membership interests of the Seller.

v. The Excluded Confidential Information.

vi. Any cash, cash equivalents, securities and investments of Seller owned or held by Seller, including, but not limited to, any and all cash, checks, money orders, wire transfers or other deposits and all deposit and securities accounts, other than certain lock box and other bank accounts necessary for the operation of the Business, provided that the cash and cash equivalents in such accounts shall be an Excluded Asset and shall be withdrawn by Seller at or prior to Closing.

vii. Intentionally deleted.

viii. Insurance policies and Contracts, coverage, and claims owned by or payable to Seller and any proceeds therefrom, reserves thereunder, and other rights with respect thereto,

ix. Any assets of any employee benefit plan held or administered by Seller and any rights under any such plan or any Contract, agreement, or arrangement between any employee or consultant and Seller.

x. All assets held by Seller in trust or for the benefit of parties other than Seller (which are not property of Seller's bankruptcy estate).

c. Method of Conveyance. The sale, transfer, conveyance, assignment and delivery by Seller of the Purchased Assets to Buyer in accordance with Section 1.01(a) hereof

shall be effected on the Closing Date by Seller's execution and delivery to Buyer of (x) a bill of sale and assignment to transfer title to Buyer of the Purchased Assets, without representation, recourse, or warranty, express or implied, and (y) such other duly executed assignments and other conveyance instruments with respect to Seller's transfer of intangible and Intellectual Property rights, real property interests, including, without limitation, assignment of leases, and other Purchased Assets as shall be reasonably necessary to be delivered by Seller to effectuate the purchase and sale of the Purchased Assets as contemplated by the terms hereof, in each case in form reasonably acceptable to Buyer (collectively the "Conveyance Documents").

d. Assumed Obligations. Subject to the terms and conditions of this Agreement, at and as of the Closing, Buyer shall assume and agree to pay, perform, discharge and satisfy when due in accordance with their term:

- i. all Liabilities under the Assigned Contracts accruing, arising out of, or to be performed during periods from and after the Closing;
- ii. the obligations of Buyer pursuant to provisions of this Agreement, to the extent such obligations constitute Liabilities to be performed by Buyer;
- iii. all credit and other obligations and related Liabilities with respect to returns of products or other claims by customers of the Business occurring following the Closing, regardless of whether the corresponding sale of product was made by Seller or Buyer; provided, however, that such returns received prior to the Closing, but where credit has not been issued prior to the Closing, shall reduce the amount of the Accounts Receivable and consequently the Accounts Receivable Purchase Price;
- iv. Liabilities for costs or expenses incurred in connection with, or related to, the administration of the Bankruptcy Case, including without limitation, any accrued professional fees and expense of attorneys, accountants, financial advisors and other professional advisors related to the Bankruptcy Case; and
- v. all Liabilities which exist under the certain loan ("Loan") as evidenced by that certain Promissory Note dated December 3, 2015, ("Note") issued to Commerce Bank of Temecula Valley, a California banking corporation by the Seller and such other Liabilities of Seller under the related Loan instruments, security agreements, guaranties, documents and other agreements (collectively, "Loan Documents"). Each of the Loan Documents were assigned on September 23, 2016 by Commerce Bank of Temecula Valley to Forum Capital, LLC a Nevada limited liability company, which is an Affiliate of the Buyer.

(i-v), immediately above are collectively, the "Assumed Obligations").

e. Excluded Liabilities. Except for the Assumed Obligations, Buyer shall not assume, and shall have no responsibility for, any other Liabilities of Seller, as a successor in interest or otherwise, including, without limitation (except to the extent expressly included in the Assumed Obligations):

- i. any obligation of Seller to any employee or consultant of Seller; any Liability with respect to or arising from any "employee benefit plan" of Seller (as defined in section 3(3) of the Employee Retirement Income Security Act of 1974, as amended) or other arrangement providing compensation or benefits to employees or consultants of the consummation of the transactions set forth in this Agreement;
- ii. any warranty or guaranty obligation of Seller arising from or relating to any acts or transactions prior to the Closing;
- iii. Subject to Section 7.03, Liabilities of Seller arising at any time under any and all Contracts other than the Assigned Contracts;
- iv. Subject to Section 7.03, Liabilities of Seller arising under the Assigned Contracts which accrue, arise out of, and are to be performed at any time or times prior to the Closing;
- v. accounts payable of Seller;
- vi. Liabilities of Seller relating to subscription or other service fees that are unearned as of the Closing;
- vii. Liabilities of Seller for customer rebates or other promotional;
- viii. Liabilities of Seller relating to Taxes assessed or due prior to the Closing;
- ix. Liabilities of Seller relating, arising, or accruing to periods of time prior to the Closing;
- x. Intentionally deleted;
- xi. Fines, penalties, and other costs of Seller in connection with litigation proceedings brought by Governmental Authorities against Seller in connection with acts or omissions of Seller committed prior to the Closing;
- xii. All Liabilities of Seller or any of Seller's Affiliates to any third party arising out of, resulting from or relating to any infringement, violation, or misappropriation of the Intellectual Property or any third party's Intellectual Property, to the extent arising prior to Closing or from actions occurring prior to Closing.

1.02 Payment for Assets

a. Purchase Price. As payment in full for the Purchased Assets being acquired by Buyer hereunder, Buyer shall pay to Seller, in the manner set forth in this Section 1.02, the following amounts (collectively, and as finally determined pursuant to this Section 1.02, the "Purchase Price"):

\$43,000.

Plus or minus the proration of the Apportioned Obligations determined in accordance with Section 9.01.

b. Timing of Payment of Purchase Price.

1.03 On the Closing Date, Buyer shall make payment of the Purchase Price, via wire transfer to Seller's account (which account number shall be provided to Buyer by Seller at least two (2) business days prior to the Closing Date).

1.04 Tax and Related Matters.

a. The Purchase Price shall be allocated, apportioned and adjusted among the Purchased Assets in the manner specified in a proposed IRS Form 8594 to be provided by Buyer within sixty (60) days following the Closing Date.

b. Subject to the Sale Order, Buyer will pay all sales, transfer, recording or similar Taxes that may be imposed by reason of the sale, assignment, transfer and delivery of the Purchased Assets. Buyer will timely file all Tax Returns required to be filed in connection with the payment of such Taxes. Buyer shall pay any costs incurred in removing, disassembling or relocating the Purchased Assets.

ARTICLE II.

CLOSING

2.01. Closing. Subject to the conditions stated in Article VI of this Agreement, the closing of the transactions contemplated hereby (the "Closing") shall be held at 11:00 a.m. PST, on _____, 20__, or, such earlier date as the parties may agree to, or if the conditions set forth in Section 6.02 have not been satisfied or waived on such date, on the second (2nd) business day after all such conditions shall have been satisfied or waived, at the offices of _____. The date upon which the Closing occurs is hereinafter referred to as the "Closing Date."

2.02. Deliveries by Seller. At or prior to the Closing, Seller shall deliver to Buyer;

- a. the Conveyance Documents;
- b. a certificate executed by Seller to the effect that the conditions set forth in Section 6.02(a) have been satisfied; and
- c. the Records; provided, however, that, following the execution by Seller of a reasonable confidentiality agreement, Seller may make and retain copies of any such Records (and the equivalent records with respect to the Assigned Subsidiaries) for administrative, business, or legal purposes, and provided further that following the Closing and during the period required to complete the administration of the Bankruptcy Case, Buyer shall provide Seller with reasonable electronic access to the Records (and the equivalent records with respect to the Assigned Subsidiaries), as well as reasonable in-person access during ordinary business hours to or any copies of any such records as reasonably requested by Seller, provided that in no event

shall Buyer be required to allow such access to the extent such access would adversely impair the rights of Buyer to the use of the Purchased Assets.

2.03. Deliveries by Buyer. At or prior to the Closing, Buyer shall deliver to Seller:

a. the amount and form of Purchase Price required to be paid at Closing pursuant to Section 1.02 hereof; and

b. a certificate executed by an authorized officer of Buyer, on behalf of Buyer, to the effect that the conditions set forth in Section 6.01(b) have been satisfied.

2.04. Termination in Absence of Closing

a. Termination. This Agreement may be terminated and the Transactions contemplated hereby abandoned at any time prior to the Closing Date.

b. Notice of Termination. In the event of any termination pursuant to this Section 2.04, written notice thereof setting forth the reasons therefor shall promptly be given to the other parties and the transactions contemplated by this Agreement shall be terminated, without further action by any party.

c. Abandonment. If this Agreement is terminated and the transactions contemplated hereby are abandoned as described in this Section 2.04, this Agreement shall become void and have no further force or effect, except for the provisions of this Agreement regarding expenses. Notwithstanding the preceding sentence, nothing in this Section 2.04 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or to impair the right of any party to compel specific performance by any other party of its obligations under this Agreement, provided however that, in the event that Buyer receives the Breach Fee in connection with a termination of this Agreement, such Breach Fee) shall be Buyer's exclusive remedy with respect to any and all breaches by Seller prior to such termination of this Agreement.

d. Payments. Notwithstanding anything in this Agreement to the contrary, in the event of a termination by Buyer of this Agreement, the result of which is that Seller consummates a sale of the Purchased Assets to a party other than Buyer, Seller shall promptly, following the closing of such sale, pay to Buyer the Expense Reimbursement.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer as follows:

3.01 Organization and Standing. Seller is a corporation duly organized, validly existing and in good standing under the laws of Delaware. Seller has all corporate power and authority necessary to enable it to own, lease or otherwise hold its properties and assets and to carry on its Business as presently conducted. Seller is in good standing and duly qualified to do business in each jurisdiction in which the nature of the Business or the ownership, leasing or holding of its

assets makes such qualification necessary, except where the failure to be so qualified would not reasonably be expected to result in a material adverse effect on the Business.

3.02 Authorization. Subject to the entry of the Sale Order, Seller has all requisite power and authority to execute, deliver and perform this Agreement and each of the Collateral Agreements to which it is a party Subject to the entry of the Sale Order, all corporate acts required to be taken by Seller to authorize the execution, delivery and performance of this Agreement and each of the Collateral Agreements and the consummation of the transactions contemplated hereby and thereby have been duly and properly taken. Subject to the entry of the Sale Order, this Agreement constitutes, and each of such Collateral Agreements when executed and delivered by Seller will constitute, a valid and legally binding obligation of Seller (assuming that this Agreement and such Collateral Agreements constitute valid and legally binding obligations of the other parties thereto), enforceable in accordance with its terms (except as limited by bankruptcy, insolvency and other laws of general application relating to the enforcement of creditors' rights and by general equitable principles).

3.03 Brokers Except for Persons set forth in Schedule 3.03, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by Seller directly with Buyer without the intervention of any Person on behalf of Seller in such manner as to give rise to any valid claim by any Person against Buyer for a finder's fee, brokerage commission or similar payment.

3.04 Litigation. Except for matters commenced in connection with the Bankruptcy Case, other than those matters disclosed on Schedule 3.04, and other than matters arising after the date of this Agreement that could not reasonably be expected to result in a material adverse effect on the Business, there are no actions, suits, or proceedings pending or, to the knowledge of Seller, threatened against Seller.

3.05 No Subsidiaries. Seller owns no stock or other equity interest, directly or indirectly, in any corporation, partnership, joint venture, trust or other entity involved in the Business.

3.06 Absence of Environmental Liabilities. To the knowledge of Seller, Seller has complied at all times with, and at all times prior to the Closing Date shall comply with, all applicable environmental laws, orders, regulations, rules and ordinances adopted, imposed or promulgated by any Governmental Authority relating to the Business, except for such violations that could not reasonably be expected to result in a material adverse effect on the Business.

3.07 Intentionally Deleted.

3.08 Intellectual Property. Seller is the record owner of all Intellectual Property registered in its name and either owns or holds a license or other right to use all Intellectual Property and licenses that are reasonably necessary to the conduct of the Business as currently conducted, and, to the knowledge of Seller, (i) the use of such Intellectual Property by Seller does not infringe upon or otherwise violate the rights of any other Person and (ii) there are no threatened actions by any Person seeking damages from or an injunction against Seller's use of such Intellectual Property. Attached hereto as Schedule 3 08(a) is a true, correct, and complete listing as

of the date of this Agreement of all material patents, patent applications, trademarks, trademark applications, domain names, copyrights, and copyright registrations as to which Seller is the owner or is an exclusive licensee. Except as set forth on Schedule 3.08(b), Seller is not party to any contract pursuant to which it has granted any license or option to any of the items listed on Schedule 3.08(a).

3.09 Title to Assets. Except as set forth on Schedule A, at the Closing, Buyer shall acquire the Purchased Assets free and clear of all Liens. To the knowledge of Seller, the tangible personal property included in the Purchased Assets is in functional working order (ordinary wear and tear excepted), subject to Purchased Assets under repair in the ordinary course

3.010 Compliance with Laws. Except as set forth in Schedule 3.11, to the knowledge of Seller, Seller has fully complied with, and is not in default under, any laws, regulations or orders applicable to the Purchased Assets or the Business, except to the extent that any such noncompliance or default would not have a material adverse effect on the Purchased Assets or the Business, as the case may be, or is otherwise excused or stayed by the operation or as a result of the Bankruptcy.

3.011 Taxes. Seller has withheld and paid all applicable withholding taxes relating to its employees (and shall continue to do the same through the Closing).

3.012 Updates. From the date hereof, until the Closing, Seller shall promptly notify Buyer by written update to its representations and warranties contained herein (including the Schedules hereto) of any matter occurring after the date hereof which, if existing or occurring on the date hereof would have been required to be set forth on a Schedule to this Agreement or which would render inaccurate any of the representations, warranties or statements of Seller set forth in this Agreement (each, a "Supplement"). Upon Buyer's receipt of such Supplement, such representations and warranties shall be deemed to be automatically updated as set forth therein; *provided, however*, that no Supplement provided pursuant to this section shall be deemed to cure any breach of any representation, warranty or covenant in this Agreement existing as of the date hereof.

3.013 Disclosure. To the knowledge of Seller, no representation or warranty by Seller contained in this Agreement and no statement by Seller contained in the Schedules hereto or in any certificate, list or other writing furnished to Buyer by Seller pursuant to any provision of this Agreement, contains any untrue statement of a material fact.

ARTICLE IV. **REPRESENTATIONS AND WARRANTIES OF BUYER**

Buyer hereby represents and warrants to Seller as follows:

4.01 Organization and Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada.

4.02 Authorization. Buyer has full right, power and authority to enter into this Agreement and the Collateral Agreements and to perform its obligations hereunder and thereunder. All corporate and other proceedings required to be taken by Buyer to authorize the execution, delivery and performance of this Agreement and the Collateral Agreements and the consummation of the transactions contemplated hereby and thereby, have been duly and properly taken. This Agreement and the Collateral Agreements have been duly and validly executed and delivered by Buyer and constitute a legal, valid and binding obligation of Buyer, enforceable in accordance with their terms (except as limited by bankruptcy, insolvency and other laws of general application relating to the enforcement of creditors' rights and by general equitable principles).. Subject to the approval of the Bankruptcy Court, the entry of the Sale Order, and applicable bankruptcy law, the execution, delivery and performance of this Agreement and the Collateral Agreements by Buyer: (i) does not violate or constitute a breach of or default under any contract, agreement or commitment to which Buyer is a party, under which it is obligated or to which Buyer is subject; and (ii) does not violate any judgment, order, statute, rule or regulation to which Buyer is subject or the certificate of incorporation or by-laws of Buyer. Subject to the approval of the Bankruptcy Court, the entry of the Sale Order, and applicable bankruptcy law, no consent, approval, license, permit or authorization of, or registration, declaration or filing with, any Governmental Authority or any third party is required to be obtained or made by or with respect to Buyer in connection with the execution and delivery of this Agreement or the Collateral Agreements or the consummation by Buyer of the transactions contemplated hereby and thereby. Buyer is solvent, has adequate capital, and has the financial wherewithal or committed financial resources to meet Buyer's obligations hereunder and perform the Assumed Obligations.

4.03 Litigation. There are no actions, suits, proceedings or investigations pending in any court or before any Governmental Authority (or, to the knowledge of Buyer, threatened) against Buyer which might result in a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby and fulfill all of its obligations hereunder.

4.04 Brokers. Except as set forth in Schedule 4.04, all negotiations relative to this Agreement and the transactions contemplated hereby have been carried out by Buyer directly with Seller without the intervention of any Person on behalf of Buyer in such manner as to give rise to any valid claim by any Person against Seller for a finder's fee, brokerage commission or similar payment.

4.05 No Application of HSR. No filing will be required under the Hart-Scott-Rodin^o Antitrust Improvements Act of 1976 in connection with the transactions contemplated hereunder, and this representation and warranty shall survive until the one (1) year anniversary of the Closing.

4.06 "AS IS" Transaction. Buyer hereby acknowledges and agrees that, except as otherwise expressly provided in this Agreement, Seller makes no representations or warranties whatsoever, express or implied, with respect to any matter relating to the Business or to the Purchased Assets (including, without limitation, income to be derived or expenses to be incurred in connection with the Business or the Purchased Assets, the physical condition of any personal or real property comprising a part of the Purchased Assets or which is the subject of any Assigned Contract to be assumed by Buyer at the Closing, the environmental condition or other matter

relating to the physical condition of any real property or improvements which are the subject of any assigned lease to be assumed by Buyer at the Closing, the zoning of any such real property or improvements, the value or transferability of the Purchased Assets (or any portion thereof), the terms, amount, validity or enforceability of any Assumed Obligations, or the merchantability or fitness of the Purchased Assets). Without in any way limiting the foregoing, other than as expressly set forth this Agreement, Seller hereby disclaims any warranty (express or implied) of merchantability or fitness for any particular purpose as to any portion of the Purchased Assets. Buyer further acknowledges that Buyer has had an opportunity to conduct an independent inspection and investigation of the physical condition of the Purchased Assets, as Buyer deemed necessary or appropriate. Accordingly, if the Closing occurs, Buyer will accept the Purchased Assets at the Closing Date "AS IS," "WHERE IS," and "WITH ALL FAULTS," subject to the provisions of this Agreement and the Sale Order providing that the sale of the Purchased Assets is free and clear of all Liens except as expressly set forth in Schedule A.

ARTICLE V

OBLIGATIONS PRIOR TO CLOSING

From the date of this Agreement through the Closing:

5.01 Buyer's Access to Information and Properties- Seller shall permit Buyer and its authorized employees, agents, accountants, legal counsel and other representatives to have full access upon written request during ordinary business hours of Seller to the books, records, employees, counsel, accountants, engineers and other representatives of Seller as reasonably requested by Buyer for the purpose of fulfilling its obligations hereunder and consummating the transaction contemplated hereby.. Seller shall make available to Buyer upon written request during ordinary business hours for examination and reproduction (or electronically) copies of all documents and data of every kind and character relating to the Business in possession or control of, or subject to reasonable access by, Seller, including, without limitation, all files, records, data and information, relating to the Business and the Purchased Assets (whether stored in paper, magnetic or other storage media) and all agreements, instruments, contracts, assignments, certificates, orders, and amendments thereto. Also, Seller shall during ordinary business hours allow Buyer upon written request full access to, and the right to inspect, the Business and the Purchased Assets. Notwithstanding anything to the contrary in this Section 5.01, Seller shall not be required to grant Buyer access (i) to any Excluded Confidential Information, (ii) to any other confidential information relating exclusively to Excluded Assets and/or Excluded Liabilities, or (iii) as prohibited by any Legal Requirement.

5.02 Seller's Conduct of Business and Operations. Seller shall keep Buyer reasonably advised, to the extent permitted by Legal Requirements, as to all changes to material operations and proposed material operations relating to the Purchased Assets. Seller shall comply in all material respects with the terms, provisions and conditions of the Bankruptcy Code. Except (i) as otherwise contemplated in this Agreement and (ii) for the termination of employment of any or all Employees of Seller other than the Hired Employees, Seller will use its commercially reasonable efforts to preserve the relationships of Seller existing as of the date hereof with Persons having significant business relations with Seller with respect to the Business or the Purchased Assets.

5.03 Buyer Notifications. Buyer shall give prompt notice to Seller of any representation or warranty made by Buyer contained in this Agreement becoming materially untrue or inaccurate

or any failure of Buyer to comply with or satisfy in any material respect any covenant, condition, or agreement to be complied with or satisfied by it under this Agreement.

5.04 Removal of Excluded Equipment. The assets listed on Schedule C shall be removed by Seller from the applicable Assumed Facilities within thirty (30) days after the Closing Date.

5.05 Employee Cooperation; Selected Employees. Buyer, in consultation with Seller, shall determine those employees and independent contractors of Seller employed or engaged in connection with the Business to whom Buyer will offer employment (or engagement as an independent contractor) prior to or at the Closing, and shall provide Seller one or more lists collectively setting forth all such employees and independent contractors (the "Selected Employees") Seller shall not take any action, directly or indirectly, to prevent or discourage any employee or independent contractor previously so identified to Seller by Buyer as a Selected Employee From accepting employment (or engagement as an independent contractor, as the case may be) with Buyer, provided that Seller may offer Selected Employees part time employment as consultants in connection with the wind down of Seller's operations, and Buyer shall reasonably cooperate in accommodating such Selected Employees' consultation. Notwithstanding the foregoing, nothing herein shall obligate Seller to incur any expenses relating to its cooperation hereto (and pursuant to Section 8.01). Additionally, to the extent reasonably necessary in connection with the disposition of inventory and fulfillment of outstanding purchase orders retained by Seller following the Closing, for a period of thirty (30) days following the Closing Date, Buyer shall allow Seller to utilize on a part-time basis the services of inventory managers who are Hired Employees, provided that Seller shall reimburse Buyer for a portion of the salary of each such Hired Employee during such period corresponding to the percentage of such Hired Employee's time spent performing services for Seller (as opposed to Buyer) Buyer shall in no way be liable for the acts or omissions of such inventory managers in connection with their performance of services for Seller. In addition, Seller shall use commercially reasonable efforts to cause Buyer to be added as an additional loss insured on its insurance policies (to the extent applicable to the actions taken by such employees) on or prior to the Closing. Seller shall provide Buyer with reasonable access to communicate with the employees and independent contractors of Seller (with respect to the Business) from the date hereof through the Closing. Notwithstanding the foregoing, at Seller's request, Buyer shall hold open, for a period of not more than three (3) weeks, a position of employment for those Selected Employees to whom Seller offers employment during a wind down phase (subject to such Selected Employees' acceptance of such position).

5.06 Transitional Access

a. Notwithstanding anything to the contrary in this Agreement, for a period of twenty (20) days after the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, Buyer shall allow Seller to store, without any charge but at Seller's sole risk of loss, the Excluded Assets at the Assumed Facilities and the facilities of the Assigned Subsidiaries where such Excluded Assets were located on the Closing Date and Buyer shall reasonably cooperate with Seller (including, without limitation, to allow Seller, without any charge, for a period of twenty (20) days following the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, reasonable access to the Assumed Facilities, the facilities of the Assigned Subsidiaries, the inventory tracking and other software and computer

systems historically used by Seller or any of the Assigned Subsidiaries in connection with the Business, and the other Purchased Assets and assets of the Assigned Subsidiaries, in each case to the extent reasonably required and requested by Seller) in order to allow Seller to remove the Excluded Assets (including, without limitation, Inventory) within twenty (20) days after the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, from the Assumed Facilities and the facilities of the Assigned Subsidiaries and to transfer such Excluded Assets to facilities retained by Seller and the Excluded Subsidiaries and/or sell or otherwise dispose of such Excluded Assets.

b. Notwithstanding anything to the contrary in this Agreement, for a period of twenty (20) days after the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, Seller shall allow Buyer to store, without any charge but at Buyer's sole risk of loss, the Purchased Assets at the facilities not assumed by Buyer where such Purchased Assets were located on the Closing Date and Seller shall reasonably cooperate with Buyer (including, without limitation, to allow Buyer, without any charge, for a period of twenty (20) days following the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, reasonable access to the facilities not assumed by Buyer to the extent reasonably required and requested by Buyer) in order to allow Buyer to remove such Purchased Assets (including, without limitation, Inventory) within twenty (20) days after the Closing Date, or such other number of days as mutually agreed by Buyer and Seller, from the facilities not assumed by Buyer and to transfer such Purchased Assets to the Assumed Facilities.

5.07 Returns. Seller shall use commercially reasonable efforts to, as of immediately prior to Closing, have processed all returns it has received to such time, and shall adjust the Accounts Receivable accordingly.

5.08 Regulatory Filings: Commercially Reasonable Efforts

a. Regulatory Filings Buyer and Seller shall coordinate and cooperate with one another and shall each use commercially reasonable efforts to comply with, and shall each refrain from taking any action that would impede compliance with, all Legal Requirements, and as promptly as practicable after the date hereof, Buyer and Seller shall make all filings, notices, petitions, statements, registrations, submissions of information, application or submission of other documents required by any Governmental Authority in connection with the transactions contemplated hereby. Buyer and Seller will cause all documents that they are responsible for filing with any Governmental Authority under this Section 5.08(a) to comply in all material respects with all applicable Legal Requirements.

b. Exchange of Information. Buyer and Seller each shall promptly supply the other with any information which may be required in order to effectuate any filings or application pursuant to this Section 5.08. Except where prohibited by applicable Legal Requirements, and subject to the Confidentiality Agreement, Buyer and Seller shall consult with outside counsel to the other prior to taking a position with respect to any such filing, shall permit outside counsel to the other to review and discuss in advance, and consider in good faith the views of the other in connection with any analyses, appearances, presentations, memoranda, briefs, white papers, arguments, opinions and proposals before making or submitting any of the foregoing to any Governmental Authority by or on behalf of any party hereto in connection with

any investigations or other proceedings in connection with this Agreement or the transactions contemplated hereby (including under any antitrust laws or other fair trade Legal Requirement), coordinate with outside counsel to the other in preparing and exchanging such information and promptly provide outside counsel to the other with copies of all filings, presentations or submissions (and a summary of any oral presentations) made by such party to any Governmental Authority in connection with this Agreement or the transactions contemplated hereby, provided that with respect to any such filing, presentation or submission, Buyer and Seller need not supply outside counsel to the other with copies (or in case of oral presentations, a summary) to the extent that any Legal Requirement requires such party or its Subsidiaries to restrict or prohibit access to any such properties or information.

c. Notification. Buyer and Seller will notify the other promptly upon the receipt of any comments from any officials of any Governmental Authority regarding this Agreement or the transactions contemplated hereby, including any filings made pursuant hereto and information provided to comply with any Legal Requirements. Whenever any event occurs that is required to be set forth in an amendment or supplement to any filing made pursuant to Section 5.08(a), Buyer and Seller, as the case may be, will promptly inform the other of such occurrence and cooperate in filing with the applicable Governmental Authority such amendment or supplement.

d. Commercially Reasonable Efforts. Upon the terms and subject to the conditions set forth herein, each of the parties agrees to use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement.

5.09 Conduct of Business. From the date hereof through the Closing Date, Seller shall conduct the business in the ordinary course and agrees that it shall not sell any asset outside the ordinary course.

5.010 Transition Services Agreement. The parties agree that, to the extent either party determines that the conduct of its business following the Closing requires any transitional services not provided for in this Agreement or requires additional details with respect to transitional arrangements not specified in this Agreement, the parties agree to mutually negotiate in good faith prior to Closing to reach a mutually acceptable Transition Services Agreement, which would be executed and delivered by each party at Closing.

5.011 Operating Expense Reductions As and when practicable and for the information of Seller in connection with Seller's overall cost-reduction scheme, Buyer shall from time to time identify to Seller such aspects or elements of Seller's business which Buyer does not contemplate will be used by Buyer in the operation of its business On and after the Closing.

ARTICLE VI.
CONDITIONS TO SELLER'S AND BUYER'S OBLIGATIONS

6.01 Conditions to Obligations of Seller. The obligations of Seller to carry out the transactions contemplated by this Agreement are subject, at the option of Seller, to the satisfaction, or waiver by Seller, of the following conditions:

a. All representations and warranties of Buyer contained in this Agreement shall be true and correct at and as of the Closing, except to the extent all such inaccuracies have not had, and could not reasonably be expected to have, a Material Adverse Change with respect to Buyer. Buyer shall have performed and complied with all of its covenants hereunder in all material respects through the Closing, except to the extent that such covenants are qualified by terms such as "material", in which case Buyer shall have performed and complied with all of such covenants in all respects through the Closing.

b. Buyer shall have furnished Seller with a certified copy of all necessary corporate action on its behalf approving its execution, delivery and performance of this Agreement.

c. As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by or on behalf of Seller or any stockholder of Seller) shall be pending or threatened before any Governmental Authority seeking to restrain Seller with respect to the transaction contemplated hereby or prohibit the Closing.

d. Buyer shall have delivered at Closing all documents required to be delivered by Buyer pursuant to Section 2.0 hereof.

e. An order approving this Agreement and the transaction provided herein shall have been entered by the Bankruptcy Court by January 31, 2017, and such order shall be in compliance in all material respects with the requirements with respect thereto set forth in Article VII hereof that materially affect the transaction provided for herein, and shall be final and non-appealable.

6.02 Conditions to Obligations of Buyer. The obligations of Buyer to carry out the transactions contemplated by this Agreement are subject, at the option of Buyer, to the satisfaction, or waiver by Buyer, of the following conditions:

a. All representations and warranties of Seller contained in this Agreement shall be true and correct at and as of the Closing, except to the extent all such inaccuracies have not had, and could not reasonably be expected to have, a material adverse effect on the Business or the value or condition of the Purchased Assets. Seller shall have performed and complied with all of its covenants under this Agreement in all material respects through the Closing, except to the extent that such covenants are qualified by terms such as "material", in which case Seller shall have performed and complied with all of such covenants in all respects through the Closing.

b. Seller shall have furnished Buyer with a certified copy of all necessary corporate action on its behalf approving its execution, delivery and performance of this Agreement and Buyer and its counsel shall have received all such counterpart originals or copies of such actions as it or they may reasonably request including, without limitation, duly authorized corporate resolutions of the board of directors of Seller.

c. As of the Closing Date, no suit, action or other proceeding (excluding any such matter initiated by or on behalf of Buyer) shall be pending or threatened before any Governmental Authority seeking to restrain Buyer with respect to the transaction contemplated in this Agreement or prohibit the Closing.

d. An order approving this Agreement and the transaction provided herein shall have been entered by the Bankruptcy Court by January 31, 2017, and such order shall be in compliance in all material respects with the requirements with respect thereto set forth in Article VII hereof that materially affect the transaction provided for herein, and shall be final and non-appealable.

e. There shall not have been a Material Adverse Change with respect to Seller since the date of this Agreement.

f. Seller shall have delivered at Closing all documents required to be delivered by Seller pursuant to Section 2.02 hereof.

ARTICLE VIII. **BANKRUPTCY COURT APPROVAL**

7.01 Bankruptcy Approval Necessary. The approval of the Bankruptcy Court is required for the transactions contemplated by this Agreement to be enforceable..

a. Sale Order. The Sale Motion shall seek entry of an order (the "Sale Order"), in form and substance mutually and reasonably acceptable to Buyer and Seller, approving and authorizing this Agreement and the transactions contemplated hereby and implementation thereof and providing for all necessary and customary findings and holdings, including but not limited to the following:

i. Seller is authorized and directed to consummate and implement the transaction contemplated under this Agreement;

ii. the terms of this Agreement are fair and reasonable and provide fair value for the Purchased Assets, , and the sale of the Purchased Assets to Buyer is in the best interests of Seller and its creditors and Seller's chapter 11 estate;

iii. except as may be provided in this Agreement, the Purchased Assets are being sold free and clear of any and all Liens, with any such Liens to attach to the sale proceeds to be received by Seller in the same priority and subject to the same defenses, if any, as before the Closing, and Buyer would not enter into this Agreement or purchase the Purchased Assets otherwise;

iv. the transfer of the Purchased Assets to Buyer will be a legal, valid and effective transfer of the Purchased Assets, and will vest Buyer with all right, title and interest of Seller to the Purchased Assets free and clear of any and all Liens, including any such Liens (A) that purport to give to any party a right or option to effect any forfeiture, modification, right of first refusal, or termination of Seller's or Buyer's interest in the Purchased Assets, or similar rights, or (B) relating to Taxes or any other liabilities relating to the Purchased Assets, Seller, or the Business, other than the Assumed Obligations;

v. Seller's assignment and Buyer's assumption of the Assigned Contracts is approved on the terms provided in this Agreement, and Buyer has provided adequate assurances of future performance thereunder;

vi. Buyer is a good faith buyer entitled to the protections afforded by Bankruptcy Code section 363(m) such that the reversal or modification on appeal of the Sale Order shall not affect the validity of the sale of the Purchased Assets as contemplated hereunder, negotiations have been fair and arms' length, and no party has engaged in any conduct that would cause the sale to be avoided under Bankruptcy Code section 363(n);

vii. Buyer shall have no obligations with respect to any Liabilities of Seller other than the Assumed Obligations and its obligations under this Agreement and the Collateral Agreements; and

viii. Upon the Closing of the Agreement and the transactions contemplated thereby, Buyer shall not be deemed to (i) be the successor to Seller, (ii) have, defacto or otherwise, merged with or into Seller, or (iii) be a continuation or substantial continuation of Seller or the enterprise of Seller.

Additionally, and without in any way limiting the effect of Sections 2.01 and 6.02(e), the Sale Motion shall request that the Sale Order provides that it shall become effective immediately and that the provisions of Federal Rules of Bankruptcy Procedure 6004(h) and 6006(d) shall be waived for cause.

7.02 Waiver of conditions. Seller may waive any or all of the conditions precedent in Section 6.01 of this Agreement, and Buyer may waive any and all of the conditions precedent in Section 6.02, in either case by written notification to the other party.

7.03 Executory Contracts

a. Subject to the terms and conditions of this Agreement, and in reliance on the representations, warranties and covenants set forth in this Agreement, Seller shall, pursuant to Section 36.5 of the Bankruptcy Code, with the approval and pursuant to order of the Bankruptcy Court, assume and then sell, assign, transfer and convey to Buyer all Assigned Contracts, to the extent executory. Nothing herein shall constitute an admission that any Assigned Contract is an executory contract.

b. Buyer shall be responsible for any and all monetary cures or other payments required under Bankruptcy Code Section 365 to assume and assign the Assigned Contracts to Buyer, and Buyer shall be responsible for providing evidence as to the adequate assurance of future performance required under Section 365 of the Bankruptcy Code. The Sale Order shall provide that the assumption and assignment to Buyer of the Assigned Contracts is approved, subject only to (i) payment of all cures or other payments or actions required to assume and assign the Assigned Contracts to Buyer and (ii) Buyer's right to exclude any Contract from the definition of Assigned Contracts in accordance with the terms of this Section 7.03.

c. Should Buyer or Seller, following the date hereof and prior to the Contract Determination Date, identify any executory contract of Seller that (i) is not listed on Schedule B, (ii) relates to the Business, (iii) is not an Excluded Asset (and does not relate exclusively to Excluded Assets), and (iv) a copy (true and correct in all substantive respects) of which was not made available to Buyer at least one (1) business day prior to the date hereof, Seller shall, as and if requested in writing by Buyer, take commercially reasonable efforts, and in compliance with Section 365 of the Bankruptcy Code, to assume and assign such executory contract pursuant to the terms of this Agreement.

d. Buyer shall have the right to designate any Contract that would otherwise be a Purchased Asset as an Excluded Asset by written notice to Seller at any time prior to the date that is sixty (60) days following the Closing Date or, if such date does not fall on a business day, the next succeeding business day (the "Contract Determination Date"). Such Contracts shall be deemed Excluded Assets for all purposes hereunder upon such notice to Seller.

e. In the event Buyer elects after the Closing Date to exclude any Contracts from the Assigned Contracts in accordance with the preceding Section 7.03(d), then notwithstanding anything to the contrary herein, Buyer shall indemnify Seller and Seller's bankruptcy estate for all amounts that arise under each such Contract (including amounts due, damages, and reasonable attorney's fees and costs with respect thereto), if any, during the period from and including the Closing Date to the date such Contract is excluded from the Assigned Contracts.

f. If any non-debtor party to an executory contract objects to the assumption and assignment of such Contract, and such party's consent is required under Section 365(c) of the Bankruptcy Code for the assumption and assignment of such executory contract to Buyer, Buyer agrees that such executory contract shall be deemed an Excluded Asset, without any adjustment to the Purchase Price (and no such circumstance shall, individually or in the aggregate constitute a Material Adverse Change with respect to Seller or otherwise give Buyer a right to terminate this Agreement or not close the transaction contemplated hereby), unless such consent is obtained.

ARTICLE VIII.

POST-CLOSING OBLIGATIONS

8.01 Employees. Effective as of the end of business on the Closing Date, Buyer will offer to employ certain employees and independent contractors of Seller. Seller shall provide commercially reasonable cooperation and assistance to Buyer in transitioning such employees who accept such offers to employment with Buyer.

8.02 Further Assurances. Following the Closing, Seller and Buyer shall execute and deliver such documents, and take such other actions, as shall be reasonably requested by the other party to carry out the transactions contemplated by this Agreement. Following the Closing and upon reasonable notice, both Buyer and Seller shall provide any and all documentation relating to the Purchased Assets that is reasonably requested by each other.

8.03 Maintenance and Disposition of Records. Buyer will preserve and maintain the Records for a period of two (2) years following the Closing Date.

8.04 Intellectual Property. Buyer hereby grants Seller a non-exclusive, perpetual, royalty-free license (or sublicense, as the case may be), exclusively in connection with the disposition of the Inventory not purchased by Buyer hereunder and the performance of the Excluded Liabilities, in and to the Intellectual Property and all rights in, to and under the Assigned Contracts as in each case are embodied in such Inventory, are otherwise necessary to the disposition of the Inventory, or are necessary to the performance of the Excluded Liabilities, in each case without breach of any Contract or Legal Requirement. If Buyer is unable to provide such license or sublicense without breach of any Contract or Legal Requirement, then, Buyer shall cooperate with Seller in any reasonable arrangement designed to provide to Seller the benefits of such a license or sublicense, whether directly or through Buyer acting as an agent for Seller.

ARTICLE IX.

MISCELLANEOUS

9.01 Prorations. The parties agree that financial responsibility for (i) all water, gas, electricity and other utilities, sewer, and other municipal charges, common area maintenance reimbursements to lessors, local business or other license fees, merchants' association dues, rental payments, and other similar periodic charges and assessments (including such of the foregoing which have or may become a lien thereon, whether or not recorded, prior to the Closing Date) for which Buyer shall be responsible under the Assumed Facilities and the facilities of the Assigned Subsidiaries and other real property interests and interests in related improvements acquired by Buyer hereunder (whether by fee ownership or as the result of an Assigned Contract), and (ii) any real estate and personal property Taxes thereon or otherwise respect to the Purchased Assets that are due or become due without acceleration for any Straddle Period ((i) and (ii) collectively, the "Apportioned Obligations"), and any refund, rebate or similar payment received by Seller or Buyer for any Taxes that are Apportioned Obligations, will be apportioned between Seller and Buyer by dividing (A) the number of days in the applicable Straddle Period falling on or before the Closing Date and the number of days in the applicable Straddle Period falling after the Closing Date by (B) the total number of days in such Straddle Period, and multiplying the result by the total amount of such Apportioned Obligations for such Straddle Period.. Seiler will be responsible for the amount apportioned to days on or before the Closing Date and will pay any Apportioned Obligations which are due and payable prior to the Closing, and Buyer will be responsible for the amount apportioned ten days after the Closing Date and will pay any Apportioned Obligations which are due and payable after the Closing. The Purchase Price shall be adjusted up or down as appropriate based on the amount of the Apportioned Obligations. The proration of the Apportioned Obligations made pursuant to this Section 9.01 shall be final and in

no event shall Seller be responsible for any Apportioned Obligations attributable to any period after the Closing Date.

9.02 Intentionally Deleted.

9.03 Costs and Expenses Except as otherwise expressly provided in this Agreement, each of the parties to this Agreement shall bear its own expenses incurred in connection with the negotiation, preparation, execution and closing of this Agreement and the transactions contemplated hereby. Without limiting the foregoing, each party shall bear the expenses of any finder, broker, agent or other intermediary who acted for or on behalf of such party in connection with the negotiation or consummation of the transactions contemplated hereby.

9.04 Notices. Any notice, request, instruction, correspondence or other document to be given hereunder by any party hereto to another (herein collectively called "notice") shall be in writing and delivered personally or mailed by registered or certified mail, postage prepaid and return receipt requested, or by facsimile, as follows:

IF TO BUYER:

Mr Richard Nordeen
InoKinetic Group LLC
25 E. Providencia
Burbank California 91502

IF TO SELLER:

Sector 111, LLC
Mr. Shinoo Mapleton
26661 Pierce Circle
Murrieta CA 92562

Each of the above addresses for notice purposes may be changed by providing appropriate notice hereunder. Notice given by personal delivery or registered mail shall be effective upon actual receipt. Notice given by facsimile shall be effective upon actual receipt if received during the recipient's ordinary business hours, or at the beginning of the recipient's next normal business day after receipt if not received during the recipient's ordinary business hours. All notices by facsimile shall be confirmed by the sender thereof promptly after transmission in writing by registered mail or personal delivery.. Anything to the contrary contained herein notwithstanding, notices to any party hereto shall not be deemed effective with respect to such party until such notice would, but for this sentence, be effective both as to such party and as to all other Persons to whom copies are provided above to be given.

9.05 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without reference to the choice of law principles thereof, that defer to or result in the application of the substantive laws of another jurisdiction. Venue and jurisdiction for any legal action concerning this Agreement will be exclusively in the Bankruptcy Court.

9.06 Entire Agreement; Amendments and Waivers. This Agreement, together with all Schedules attached hereto and all Collateral Agreements and the Confidentiality Agreement, constitutes the entire agreement between and among the parties hereto pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof except as set forth specifically herein or contemplated hereby. No supplement, modification or waiver of this Agreement shall be binding unless executed in writing by the party to be bound thereby. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision hereof (regardless of whether similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly provided.

9.07 Binding Effect and Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns; but neither this Agreement nor any of the rights, benefits or obligations hereunder shall be assigned, by operation of law or otherwise, by any party hereto without the prior written consent of the other party, provided, however, that nothing herein shall prohibit the assignment, whether prior to or after Closing, of all (but not less than all) of Buyer's rights and obligations to one or more direct or indirect Subsidiaries or other Affiliates of Buyer (including Subsidiaries or Affiliates to be formed after the execution of this Agreement) or financing sources of Buyer solely for purposes of collateral security, each of which shall be a "Buyer" hereunder (for purposes of clarification, Buyer may opt to create one or more Affiliates or Subsidiaries for purposes of taking title to one or more subsets of the Purchased Assets at the Closing, and such transfers shall for all purposes be and be deemed to be sales and transfers hereunder and under the Sale Order); provided that notwithstanding any such assignment Buyer shall remain liable for all performance required of Buyer under this Agreement; and provided further that nothing herein shall prohibit the assignment, whether prior to or after Closing, of this Agreement or any rights or obligations hereunder by Seller to a successor to Seller to the extent provided by operation of the Bankruptcy Code (or other laws or Legal Requirements). Nothing in this Agreement, express or implied, is intended to confer upon any Person other than the parties hereto and their respective permitted successors and assigns any rights, benefits or obligations hereunder.

9.08 Remedies. The rights and remedies provided by this Agreement are cumulative, and the use of any one right or remedy by any party hereto shall not preclude or constitute a waiver of its right to use any or all other remedies.. Such rights and remedies are given in addition to any other rights and remedies a party may have by law, statute or otherwise.

9.09 Schedules. The Schedules referred to herein are attached hereto and incorporated herein by this reference.

9.010 Multiple Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

9.011 Construction. The provisions of this Agreement shall be construed according to their fair meaning and neither for nor against any party hereto irrespective of which party caused

such provisions to be drafted. Each of the parties acknowledge that it has been represented by an attorney in connection with the preparation and execution of this Agreement.

9.012 Survival Provided the Closing occurs, the representations and warranties and the covenants required to be performed prior to the Closing Date contained in this Agreement shall terminate as of the Closing Date (other than the representations and warranties contained in Section 3.01, 3.02, 3.010, and 3.012). All covenants and other obligations required to be performed after the Closing Date shall survive the Closing Date.

9.013 Attorneys' Fees. In the event any suit or other legal proceeding is brought for the enforcement of any of the provisions of this Agreement, the parties hereto agree that the prevailing party or parties shall be entitled to recover from the other party or parties upon final judgment on the merits reasonable attorneys' fees, including attorneys' fees for any appeal, and costs incurred in connection with such suit or proceeding.

9.014 Severability. The provisions of this Agreement shall be deemed severable and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the other provisions hereof. If any provision of this Agreement, or part thereof, not essential to the commercial purpose of this Agreement, or the application thereof to any Person or any circumstance, is illegal, invalid or unenforceable, (i) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision and (ii) the remainder of this Agreement and the application of such provision to other Persons or circumstances shall not be affected by such invalidity or unenforceability.

9.015 Benefit: Risk of Loss. Upon consummation of the Closing, Buyer will receive the benefits of the Purchased Assets and accrue the obligations of the Assumed Obligations (including with respect to the Assigned Contracts) from and after 12:01 a.m. EST on the Closing Date, and as of such time, the risk of loss of the Purchased Assets shall be deemed transferred from Seller to Buyer.

ARTICLE X.

DEFINITIONS

Capitalized terms used in this Agreement are used as defined in this Article X or elsewhere in this Agreement.

10.01 Definitions.

a. Affiliate. The term "Affiliate" shall mean, with respect to any Person, any other Person controlling, controlled by or under common control with such Person. The term "Control" as used in the preceding sentence means, with respect to a corporation, the right to exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of the controlled corporation and, with respect to any Person other than a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person.

b. Assumed Facilities. The term "Assumed Facilities" shall mean, collectively, the following facility of Seller which is located at 26661 Pierce Circle Murrieta California 92562.

c. Breach Fee. The term "Breach Fee" means a payment equal to \$_____.

d. Business. The term "Business" shall mean the business conducted by Seller as of the date hereof, consisting of engaged in wholesale and retail distribution of after-market and performance automotive parts specific to the Lotus brand as well is involved in the manufacturing and distribution of specialty performance vehicles for on-track use.

e. Collateral Agreements. The term "Collateral Agreements" shall mean any or all other agreements, instruments or documents required or expressly provided under this Agreement to be executed and delivered in connection with the transactions contemplated by this Agreement.

f. Contracts. The term "Contracts," when described as being those of or applicable to any Person, shall mean any and all contracts, agreements, franchises, understandings, arrangements, leases, licenses, registrations, authorizations, easements, servitudes, rights of way, mortgages, bonds, notes, guaranties, liens, or other instruments or undertakings to which such Person is a party or to which or by which such Person or the property of such Person is subject or bound, and (except with respect to pre-Closing Contracts of Buyer) relating in any manner to or associated with the Business or the Purchased Assets.

g. Employee Plan. The term "Employee Plan" means, as of the Closing Date, all written plans, practices and arrangements, formal or informal, whether applicable to a group of individuals or a single individual, and whether active, frozen or terminated, currently providing compensation (other than salary or wages) or other benefits of any type or nature with respect to the employees of the Business, including but not limited to all plans providing benefits for such employees that are employee benefit plans as defined in Section 3(3) of ERISA.

h. ERISA. The term "ERISA" means the Employee Retirement Income Security Act of 1974.

i. ERISA Affiliate. The term "ERISA Affiliate" means (a) any Person subject to ERISA whose employees are treated as employed by the same employer as the employees of Seller or a Subsidiary of Seller under IRC Section 414(b), (b) any trade or business subject to ERISA whose employees are treated as employed by the same employer as the employees of Seller or a Subsidiary of Seller under RC Section 414(c), (c) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any organization subject to ERISA that is a member of an affiliated service group of which Seller or a Subsidiary of Seller is a member under IRC Section 414(m), or (d) solely for purposes of Section 302 of ERISA and Section 412 of the IRC, any Person subject to ERISA that is a party to an arrangement with Seller or a Subsidiary of Seller and whose employees are aggregated with the employees of Seller or a Subsidiary of Seller under IRC Section 414(o).

j. Expense Reimbursement. The term “Expense Reimbursement” means reasonable and documented out-of-pocket fees and costs, including costs of counsel, in an amount not to exceed \$20,000.

k. Governmental Authorities. The term “Governmental Authorities” shall mean any nation or country (including but not limited to the United States) and any commonwealth, territory or possession thereof and any political subdivision of any of the foregoing, including but not limited to courts, departments, commissions, boards, bureaus, agencies, ministries or other instrumentalities.

l. Hired Employees. The term “Hired Employees” shall mean all employees and independent contractors of Seller prior to the Closing who accept (and commence) employment (or the performance of services as an independent contractor, as the case may be) with Buyer.

m. Intellectual Property. The term “Intellectual Property” means, with respect to Seller, (a) all trademarks, service marks, trade names, trade dress, product names and slogans both registered and unregistered, and any common law rights and good will appurtenant thereto, and all applications and registrations thereof; (b) all copyrights in copyrightable works and all other ownership fights in any works of authorship, any derivations thereof and all moral rights appurtenant thereto and all applications and registrations thereof; (c) all registered, reserved and unregistered domain names, uniform resource locators and keywords; (d) all computer and electronic data, documentation and software, including both source and object code, computer and database applications and operating programs; (e) all Trade Secrets; (f) the right to sue both in equity and for damages occurring after the Closing of any or all of the foregoing; (g) all existing copies and tangible embodiments of any or all of the foregoing, in whatever form or medium; (h) all right, title and interest (free and clear) in and to Seller’s website(s), including without limitation, the framework and infrastructure of such web site(s), the layout design and the look and feel” thereof, all related software, source code and object code, all COI, HTML, XML or other coding, all scripts and applets, all web graphics and data, all navigational buttons, all server configurations, and any and all attendant intellectual property rights therein; (i) all customer data collected in the ordinary course of the Business; and (j) all other intellectual property rights relating to any or all of the foregoing including any renewals, continuations or extensions thereof; in each case as owned by Seller.

n. Intellectual Property License Rights. Intellectual Property License Rights means any rights of a non-debtor party in, to or under any Intellectual Property of Seller as such rights existed on the Petition Date, to the extent such rights would be enforceable against Seller or Seller’s bankruptcy estate under section 365(n) of the Bankruptcy Code.

o. Inventory. The term “Inventory” of a Person shall mean finished goods inventory, including inventory in transit in which title has been transferred to such Person (but not including works-in-process, inventory on order, or other inventory in transit and not yet delivered or rights with respect to any thereof) to which such Person holds title that is used or held for use in the conduct of the business of such Person (in the case of Seller, the Business).

- p. IRC. The term “IRC” means the Internal Revenue Code of 1986, as amended.
- q. Legal Requirements. The term “Legal Requirements,” when described as being applicable to any Person, shall mean any and all laws (statutory, judicial or otherwise), ordinances, regulations, judgments, orders, directives, injunctions, writs, decrees or awards of, and any Contracts with, any Governmental Authority (foreign or domestic), in each case as and to the extent applicable to such Person or such Person’s business, operations or properties.
- r. Liability. The term “Liability” shall mean any debt, liability, commitment and guaranty, warranty or obligation of any kind, character or nature whatsoever, whether known or unknown, secured or unsecured, accrued, fixed, absolute, potential, contingent or otherwise, and whether due or to become due.
- s. (Material Adverse Change). The term “Material Adverse Change” means (i) with respect to Seller, (A) a change in (or effect on) the condition (financial or otherwise), properties, assets (including intangible assets), liabilities (including contingent liabilities), rights, obligations, operations, or business, which change (or effect) is materially adverse to the financial condition, properties, assets, liabilities, rights, obligations, operations, or business of Seller taken as a whole; or (B) a material adverse change in the ability of Seller to consummate the transactions contemplated by this Agreement and fulfill, in all material respects, all its obligations hereunder, and (b) with respect to Buyer, a material adverse change in the ability of Buyer to consummate the transactions contemplated by this Agreement and fulfill, in all material respects, all of its obligations hereunder.
- t. Permits. The term “Permits” shall mean any and all permits, rights, approvals, licenses, authorizations, legal status, orders or Contracts under any Legal Requirement or otherwise granted by any Governmental Authority.
- u. Person. The term “Person” shall mean any individual, partnership, joint venture, firm, corporation, association, limited liability company, trust or other enterprise or any governmental or political subdivision or any agency, department or instrumentality thereof.
- v.
- w. Straddle Period. The term “Straddle Period” shall mean any Tax or other applicable year or period beginning before the Closing Date and ending after the Closing Date.
- x. Subsidiary. The term “Subsidiary” of any Person shall mean any Person of which a majority of the outstanding voting securities or other voting equity interests are owned, directly or indirectly, by such Person.
- y. Tax or Taxes. The term “Tax” or “Taxes” means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under IRC §59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value

added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

z. Tax Return. The term "Tax Return" means any all federal, state, county and local tax returns and other returns and reports which were required to be filed in respect of all Taxes, levies, license, registration and permit fees, charges or withholding of any nature whatsoever.

aa. Trade Secrets. The term "Trade Secrets" shall mean information of Seller, including but not limited to technical or non-technical data, formulas, patterns, compilations, programs, financial data, financial plans, product or service plans or lists of actual or potential customers or suppliers, which (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other Persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

10.02 Other Definitional Provisions

a. The words "hereof," "herein," and "hereunder" and words of similar import, when used in this Agreement, shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

b. The words and phrases "including," and "including, but not limited to," when used in this Agreement shall mean "including, without limitation".

c. The terms defined in the singular shall have a comparable meaning when used in the plural, and vice versa.

d. The word "or" shall not be exclusive.

e. The terms "dollars" and "\$" shall mean United States dollars.

f. The term "commercially reasonable" shall mean, in addition to its general use and meaning, with respect to any matter involving litigation or disputes involving or requiring a ruling from the Bankruptcy Court, the preparation and filing of any motions or papers, including supporting affidavits or declarations and any reply or objection papers as required or permitted, in a manner reasonably calculated to achieve the intended result.

g. The term "knowledge" (or similar expressions, including "to the knowledge of"), with respect to Seller, shall refer to the actual knowledge (without any duty of inquiry) of Shinoo Mapleton.

h. References to specific named statutes and generally accepted accounting principles are intended to be and shall be construed as references to statutes of the United States of the stated name and United States generally accepted accounting principles, respectively, unless the context otherwise requires.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties as of the day first above written.

BUYER”:

InoKinetic Group, LLC

By: _____

Richard W. Nordeen

Its: Manager

“SELLER”:

Sector 111, LLC

By: _____

Shinoo Mapleton

Its: _____

Stacy Mapleton

Its: _____

“SHAREHOLDERS”

Shinoo Mapleton

Stacy Mapleton

SCHEDULE A
LIENS

1. Certain of the Purchased Assets may be subject to Intellectual Property License Rights and Buyer shall take the Intellectual Property included in the Purchased Assets subject to all such Intellectual Property License Rights.
2. All of the Purchased Assets are subject to security interest being granted to Forum Capital, LLC, a Nevada limited liability company. A perfected UCC-1 has been filed with the California Secretary of State naming the Seller as the Debtor and listing the Secured Party as Commerce Bank of Temecula Valley as file number #157493750465 on November 5, 2015 which was subsequently assigned pursuant to that certain UCC Financing Statement Amendment (UCC-3) as file number #1675477585 on September 23, 2016 wherein the Secured Party was changed to Forum Capital LLC, a Nevada limited liability company, an Affiliate of the Buyer. The aforementioned financing statements perfects a security interest in all of the inventory, accounts, equipment chattel paper, instruments (including but not limited to all promissory notes) letter of credit rights, letters of credits, documents, deposit accounts, investment property, money, fixtures, other rights to payment and performance, and general intangibles (including but not limited to all software and ally payment intangibles).

SCHEDULE B
Assigned Contracts*

1. Real property lease:
 - A. 26661 Pierce Circle Murrieta California 92562 lease
2. Operating leases/equipment leases:
3.

IT agreements:
4. Contracts (Sales Orders)
 - a. Customer #: 0000984- Order # 012308 –Bill Thomas/William Thomas Roadsters;
 - b. Customer # 0001146-Order # 012325 San Francisco Motorsports
 - c. Dealer Agreement dated April 28, 2016 by and between Sector 111, LLC and San Francisco Motorsports, Inc.

{Needs to be completed/reviewed by Shinoo|}

SCHEDULE ____
Excluded Assets

[To come prior to the Closing, if at all]

EXHIBIT "2"

SECTOR111, LLC

LIST OF ASSUMED/ASSIGNED CONTRACTS

<u>Contract/Lease</u>	<u>Counterparty to Contract/Lease</u>	<u>Cure Amount</u>
Phone System Lease Lease Agmt. No. 230661-000	Balboa Capital Corp Attn: Authorized Agent PO Box 15270 Irvine, CA 92623	\$0.00
Sales Order for Purchase of Drakan Spyder Rolling Chassis Kit Order #012309	Drakan Cars East LLC Attn: Kurt Nehlig 843 State Route 12 Suite 22B Frenchtown, NJ 08825	\$0.00
Sales Order for Purchase of Drakan Spyder Rolling Chassis Kit Order #012341	Robert Peterson 3040 W. Ruby Hill Drive Pleasanton, CA 94566	\$0.00
Commercial Lease of Building located at 26661 Pierce Circle, Murrieta, CA between Sector111 (tenant) and S. Mapleton Holdings, LLC (landlord)	S. Mapleton Holdings, LLC Attn: Authorized Agent 40270 Camino Campos Verde Temecula, CA 92591	\$0.00
Dealer Agreement entered into 4/28/16 between Sector111, LLC and San Francisco Motorsports, Inc.	San Francisco Motorsports Inc. Attn: Douglas Dolton 1421 East Francisco Blvd. San Rafael, CA 94901	\$0.00
Sales Order(s) for Purchase of Drakan Spyder and Drakin Spyder Wing Kit Order #012194 and #012340	Tim Hoiles Clark Art 1483 Woolsey Heights Colorado Springs, CO 80915	\$0.00
Contract for Selling Cars	TMI Autotech Attn: Authorized Agent 1201 Industrial Park Rd. South Boston, VA 24592	\$0.00

EXHIBIT "3"



SALES ORDER

26661 Pierce Circle
Murrieta, CA 92562
Tel : 951.296.6762
www.sector111.com

Customer # : 0551402
Order # : 012194

Order # : 012194

SHIP TO ADDRESS

Timothy C Hoiles
ClarkArt
1483 Woolsey Heights
Colorado Springs, CO 80915 US
Attn: Timothy C Hoiles
Ship Via : Ground

BILL TO ADDRESS

Timothy C Hoiles
ClarkArt
1483 Woolsey Heights
Colorado Springs, CO 80915 US

Order Date 11/24/2014
Customer # 0551402
Location TEM MAIN

PO #
Terms None
Account Manager HOUSE .
Project

Quote TRN #
FOB Destination
Invoice #

Item #	Description	Order Qty	Shipped Qty	Promise Date	Price	Amount
DS ROLLING CHASSIS KIT	Drakan Spyder Rolling Chassis Kit	1	0	07/22/2015	71,000.00	71,000.00
CUSTOMPART	Powertrain including sequential shifter	1	0	06/02/2016	55,000.00	55,000.00

Sub-Total	:	126,000.00
S & H	:	0.00
Tax Amount	:	0.00
Insurance	:	0.00
Total	:	\$126,000.00
Advance(11/21/2014)	:	\$40,000.00
Advance(08/05/2015)	:	\$10,000.00
Advance(06/02/2016)	:	\$25,000.00
Advance(06/21/2016)	:	\$51,000.00
Total Due	:	\$0.00

Notes

Deposit 11/21/14 \$40000.00

Customer Signature

Received Date

Thanks for your Business!

Returns/Exchanges:

Unopened product can be returned for exchange or refund

Please contact us if product was damaged

Contact us at: info@sector111.com or (951)296-6762



SALES ORDER

26661 Pierce Circle
Murrieta, CA 92562
Tel : 951.296.6762
www.sector111.com

Customer # : 0551402
Order # : 012340

Order # : 012340

SHIP TO ADDRESS

Timothy C Hoiles
ClarkArt
1483 Woolsey Heights
Colorado Springs, CO 80915 US
Attn: Timothy C Hoiles
Ship Via : Ground

BILL TO ADDRESS

Timothy C Hoiles
ClarkArt
1483 Woolsey Heights
Colorado Springs, CO 80915 US

Order Date 06/02/2016
Customer # 0551402
Location TEM MAIN

PO #
Terms None
Account Manager HOUSE .
Project

Quote TRN #
FOB Destination
Invoice #

Item #	Description	Order Qty	Shipped Qty	Promise Date	Price	Amount
DS WING ASSEMBLY	Drakn Spyder Wing Kit	1	0	06/02/2016	8,000.00	8,000.00

Sub-Total : 8,000.00
S & H : 0.00
Tax Amount : 0.00
Insurance : 0.00
Total : \$8,000.00
Advance(06/02/2016) : \$4,000.00
Total Due : \$4,000.00

Notes

Customer Signature

Received Date

Thanks for your Business!

Returns/Exchanges:

Unopened product can be returned for exchange or refund

Please contact us if product was damaged

Contact us at: info@sector111.com or (951)296-6762

EXHIBIT "4"

sector 11

SALES ORDER

26661 Pierce Circle
Murrieta, CA 92562
Tel : 951.296.6762
www.sector111.com

Customer # : 0001228
Order # : 012309

Order # : 012309

SHIP TO ADDRESS
Kurt Nehlig
Drakan Cars East LLC
843 State Route 12
Suite 22B
Frenchtown, NJ 08825 US
Attn: Kurt Nehlig
Ship Via : Ground

BILL TO ADDRESS
Kurt Nehlig
Drakan Cars East LLC
843 State Route 12
Suite 22B
Frenchtown, NJ 08825 US

Order Date 10/17/2016
Customer # 0001228
Location TEM MAIN

PO #
Terms None
Account Manager HOUSE .
Project

Quote TRN #
FOB Destination
Invoice #

Item #	Description	Order Qty	Shipped Qty	Promise Date	Price	Amount
DS ROLLING CHASSIS KIT	Drakan Spyder Rolling Chassis Kit	1	0	10/17/2016	64,000.00	64,000.00

Sub-Total : 64,000.00
S & H : 0.00
Tax Amount : 0.00
Insurance : 0.00
Total : \$64,000.00
Advance : \$0.00
Total Due : \$64,000.00

Notes

Deposit from 12/8/14 \$32,000 applied

Customer Signature

Received Date

Thanks for your Business!

Returns/Exchanges:

Unopened product can be returned for exchange or refund

Please contact us if product was damaged

Contact us at: info@sector111.com or (951)296-6762

EXHIBIT "5"

sector 11

SALES ORDER

26661 Pierce Circle
Murrieta, CA 92562
Tel : 951.296.6762
www.sector111.com

Customer # : 0007588
Order # : 012341

Order # : 012341

SHIP TO ADDRESS
Robert Petersen
3040 W. Ruby Hill Dr.
Pleasanton, CA 94566 US
Attn: Robert Petersen
Ship Via : Ground

BILL TO ADDRESS
Robert Petersen
3040 W. Ruby Hill Dr.
Pleasanton, CA 94566 US

Order Date 06/02/2016
Customer # 0007588
Location TEM MAIN

PO #
Terms None
Account Manager HOUSE .
Project

Quote TRN #
FOB Destination
Invoice #

Item #	Description	Order Qty	Shipped Qty	Promise Date	Price	Amount
DS ROLLING CHASSIS KIT	Drakan Spyder Rolling Chassis Kit	1	0	06/02/2016	70,000.00	70,000.00

Sub-Total : 70,000.00
S & H : 0.00
Tax Amount : 5,600.00
Insurance : 0.00
Total : \$75,600.00
Advance(06/02/2016) : \$50,000.00
Total Due : \$25,600.00

Notes

Customer Signature Received Date

Thanks for your Business!
Returns/Exchanges:
Unopened product can be returned for exchange or refund
Please contact us if product was damaged
Contact us at: info@sector111.com or (951)296-6762

EXHIBIT "6"

Sector111, LLC

THIS DEALER AGREEMENT ("Agreement"), dated as of April 28, 2016 ("Effective Date"), is made by and between Sector111, LLC ("Manufacturer") and San Francisco Motorsports, Inc. ("Dealer"), each a "Party" and together the "Parties".

INTRODUCTION:

This is a contract that defines the terms and conditions upon which San Francisco Motorsports, Inc. will become a dealer for Sector111 products, initially to include the Drakan Spyder sports car.

WHEREAS:

1. The Manufacturer is a California limited liability company, duly licensed to do business in California, and designated by the California Department of Motor Vehicles as CA Dealer # 90044; and Shinoo Mapleton is Manufacturer's President and CEO.
2. The Dealer is a Delaware corporation, duly licensed to do business in California, and designated by the California Department of Motor Vehicles as CA Dealer #47270; and Douglas Dolton is the Dealer's President, CEO and majority shareholder.
3. The Manufacturer wishes to expand the sale of its Sports Car into the Territory and wishes to appoint the Dealer to perform the Services in the Territory.
4. The Dealer desires to accept such appointment on the terms and conditions set forth in this Agreement.

In consideration of the mutual covenants and undertakings set out below, **THE PARTIES (Manufacturer and Dealer) AGREE** as follows:

1. Definitions

- 1.1. "Parts" are the service parts needed to maintain the Sports Cars in factory-specified condition.
- 1.2. "Purchase Agreement" is the document outlining the terms and conditions of the Dealer's purchase of each Sports Car from the Manufacturer.
- 1.3. "Retail Customers" are end purchasers of the Sports Cars.
- 1.4. "Services" are the sale and servicing of the Sports Cars and related Parts, and such additional services upon which the Manufacturer and Dealer may mutually agree from time to time.
- 1.5. "Sports Car" means the vehicle known as the Drakan Spyder.
- 1.6. "Territory" is the northern part of the state of California; specifically from and including San Luis Obispo at the south to the border with Oregon at the north.

2. Arrangement

- 2.1 The Manufacturer hereby appoints Dealer as the exclusive dealer providing the Services in the Territory during the Term (as defined in Section 2.2 below), including any Renewal Terms.
- 2.2 The Term of this Agreement shall begin on the Effective Date and shall continue until December 31, 2017 ("Initial Term"), at which time it will automatically renew for successive 12-month periods ("Renewal Terms"); provided, however, that either Party, to the extent it has a commercially reasonable justification, may terminate this Agreement as of the end of the Initial or any Renewal Term by providing at least 90 days' advance written notice to the other Party.

DAF
SM

Sector111, LLC

3. Services

3.1 The Dealer is fully responsible for cost of the Sport Car's transportation from the factory, as arranged by Dealer.

3.2 The Dealer undertakes:

- (a) to provide the Services with skill, care and diligence in a good and workmanlike manner as is to be expected from a service provider experienced in the provision of services of the size, type, scope and complexity of the Services;
- (b) to train its representatives at its expense in accordance with Section 5.6 below;
- (c) to inform the Manufacturer promptly, giving details of the circumstances, reasons and likely duration, in the event it becomes aware of anything on the part of the Dealer, its personnel or sub-contractors which may prevent the Dealer from fulfilling its obligations in accordance with this Agreement;
- (d) to obtain and maintain all licences necessary for the fulfillment of its obligations under this Agreement and to provide the Manufacturer with reasonable advance notice of any termination or cancellation in respect of such licenses;
- (e) to use lawfully acquired funds of the Dealer to make any payments to the Manufacturer for the Sports Cars and Parts;
- (f) to order the following quantities of Sports Cars: One (1) in 2016 and, provided that the Manufacturer has fulfilled previous orders within agreed upon timeframes, Four (4) in 2017;
- (g) to agree with the Manufacturer's retail pricing for all Sports Cars and Parts based on local market conditions; and
- (h) to have at all times at least one demonstrator car available for display and demonstration purposes.

3.3 Each Party represents and warrants that it (i) is a company duly organized, validly existing and in good standing under the laws of the state of California; (ii) is duly qualified to conduct business as contemplated hereunder under the laws of the state of California and each local jurisdiction in which the nature of its business or the provision of the Services requires such qualification; and (iii) has all requisite licenses and corporate power and authority to carry on its business and provide the Services as contemplated hereunder.

3.4 Representatives of the Parties shall meet regularly throughout the Term of this Agreement, at times, dates and locations to be agreed upon by the Parties, to discuss and review the Dealer's performance of the Services, operational requirements and other business issues.

4. Payments for Sports Cars and Parts

4.1 Payments for Sports Cars shall be made in accordance with the terms and conditions detailed in each corresponding Purchase Agreement;

4.2 Payments for Parts and other Dealer-requested services are required within 15 days after Dealer's receipt of invoice;

4.3 Dealer shall receive a discount of 10% off of retail prices for Sports Cars. Dealer shall receive a discount of 25% off of retail prices for Sports Cars' options and Parts.

Dealer Agreement, page 2



Sector111, LLC

5 Responsibilities of the Manufacturer

- 5.1 The Manufacturer will use best efforts to fulfill orders for Sports Cars and Parts accepted by it in accordance with the Dealer's delivery requirements as specified in each Purchase Agreement;
- 5.2 The Manufacturer agrees to deliver the following quantities of Sports Cars; One (1) in 2016, and Four (4) in 2017;
- 5.3 The Manufacturer will ensure a timely and adequate supply of Parts to facilitate the Dealer maintaining the agreed-upon level of Parts as mutually determined by the Parties;
- 5.4 The Manufacturer shall provide support to the Dealer in the form of marketing, mass media promotion, and relevant marketing and sales training to facilitate the sale of Sports Cars;
- 5.5 The Manufacturer shall assist Dealer by providing before-sale and after-sale service on Sports Cars, including but not limited to:
 - a) supply of Parts and training on after-sales service, and
 - b) after-sale service provided to Retail Customers;
- 5.6 The Manufacturer shall arrange and perform training courses and the Dealer shall at its own expense send suitable representatives to such training courses as the Manufacturer may reasonably require from time to time; and
- 5.7 The Manufacturer agrees to inform the Dealer one month in advance of any proposed price increase related to the Sports Cars or Parts.

6 Indemnity and Limitation of Liability

- 6.1 The Dealer shall indemnify, defend and hold the Manufacturer harmless from and against any and all liability, losses, damages, costs and fees (including reasonable attorneys' and other professional fees and costs), of any nature whatsoever ("Losses") incurred by the Manufacturer in connection with any third party claim based on allegations relating to the Dealer's sales practices.
- 6.2 The Manufacturer shall indemnify, defend and hold the Dealer harmless from and against any and all Losses incurred by the Dealer in connection with any third party claim based on allegations relating to the design or functionality of any Sports Car or Parts, or the failure of Manufacturer to deliver a Sports Car in accordance with the terms of a contract with a Retail Customer.
- 6.3 In no event will either Party be liable to the other for any indirect, incidental, consequential (including without limitation any economic loss or other loss of profits, business or goodwill), special, exemplary or punitive damages, even if such Party has been advised of the possibility of such damages.

7 Confidentiality

- 7.1 Each Party undertakes, for itself and its representatives:
 - a) to keep secret and confidential all information which is received from the other Party or any representative of that Party, including the existence, status or content of the discussions or negotiations between the Manufacturer and the Dealer, but not including any such information which comes into the public domain otherwise than by breach of this undertaking (the "Confidential Information");
 - b) not to use the other Party's Confidential Information other than as reasonably necessary to perform under this Agreement and not to disclose such Confidential Information to any third party (other than to its employees, directors, officers or professional advisers who are bound by the terms of their employment or otherwise to keep such information confidential and who need to

Dealer Agreement, page 3

Handwritten signature and initials, possibly "SM" or "SM" with a flourish.

Sector111, LLC

know such information in connection with this Agreement or as may be required by law) any Confidential Information; and

- c) if this Agreement is terminated, to promptly return to the other Party any written Confidential Information and to destroy and/or delete all electronic Confidential Information, without keeping any copies of such information.

8 Advertising and Publicity

- 8.1 The Dealer will be responsible for expenses associated with its independent advertising and publicity efforts in the Territory and agrees to comply with the Manufacturer's corporate identity guidelines. Any marketing material used is first to be authorised by the Manufacturer.
- 8.2 With respect to any joint marketing and advertising activities, the Parties shall agree in advance on the budget and method for sharing costs.
- 8.3 The Dealer shall be entitled to use the Manufacturers trademarks, trade names or any other symbols for the purpose of identifying and advertising the Sports Cars and Parts within the scope of this Agreement. The right to use the Manufacturer's trademarks shall cease immediately upon the expiration or termination of this Agreement.
- 8.4 The Dealer shall not copy or imitate the Sports Car, in particular with regards to its design, technical fittings, technical know-how, distribution concepts, and logo.
- 8.5 All rights to the trademark, symbols, design and manufacturing of the Sports Car remain exclusively with the Manufacturer. The Dealer will not copy, reproduce or register any related trademarks or websites, except as expressly permitted by the Manufacturer.

9 Information

- 9.1 Each Party shall keep the other Party informed of any change or proposed change of which it is aware related to the law of the Territory affecting construction and use regulations including the safety requirements for the Sports Cars, taxation affecting Sports Cars and/or Parts, and relevant licensing requirements.
- 9.2 The Manufacturer may visit the Dealer's locations at reasonable times upon reasonable advance notice.

10 Termination

- 10.1 Either Party may, by giving notice in writing, terminate this Agreement with immediate effect if any of the following events occur:
 - a) the other Party shall have committed a material breach of any of the terms of this Agreement and, if such default is capable of being cured, shall have failed to cure the same within thirty (30) days of a notice from the Party not in default requiring such cure;
 - b) this Agreement is suspended for a period of at least two (2) months by reason of Force Majeure Event (as defined in Section 12.1);
 - c) the other Party is or is deemed to be unable to pay its debts as they become due or goes into liquidation or has a receiver or equivalent officer appointed or any other analogous provision in the Territory;
 - d) the Dealer and Manufacturer cannot come to agreement on any price change proposed by Manufacturer as outlined in Section 5.7 above.

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Sector111, LLC

11 Consequences of Termination

- 11.1 On the expiration or termination of this Agreement for any reason whatsoever, the Parties shall cooperate on the transfer and disposition of Sports Cars and Parts;
- 11.2 Unless otherwise expressly agreed in writing to the contrary, the expiration or termination of this Agreement, for any reason whatsoever, shall not affect the rights or obligations of either Party arising prior to the date of such termination.

12 Force Majeure

- 12.1 Neither Party hereto shall be liable for any failure to perform its obligations hereunder to the extent that such performance has been delayed, hindered or prevented by circumstances beyond that Party's control and which circumstances make performance commercially impracticable, illegal, or impossible (a "Force Majeure Event"). Where a Force Majeure Event arises, the Party seeking to rely on such an event to cease or reduce its obligations shall immediately notify the other Party and the obligations of the Parties hereunder shall be suspended until the termination of such circumstance, whereupon the obligations of the Parties and in particular deliveries and sales of Sports Cars and Parts shall be resumed within a reasonable time.

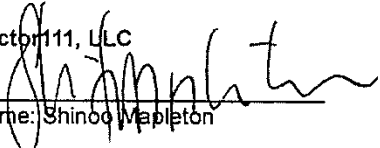
13 Governing law and Jurisdiction

- 13.1 This Agreement shall be governed by and construed in accordance with the laws of the state of California.
- 13.2 In the event that any dispute or difference arises between the Parties which cannot be settled by them amicably, then the parties irrevocably agree that such dispute shall be settled by binding arbitration in the state of California or another location mutually agreeable to the parties. Any arbitration award may be confirmed in a court of competent jurisdiction.

IN WITNESS OF THE ABOVE the parties have signed this Agreement as of the Effective Date in two (2) original copies. Each Party holds one original copy.

SIGNED for and on behalf of

Sector111, LLC


Name: Shinobu Mableton

Title: President/CEO

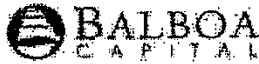
SIGNED for and on behalf of

San Francisco Motorsports, Inc.


Name: Douglas Dolton

Title: President/CEO

EXHIBIT "7"



Lease Agreement (Page 1 of 2)

Lease Number: 230661-000

Lessee Information

Business Name: SECTOR III, LLC	Business Address: 41740 ENTERPRISE CIRCLE NO. #101 Temecula, CA 92590	Equipment Location Address: (if different than billing address of Lessee)
Business Phone: 951-296-6762	Business Tax ID#:	

Lease Terms and Conditions

Monthly Rent (plus applicable taxes): \$151.79	Base Term (months): 60	Required Deposit: \$303.58	Doc Fees: \$150.00
Security Deposit: 2 payment(s)			End of Term Option: 1) PURCHASE OPTION

Equipment Supplier and Description: **SEE EXHIBIT "A1" Invoices, or Schedules for description of Equipment and Supplier ("Equipment")**
Initials - approved by Lessee: **SM**

The undersigned agrees that this lease reflects the agreement of the parties, including all terms of the second page of this agreement. Balboa Capital Corporation is not affiliated with the supplier of any of the equipment and is not responsible for any promises made by any supplier, vendor, or other person who is not an officer of Balboa Capital Corporation.

Signature: Stacy Mapleton
Name: Stacy Mapleton Title: Member Date: 12/10/15

ACKNOWLEDGED BY: BALBOA CAPITAL CORPORATION

By: Vaivasa Vice President. Date: 12/28/15

Delivery and Acceptance of Equipment by Lessee

By signing below, Lessee agrees and acknowledges that the Equipment has been delivered, installed and is operational and unconditionally and irrevocably accepted by Lessee, and that Balboa Capital Corporation is authorized to pay the Supplier for the Equipment and the Lease shall commence.

Signature: Stacy Mapleton
Name: Stacy Mapleton Title: Member Date of Acceptance: 12/28/15
I hereby authorize _____ to orally verify my/our acceptance of the equipment subject to Lease Number 230661-000 in my absence.

Billing Information

Email Address for Invoicing: <u>stacy@sectoriii.com</u>	Cell Phone: <u>951-551-8394</u>
Fax Number: <u>951-296-6845</u>	Attention To: <u>Stacy</u>

Lease Guaranty

For purposes of this Guaranty, Lease shall mean the Lease set forth above and on the second page of the Lease Agreement. I/MEMY shall mean the person making the guaranty and if married, his or her marital community. YOU/YOUR shall mean the Lessor. I agree that I have an interest in the Lessee, economic or otherwise, and that you would not enter into this Lease without this guaranty. I unconditionally guaranty that Lessee will fully and promptly pay all its Obligations under the Lease when they are due and will perform all its other Obligations under the Lease even if you modify or renew the Lease. This Lease guaranty will be jointly and severally responsible. You do not have to notify me if the Lessee is in default under the Lease. You may obtain any information from credit reporting agencies you deem necessary to enforce this guaranty. If the Lessee defaults, I will immediately pay all Obligations due under the Lease. I agree that I will not be released or discharged if you: (i) fail to perfect a security interest in or any property which secures the Obligations (Collateral); (ii) fail to protect the Collateral; or (iii) abandon or release the Collateral. I agree that you do not have to proceed first against the Lessee or any Collateral. I hereby waive release of acceptance of this guaranty and of all other notices or demands of any kind which I may be entitled to. I will reimburse you for all expenses you incur in enforcing your rights against the Lessee or me, including, without limitation, attorneys' fees and costs. I acknowledge that I have read and understood the Lease and this Guaranty. This is an irrevocable, continuing guaranty and binds my heirs, administrators and representatives. I CONSENT TO THE JURISDICTION OF THE COURTS OF ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION, AS YOUR SOLE OPTION, FOR THE DETERMINATION OF ALL DISPUTES RELATED TO THE LEASE OR THIS GUARANTY. I agree that this guaranty shall be governed by the laws of the State of California. YOU WAIVE TRIAL BY JURY.

Signature: _____ Name: _____ Date: _____

1. LEASE: You agree to lease from us and we agree to lease to you, the equipment listed above or on any invoices, purchase orders, or schedules attached to this Lease Agreement ("Equipment"). You unconditionally promise to pay us the sum of all the rental and other payments indicated above or on any schedule ("Rent"). For all purposes of this Lease Agreement and any schedules attached (Lease), you, and your shall mean the Lessee indicated below, and we, us and our refer to the Lessor, Balboa Capital Corporation, its agents, employees and its successors and assigns. You authorize us to insert in this Lease Agreement ("Lease") any serial numbers and other identification data about the Equipment, as well as any other omitted factual matters. All Rent and other payments under this Lease or any other agreement with us (collectively "Obligation" or "Obligations") are payable in U.S. dollars, and may be adjusted upward or downward no more than ten percent (10%) to reflect actual costs. We may from time to time, in our sole discretion, accept a photocopy or electronically transmitted facsimile copy of this Lease, any Schedules to this Lease, or other Lease documents as the binding and effective record of such agreement(s), whether or not in ink signed counterpart thereof is also received by us from you, provided, however, that no such agreement(s) shall be binding upon us until and unless they are signed by us in any signature line where we are to sign as indicated on the Lease, Schedule or other agreement. Any such photocopy, or electronically transmitted facsimile received by us shall, when executed by us, constitute an original document for the purpose of establishing the provisions thereof and shall be legally admissible under the best or original evidence rule and binding on the parties.

2. TERM OF LEASE: This Lease shall become effective upon acceptance by us by signing and dating this Lease. A prorated portion of the aggregated average of the Rent based on a daily charge of one-thirtieth (1/30) of the Rent from the date the Equipment has been delivered and accepted by you ("Commencement Date") to the first day of the Base Term shall be payable at the Commencement Date. The Base Term of this Lease shall begin, in our sole discretion, on a date not more than 30 days following the Commencement Date and terminate upon the expiration of the number of months stated under Base Term, above. Following the Commencement Date, Rent and other Obligation payments are due on the same day of each month as the first day of the Base Term, payable to a location to be designated in writing. YOUR OBLIGATION TO PAY RENT TO US IS UNCONDITIONAL AND NOT SUBJECT TO ANY REDUCTION, SET-OFF, DEFENSE, OR COUNTERCLAIM AND MAY NOT BE CANCELLED FOR ANY REASON WHATSOEVER. Your offer is an irrevocable offer to enter this Lease. In the event that you sign this lease, but the Lease is not commenced, the advance payments, documentation fee and security deposit may be retained by us to compensate for our documentation, processing, and other expenses. We have the right, but not the obligation, to electronically withdraw funds from your bank account to pay for any unpaid Rent, taxes, fees, charges and assessments.

3. PAYMENT OF LEASE OBLIGATIONS: Payment of the Lease Obligation shall be made by electronically withdrawing funds from the bank account on which your deposit check was drawn. You authorize us to debit from this account on which your deposit check was drawn, on or after the 1st day of each month, the scheduled Lease Payments or other amounts due and owing at the time under the Lease. You acknowledge that, if we assign the Lease to a third party, the assignee is authorized to debit the account on which your deposit check was drawn. If you would prefer to authorize us to debit another account, fill in the blanks provided below along with a copy of a voided check from the specified account.

Account Number: _____

ABA Branch Number: _____

Financial Institution Name: _____

Initials: _____

V465L

4. NO WARRANTIES; NO AGENCY; WE ARE LEASING THE EQUIPMENT TO YOU AS-IS, WHERE-IS AND WITH ALL FAULTS, AND WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR ORDINARY USE. You understand and agree that we are independent from the vendor, manufacturer and/or supplier (collectively "Supplier(s)") of the Equipment and that neither the Supplier nor any other person is our agent, nor are they authorized to waive or change any term or condition of this Lease. You agree that no representation, warranty or warranty by the Supplier or other person is binding on us. So long as you are not in default under any terms of this Lease, we transfer to you any warranties made to us, as the owner of the Equipment, by the Supplier. You agree that any breach by the Supplier will not relieve or excuse your obligations to us. Regardless of cause, you will not assert any claim whatsoever against us for any direct, consequential, special or indirect damages. If you have entered into a maintenance agreement for the Equipment and the cost of the maintenance agreement is included in the Rent, you acknowledge that we are not responsible for any service, repairs, or maintenance of the Equipment; and that we are not a party to the maintenance agreement. If you have a dispute regarding maintenance or service then you will nevertheless continue to pay all obligations as they become due.

5. UCC-ARTICLE 2A (whenever the term Article 2A is used herein, it is understood to include equivalent provisions of California Commercial Code Division 10 when California law is applicable): You agree that this Lease is a "Finance Lease" under Article 2A of the Uniform Commercial Code as adopted by the State of California. You acknowledge that (a) we did not select, manufacture or supply the Equipment, but at your request we have purchased the Equipment for lease to you; and (b) based solely on your own judgment, you have selected the Supplier and the Equipment that you are leasing from us. You agree that you have approved any purchase or supply contract with the Supplier before signing this Lease. You may have rights under the supply or purchase contract, and you may contact the Supplier for a description of those rights or any warranties. To the extent permitted by applicable law, YOU WAIVE ANY AND ALL RIGHTS AND REMEDIES CONFERRED UPON YOU UNDER THE UCC IN ARTICLE 2A.

6. DELIVERY OF EQUIPMENT: You request that we arrange delivery to you at your expense. We may at our discretion confirm by telephone that you have accepted the Equipment and that telephone verification of your acceptance of the Equipment shall have the same effect as a signed Delivery and Acceptance Certificate.

7. ASSIGNMENT: You may not sell, transfer, assign or sublease the Equipment without our prior written approval. We may sell, assign or transfer this Lease and the Equipment or any interest therein without notifying you; and you agree that if we do, the new Lessor will have the same rights and benefits that we now have, and will not have to perform any of our obligations. You agree that the rights of the new Lessor will not be subject to any claims, defenses or setoffs that you may have against us.

8. OWNERSHIP, RIGHTS AND QUIET ENJOYMENT: You agree that we are the owner of and have title to the Equipment or in the case of software, the assignment or the rights to the assignment of the software and/or its license(s). You agree, at your expense, to protect and defend our title and quiet rights to the Equipment. You shall have the right to quiet use and enjoyment of the Equipment for the term of this Lease, provided you are not in default. We also have the right, at reasonable times, to inspect the Equipment at your expense.

9. CARE, USE AND LOCATION; LOSS OF EQUIPMENT: You are responsible for installing and keeping the Equipment in good working order and repair. You will keep and use the Equipment only at your address shown on this Lease, only for business or commercial purposes and in compliance with all applicable laws, ordinances or regulations. You will not make any alterations to the Equipment without our prior written consent, nor will you permanently attach the Equipment to any real estate. You are responsible for protecting the Equipment from damage, and from any other kind of loss while you have the Equipment or while it is being delivered to you. In the event the Equipment is lost, stolen or damaged then you shall have the option within one week of such event to: (a) repair or replace the Equipment or (b) pay to us the unpaid balance of the remaining Rent under this Lease and our residual interest in the Equipment, discounted to present value at the rate of five percent (5%) plus any other obligations.

10. TAXES AND FEES: You agree to pay when due all taxes (including personal property tax, sales and penalties) and fees relating to this agreement or the Equipment. If we pay any of the above for you, you agree to reimburse us and to pay us a processing fee for each payment we make on your behalf. You also agree to pay us any filing fees prescribed by the Uniform Commercial Code or other law and to reimburse us for all costs and expenses involved in documenting and servicing this transaction. You further agree to pay us an origination fee on or before the date the first payment is due and a termination fee. You also acknowledge that in addition to the lease payments, you may assess and you may be required to pay additional taxes and/or fees (including an invoice fee). Such fees may not only cover our costs they may also include a profit.

11. INDEMNITY: We are not responsible for any injuries or losses to you or any other person or property caused by the installation, operation, maintenance or use of the Equipment. You agree to reimburse us for and defend us against any claims for such losses or injuries, including, without limitation, those arising out of the negligence, tort or strict liability claims. This indemnity shall continue even after the term of this Lease has expired.

12. INSURANCE: Lessor agrees to maintain, at Lessee's expense, "Special Form" property insurance protecting the Equipment for its full replacement value, naming Lessor as a loss payee on a "Lessor's Loss Payable" endorsement and public liability insurance, in amounts acceptable to Lessor, naming Lessor as an additional insured (together "Required Insurance"). Lessor must provide Lessor satisfactory written evidence of Required Insurance within thirty (30) days of the commencement date of this Lease or of any subsequent written request. If Lessee does not do so, Lessor may obtain insurance from an insurer of Lessor's choosing in such forms and amounts as Lessor selects ("Lessor Insurance"). Lessor Insurance covers the Equipment and Lessor only and not Lessee. Lessee shall pay Lessor periodic charges for Lessor Insurance ("Insurance Charges") that include a premium that may be higher than if Lessee maintained Required Insurance separately; a finance charge of up to the implicit rate of the Lease on any premium advances made by Lessor or Lessor's agents; and billing and processing fees; each of which may generate a profit to Lessor and Lessor's agents. If Lessee fails to pay billed Insurance Charges within 30 days of their due date, Lessor may pay them by applying funds paid under the Lease or debiting Lessee's account under any previously authorized automatic payment. Lessee agrees to arbitrate any dispute with Lessor or Lessor's agents regarding Lessor Insurance or Insurance Charges under the rules of the American Arbitration Association in Los Angeles, California; provided however, such agreement does not authorize class action arbitration. At Lessor's election, in lieu of obtaining or continuing Lessor Insurance, Lessor may require Lessee to pay a monthly additional fee of 2% of the Equipment Cost. This fee is not calculated with reference to additional risk and constitutes additional profit for Lessor, less represents the basis on which Lessor is willing to forebear from exercising remedies and continue this Agreement without Required Insurance. Lessee will receive no insurance coverage and will not be released from any obligations. Lessor is not selling insurance. Lessor will cease charging the additional fee or billing for Lessor Insurance 30 days after Lessee provides satisfactory proof of Required Insurance and compliance with this section.

13. DEFAULT AND REMEDIES: If you (A) do not pay any obligation to us when due; (B) break any of your agreements, representations or covenants under this Lease, including without limitation

closing of the account from which Lease Payments are drawn or any other interference with electronic funds withdrawal as provided in Section 3; (C) are a corporation or limited liability company and more than 20% of the issued and outstanding voting capital stock or member's interest are transferred to or acquired by any person or entity that is not an owner as of the date of this Lease; (D) you change your name, state of incorporation, chief executive office and/or place of residence without providing us with 30 days prior written notice of such change, you will be in default of this Lease. In the event of a default by you, we may require that you return the Equipment to us and pay to us the remaining balance of all of the Rent due under this Lease, discounted to present value at five percent (5%), together with any other amounts due under this Lease. You may also be required to pay us our residual interest in the Equipment. We shall also be entitled to recover from you all damages caused by your default. Interest shall accrue on all obligations due to us from the date of default until paid at the rate of eighteen percent (18%) per annum but only to the extent allowed by law. We can also use any of the remedies available to us under the UCC or any other law, including repossession of the Equipment or other collateral. You agree to reimburse us for all charges, costs, expenses and attorney's fees that we have to pay to enforce this Lease or collect the Obligations due from you to us under this Lease and if any lawsuit or other legal proceeding which we bring or defend. You also agree that in the event of a dispute related to or arising out of this Lease, we shall be entitled to recover our reasonable attorney's fees and costs. If we have to take possession of the Equipment, you agree to pay the cost of repossession, storing, shipping, repairing and selling the Equipment.

14. OTHER RIGHTS: Time is of the essence in this Lease. You agree that any delay or failure by us to enforce our rights under this Lease or any other agreements shall not prevent us from enforcing any rights at a later time. Both parties intend this Lease to be a valid and legal document and agree that if any part is determined to be unenforceable, all other parts will remain in full force and effect. If for any reason this Lease is not a true lease, then you also grant us a security interest in the Equipment and any proceeds of, accessions and attachments to the Equipment as security for your obligations to us. You agree that we may file financing statements or other related filings in our name or in your name.

15. LESSEE REPRESENTATIONS AND WARRANTIES: You hereby represent and warrant that at the time you sign this Lease you are and shall remain a business entity duly organized, validly existing, and in good standing under the laws of the state of organization; that your exact legal name, state of incorporation, location of your chief executive office and/or your place of residence as applicable, have been correctly identified to us. You further represent and warrant that at the time you sign this Lease the person executing this Lease or any related document on behalf of you or any related guarantor shall be authorized to make such action and bind you and the guarantor to the Lease, and that the execution, delivery and performance of this Lease is duly authorized by your organizational documents and, if necessary, resolutions of your directors and/or shareholders, partners, or managers and/or members.

16. RETURN OF EQUIPMENT; RENEWAL: If no default exists or has occurred under this Lease, you may at the end of the original or any renewal term, purchase all (but not less than all) of the Equipment for a sum set forth on the front of this Lease, plus any applicable taxes. If the Fair Market Value Purchase Option is indicated in the End of Term section on the front of this Lease then, at least 180 days but not more than 270 days prior to the end of the original Lease term, you must give us written notice, by certified mail, that you will purchase the Equipment for its fair market value, which we shall determine in our reasonable judgment, or that you will return the Equipment to us. If you do not give us such written notice or if you do not purchase or deliver the Equipment in accordance with the terms and conditions of this Lease, then this Lease shall automatically renew for a 12 month term, and thereafter renew for successive 3-month terms until you deliver the Equipment to us and all such Rent shall be the highest monthly rate set forth in this Lease. We may cancel the renewal by sending you written notice 90 days prior to such renewal term. This End of Term Option may become null and void at our discretion if any Event of Default occurs or continues at any time during the original term of the Lease. Upon payment of End of Term Option price, and if no default exists, we shall transfer our interest in the Equipment to you "AS-IS, WHERE-IS" without any representation or warranty whatsoever and this Lease will terminate. Provided you have given the required notice, and are not then in default, you shall return the Equipment, freight and insurance prepaid to us in good repair, condition, and working order, ordinary wear and tear excepted, in a manner and by a location designated by us. Until the End of Term Option price is actually paid, you will be responsible to continue to pay Rent at the monthly rate set forth in this Lease.

17. LATE CHARGE DEPOSIT: If any part of any obligation is not made by you within three (3) days of its due date, you agree to pay us the greater of: eighteen percent (18%) of each such late payment or \$25 (to the extent permitted by law). If two payments are not made by you within three (3) days of their due dates, you agree to increase your payment fee to 25% (25%). Any deposit will not bear interest and may be commingled by us with other funds. We may apply the deposit to any of your obligations or to any loss or damage that we suffer as a result of your default. If so applied, you will, on demand, reimburse the deposit to its full amount. On your payment of all obligations, provided that you are not otherwise in default, we will return the balance of the deposit to you or apply it to your final rent payment as you direct.

18. ENTIRE AGREEMENT; CHANGES; BINDING AGREEMENT: This Lease contains the entire agreement between you and us, and it may not be altered, amended, modified, terminated or otherwise changed except in writing and signed by both you and us. A limiting endorsement on a check or other form or payment will not be effective to modify the obligations or any of the other terms and conditions of this Lease; and we may apply any payment received without being bound by such limiting endorsements. This Lease is for the benefit of and is binding upon you and your personal representatives, successors and assigns.

19. CHOICE OF LAW; JURISDICTION: YOU AND WE AGREE THAT THIS LEASE SHALL BE BINDING WHEN ACCEPTED IN WRITING BY US AT OUR OFFICES AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AND WE EACH CONSENT TO THE JURISDICTION OF THE COURTS OF ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION FOR THE DETERMINATION OF ALL DISPUTES ARISING UNDER THIS LEASE. YOU WAIVE TRIAL BY JURY IN ANY ACTION BETWEEN US.

20. REPRESENTATIONS AND COVENANT OF LESSEE: You represent that all financial and other information furnished to us was, at the time of delivery, true and correct.

21. COUNTERPARTS: If this document was sent electronically, you hereby warrant that this document has not been altered in any way. Any alteration or revision to any part of this or any attached documents will make all such alterations or revisions non-binding and void. Only one counterpart of the Lease and of each Schedule or Addendum shall bear our ink signed signature and shall be marked "Original". To the extent that any Lease, Schedule or Addendum contains chancel paper (in that term is defined by the Uniform Commercial Code), a security interest may only be created in the Lease, Schedule, or Addendum that bears our ink signed signature and is marked "Original".

Lease Number: 230661-000

Initials 



Insurance Requirement Notification

Lease Agreement Number: 230661-000

Lessee Name: SECTOR111, LLC

Lessee Address: 41740 ENTERPRISE CIRCLE NO. #101

Temecula, CA 92590

The subject financing agreement requires you to keep the Equipment insured against all risks of loss or damage in an amount not less than the replacement cost of the Equipment. You will also need to obtain and maintain comprehensive public liability in the amounts of \$300,000/occurrence and \$600,000/aggregate.

Please notify your insurance provider to include the following information on the Certificates of Insurance:

1. Lease Number
2. Address of equipment location(s)
3. Balboa Capital Corporation and/or our assigns names as the sole lender loss payee on the property insurance
4. Balboa Capital Corporation and/or its assigns named as an additional insured on the public liability policy
5. All risks of loss or damage in an amount not less than the replacement cost of the Equipment.

The Certificate Holder should be listed as the following:

6. **Balboa Capital Corporation**
P.O. Box 15270
Irvine, CA 92623

In the event you do not provide these Certificates of Insurance as required by the time of funding, you agree that we have the right, but not the obligation, to obtain such insurance and charge you a fee and you agree to pay the fee when presented.

Refer to the **INSURANCE** Section of your Agreement, for the specific information related to insurance for this agreement.

Please submit your insurance certificates to: insurancedept@balboacapital.com

SL763C

EXHIBIT "8"

COMMERCIAL LEASE

THIS COMMERCIAL LEASE is entered into on December 18, 2015, by and between, S. Mapleton Holdings, LLC, a California limited liability company (referred to in this lease as "Landlord") and Sector 111, LLC, Delaware limited liability company (referred to in this lease as "Tenant").

Landlord hereby leases to Tenant on the terms and conditions set forth in this lease the real property located in the County of Riverside, California, described as follows: 26661 Pierre Cir. Murrieta, together with the building and other improvements located on the real property, all of which are collectively referred to in this lease as "the Premises."

ARTICLE I. TERM OF LEASE

Section 1.01 Term. The term of this lease shall be for a period of 20 years commencing at 12:01 A.M. on 1-1-16, and ending at 12:01 A.M. on 12-31-36, unless terminated sooner as provided in this lease.

Section 1.02 Option to Extend Term. Tenant shall have a one-time option to extend the term of this lease for an additional period of 10 years commencing on expiration of the original term specified in Section 1.01 of this lease provided:

- (a) Tenant is not then in default under this lease.
- (b) Written notice of Tenant's election to renew the term of this lease is delivered by Tenant to Landlord at least thirty days before expiration of the original term specified in Section 1.01 of this lease. This written notice shall be deemed effective on personal delivery to Landlord or on the date it is deposited in the United States mail in accordance with the provisions of Section 10.03.
- (c) The renewed term of this lease shall be subject to the same terms and conditions as are contained in this lease, except that the amount of rent payable under this lease for the renewed term shall be adjusted based on the then fair market value of the Premises, which shall be determined in accordance with Section 2.01(b) of this lease.

Section 1.03 Holding Over. If Tenant holds over and continues in possession of the Premises after termination of the term of this lease, including any extended term, Tenant's continued occupancy of the Premises shall be deemed merely a tenancy from month-to-month at a minimum rental of 150% of the per month rent Tenant previously paid under the last term, subject to all the terms and conditions, including the provisions for additional rent, but excluding the right of first refusal, contained in this lease.

**ARTICLE II.
RENT AND TAXES**

Section 2.01 Rent.

- (a) Tenant agrees to pay to Landlord during the original term of this lease specified in Section 1.01, rent in the following amounts, \$ 4500 per month on the first day of each and every month, commencing on the first day of Jan., during the first year of the term of this lease, which sum will be increased annually to (1) the fair market rent value or (2) an amount equal to the Landlords out of pockets expenses, excluding income tax.

Tenant shall pay all rent without deduction to Landlord at the address set forth in this lease for mailing notices to Landlord, or at any other place or places that Landlord may from time to time designate by written notice given to Tenant.

- (b) The amount of rent to be paid by Tenant under this lease during the extended term described in Section 1.02 shall be determined as provided in this section. At least 90 days but not more than 120 days before expiration of the original term of this lease described in Section 1.01, Landlord and Tenant shall each designate an appraiser who is a member of the American Institute of Real Estate Appraisers. Within 10 days after selection of the last of the two appraisers, the two appraisers chosen shall select a third appraiser. If a third appraiser is not selected within the time allotted, a third appraiser shall be selected by the American Arbitration Association, the cost of which shall be shared equally by Landlord and Tenant. All appraisal costs shall be shared equally by Landlord and Tenant.

The Premises shall be appraised according to their use at the time of appraisal. The appraised value of the Premises for purposes of calculating the rent adjustment provided for under this section shall be the average of the three appraisals.

The annual rent for the renewed term shall be adjusted to 1.5 percent of the appraised value of the Premises. The annual rent for the renewed term shall be payable in equal monthly installments and otherwise paid in the same manner as rent is required under Section 2.01 to be paid during the original term of this lease.

Section 2.02 Additional Rent for Increase in Taxes. Section 2.02. (a) Landlord shall pay all real property taxes and assessments levied or assessed against the leased premises during the term of this lease.

- (a) In addition to the rent specified in Section 2.01 of this lease, Tenant agrees to pay to Landlord as additional rent for the use and occupancy of the Premises the amount,

referred to in this lease as "additional rent," that is required to reimburse Landlord for the sole tenant of a freestanding building, 100 percent of the amount of all real property taxes (including general and special assessments) Tenant's responsibility for increases required under this section shall exist whether the increase is caused by an increase in assessed valuation of the land or the improvements of which the leased premises are a part, or by an increase in the tax rate.

- (b) The additional rent shall be due and payable by Tenant to Landlord within 30 days after service on Tenant by Landlord of written notice of the amount due under this section as additional rent, the manner in which that amount was computed by Landlord, and a receipt or other evidence showing the bill has been paid in full.
- (c) For purposes of this section, all taxes and assessments levied or assessed against the Premises during the first and last years of the term of this lease shall be prorated as of 12:01 A.M. Pacific time on the dates of commencement and expiration, respectively, of the term of this lease.
- (d) Tenant shall have the right, at Tenant's sole cost and expense, to protest or contest any tax or assessment, or any increase in any tax or assessment, levied or assessed against the Premises, but Tenant shall have no right to direct Landlord, pending final determination of the protest or contest, not to pay any tax or assessment before it becomes delinquent unless Tenant deposits with Landlord the full amount of that tax or assessment plus the amount of any penalty that will be imposed on the Premises for failure to timely pay the tax or assessment, and one year's interest at the rate charged by the government entity imposing the tax or assessment on the amount of the tax or assessment.

ARTICLE III. REPAIRS AND MAINTENANCE

Section 3.01 Present Condition of Premises. Tenant agrees and hereby stipulates with Landlord that the Premises are in good and tenantable condition on the date of this lease and that the improvements on the Premises have been constructed by Landlord and delivered to Tenant in good and tenantable condition and in accordance with plans and specifications approved by Tenant.

Section 3.02 Repairs by Landlord. During the term of this lease and any renewal or extension of the term of this lease, Landlord shall, at Landlord's own cost and expense, keep the exterior roof, sidewalls, structural supports, and foundation of the building on the Premises in good repair and make all necessary repairs to, or replacements of, the plumbing, heating, air conditioning, and electrical systems on the Premises; provided, however, Landlord shall not:

- (a) Be required to make any repairs to the exterior roof, sidewalls, structural supports, and foundations of the building on the Premises that are rendered necessary by the negligence of or abuse of that property by Tenant or any employees, agents, subtenants, or permittees of Tenant; or
- (b) Be liable for any damages resulting from Landlord's failure to make any repairs required by this section to be made by Landlord, unless Tenant gives written notice to Landlord specifying the need for the repairs and Landlord fails to make the repairs or to commence making the repairs within 45 days after Tenant gives notice.

Section 3.03 Repairs by Tenant. Except as provided in Section 3.02 of this lease, Tenant shall, at Tenant's own cost and expense, during the term of this lease or any extension of the term of this lease:

- (a) Keep and maintain the Premises in good order, repair, and tenantable condition, including maintaining yards, grounds, paving, building doors, and glazing in good order and repair;
- (b) Regularly employ a heating and air conditioning maintenance firm to service and maintain, except for major repairs and replacements, the heating and air conditioning system on the Premises in good working order;
- (c) Repair any defects in the exterior roof, sidewalls, structural supports, and foundations of the building on the Premises caused by the negligence of or abuse of the building by Tenant or any employees, agents, subtenants, or permittees of Tenant; and
- (d) Assume, and save Landlord harmless from the obligation of Landlord under any deeds.

Section 3.04 Tenant Alterations. Subject to the provisions of Section 3.06 of this lease, Tenant may make nonstructural alterations or improvements to the interior of the building deemed necessary by Tenant for Tenant's business without Landlord's approval, provided that Tenant notifies Landlord in writing at least three days before the date construction for alterations or improvements is to commence so that Landlord may post and record a notice of nonresponsibility, and further provided that all construction complies with the requirements of all appropriate government agencies. Before making any nonstructural alterations or improvements to the interior of the building that are estimated to exceed in cost the sum of \$10,000 or any structural alterations or improvements to the interior of the building or any alterations or improvements to the exterior of the Building or before constructing any new improvements on the Premises, Tenant shall submit to and obtain Landlord's written approval on final construction plans and specifications for the alterations or improvements. Landlord shall not unreasonably withhold approval. All improvements or alterations made by Tenant on the Premises shall comply with the requirements of any federal, state, or municipal authority

having jurisdiction.

Section 3.05 Tenant Improvements and Trade Fixtures.

- (a) Any alterations, improvements, or installations made by Tenant to the Premises shall at once become a part of the realty and belong to Landlord. On expiration or earlier termination of this lease, Tenant shall surrender the Premises and all improvements thereon to Landlord in good, sanitary, and neat order, condition, and repair, excluding ordinary wear and tear.
- (b) Tenant shall have the right to remove its trade fixtures from the Premises at the expiration or earlier termination of this lease term provided Tenant is not then in default under this lease and provided that Tenant shall repair any damage to the Premises caused by that removal.

Section 3.06 Liens.

- (a) Tenant agrees to keep all of the Premises and every part thereof and the building and other improvements at any time located on the Premises free and clear of any and all mechanics', materialmen's, and other liens for or arising out of or in connection with work or labor done, services performed, or materials or appliances used or furnished for or in connection with any operations of Tenant, any alteration, improvement, or repairs or additions that Tenant may make or permit or cause to be made, or any work or construction by, for, or permitted by Tenant on or about the premises, or any obligations of any kind incurred by Tenant. Tenant further agrees to pay promptly and fully and discharge any and all claims on which any such lien may or could be based, and to save and hold Landlord and all of the Premises and the building and any other improvements on the Premises free and harmless from any and all such liens and claims of liens and suits or other proceedings pertaining thereto.
- (b) If Tenant desires to contest any such lien, it shall notify Landlord of its intention so to do within 10 days after the filing of that lien. In such a case, and provided that Tenant on demand of Landlord protects Landlord by a good and sufficient surety bond against any such lien and any costs, liability, or damage arising out of that contest, Tenant shall not be in default hereunder until five days after the final determination of the validity thereof, within which time Tenant shall satisfy and discharge that lien to the extent held valid. The satisfaction and discharge of any such lien shall not, in any case, be delayed until execution is had on any judgment rendered on the lien, and that delay shall be a default of Tenant under this lease. In the event of any such contest Tenant shall protect and indemnify Landlord against all loss, cost, expense, and damage resulting from the contest.

Section 3.07 Landlord's Right of Inspection. Landlord or Landlord's duly authorized agents may enter the Premises at any and all reasonable times during the term of this lease, including any extended term, to determine whether Tenant is complying with the terms and conditions of this lease or to perform any other acts authorized by this lease to be performed by Landlord or reasonably necessary to protect Landlord's rights under this lease.

Section 3.08 Surrender of Premises. On expiration or earlier termination of this lease, Tenant shall promptly surrender possession of the Premises to Landlord in as good condition as the Premises are on the date of this lease, reasonable wear and tear excepted.

ARTICLE IV. USE OF PREMISES

Section 4.01 Permitted and Prohibited Use of Premises. Tenant shall use the Premises for operating and conducting a business for the manufacture of vehicles and for no other purpose without the written consent of Landlord. Landlord shall not unreasonably withhold consent. Under no circumstances during the term of this lease shall Tenant use or cause to be used in the business operated on the Premises any hazardous or toxic substances or materials, or store or dispose of any such substances or materials on the Premises.

Section 4.02 Compliance With Laws. The Premises shall not be used or permitted by Tenant to be used in violation of any law or ordinance. Tenant shall maintain the Premises in a clean and sanitary manner and shall comply with:

- (a) All laws, ordinances, rules, and regulations related to Tenant's specific use of the Premises, now in effect or subsequently enacted or promulgated by any public or governmental authority or agency having jurisdiction over the Premises (and specifically excluding any such laws and requirements which would pertain to any lawful use and occupancy of the Premises in contrast to Tenant's specific use); and
- (b) The recorded restrictions governing the industrial park in which the Premises are located, as amended from time to time.

Section 4.03 Signs. Tenant may erect and maintain any signs on the Premises relating to Tenant's business on the Premises, provided the signs so erected:

- (a) Comply with the rules and regulations of the architectural or other committee of the industrial park having jurisdiction over such matters in which the Premises are located;
- (b) Are removed at the sole cost and expenses of Tenant without damage to any building on the Premises or to the Premises on expiration or sooner termination of this lease;
- (c) Are erected by Tenant and not by some other person on space leased by Tenant without

Landlord's written consent to some other person for advertising purposes; and

- (d) Comply with any law or ordinance of any governmental agency having jurisdiction over the Premises.

ARTICLE V. INSURANCE

Section 5.01 Fire Insurance.

- (a) Tenant shall, at Tenant's own cost and expense, at all times during the full term of this lease and any extended term of this lease, keep all buildings, improvements, and other structures on the Premises insured for at least 90 percent of their full replacement cost against loss or destruction by fire and the perils, including vandalism and malicious mischief, commonly covered under the standard extended coverage endorsement in Riverside County, California. Any loss payable under any policy described in this section shall be paid by the insurance company to a trustee such as a joint control agency selected by the insurance company and used to fund the repair or replacement of the damaged building or improvement pursuant to Section 6.01 of this lease. Landlord shall be named as an additional insured on the policies and the policies shall also contain cross-liability endorsements.
- (b) "Full replacement cost," as used in this section, shall mean the actual cost of replacement for the building and other improvements on the Premises, as determined from time to time. If at any time during the term of this lease, Landlord believes that the full replacement cost has increased, Landlord shall notify Tenant in writing. If Tenant agrees with the increased full replacement cost set forth in Landlord's notice, Tenant shall, within 30 days of the notice, increase the amount of insurance carried to the amount stated in the notice. If the parties are unable to agree within the 30-day period, the increased full replacement cost, if any, shall be determined by the insurance carrier that is then carrying the largest amount of fire and extended coverage on the Premises. That determination shall be final and Tenant shall immediately increase the amount of insurance to the amount determined by that carrier. Increases in coverage pursuant to this section may be made not more often than every three years, unless otherwise agreed by Landlord and Tenant. Notwithstanding the preceding sentence, if Tenant makes improvements or alterations to the Premises during any given year of the term of this lease, Landlord may request an increase in coverage pursuant to the provisions of this section.

Section 5.02 Liability Insurance. Tenant shall, at Tenant's own cost and expense, secure and maintain during the entire term of this lease and any extended term of this lease, public liability, property damage, and products liability insurance, insuring Tenant and Tenant's

employees against all bodily injury, property damage, personal injury, and other loss or liability caused by or connected with Tenant's occupation and use of the Premises under this lease in amounts not less than:

- (a) \$1,000,000 for injury to or death of one person and, subject to the limitation for the injury or death of one person, of not less than \$2,000,000 for injury to or death of two or more persons as a result of any one accident or incident; and
- (b) \$500,000 for property damage. Landlord shall be named as an additional insured and the policy or policies shall contain cross-liability endorsements.

In the event that Landlord determines, in Landlord's reasonable judgment, that the limits of the public liability, property damage, or products liability insurance then carried by Tenant are materially less than the amount or type of insurance typically carried by owners or tenants of properties located in the same county in which the Premises are located, which are similar to and operated for similar business purposes as the Premises, Landlord may elect to require Tenant to increase the amount of specific coverage, change the type of policy carried, or both. If Landlord so elects, Tenant shall be notified in writing of the specific change in policy amount or type required and shall have 30 days after the date of Landlord's notice to effect the change in amount or type of policy. Unless otherwise agreed by Landlord and Tenant, any adjustment under this section may be made not more often than every two years.

Section 5.03 Tenant's Personal Property. Tenant shall at all times during the term of this lease and at Tenant's sole expense, keep all of Tenant's personal property, including trade fixtures and equipment and all merchandise of Tenant that may be in the Premises from time to time, insured against loss or damage by fire and by any peril included within fire and extended coverage insurance for an amount that will insure the ability of Tenant to fully replace the trade fixtures, equipment, and merchandise.

Section 5.04 Workers' Compensation Insurance. Tenant shall maintain in effect throughout the term of this lease, at Tenant's sole expense, Workers' Compensation insurance in accordance with the laws of California.

ARTICLE VI. DESTRUCTION OF PREMISES

Section 6.01 Duty to Repair or Restore. If any improvements, including buildings and other structures, located on the Premises are damaged or destroyed during the term of this lease or any renewal or extension thereof, the damage shall be repaired as follows:

- (a) If the damage or destruction is caused by a peril against which fire and extended

coverage insurance is required to be carried by Section 5.01 of this lease, Tenant shall repair that damage as soon as reasonably possible and restore the Premises and improvements to substantially the same condition as existed before the damage or destruction, regardless of whether the insurance proceeds are sufficient to cover the actual cost of repair and restoration. If insurance required to be carried by Section 5.01 of this lease has lapsed or not been carried, Tenant shall be solely responsible for the full cost and expense of necessary repairs.

- (b) If the damage or destruction is caused by a peril against which insurance is not required to be carried by this lease, Landlord, subject to its right to terminate this lease described in Section 6.02, shall repair that damage as soon as reasonably possible and restore the Premises to substantially the same condition as existed before the damage or destruction.
- (c) If the damage or destruction is caused either by a peril against which fire and extended coverage insurance is required by this lease to be carried or by a peril against which insurance is not required to be carried by this lease, Tenant expressly waives any right under Civil Code Sections 1931–1933 to terminate this lease for damage or destruction to the Premises.

**ARTICLE VII.
CONDEMNATION**

[Omitted]

**ARTICLE VIII.
INDEMNIFICATION**

Section 8.01 Tenant's Hold-Harmless Clause. Except as otherwise provided in Section 8.02, Tenant shall indemnify and hold Landlord and the property of Landlord, including the Premises, free and harmless from any and all liability, claims, loss, damages, or expenses, including counsel fees and costs, arising by reason of the death or injury of any person, including Tenant or any person who is an employee or agent of Tenant, or by reason of damage to or destruction of any property, including property owned by Tenant or any person who is an employee or agent of Tenant, caused or allegedly caused by (1) any cause whatsoever while that person or property is in or on the Premises or in any way connected with the Premises or with any improvements or personal property on the Premises; (2) some condition of the Premises or some building or improvement on the Premises; (3) some act or omission on the Premises of Tenant or any person in, on, or about the Premises with the permission and consent of Tenant; or (4) any matter connected with Tenant's occupation and use of the Premises.

Section 8.02 Landlord's Hold-Harmless Clause. Notwithstanding the provisions of Section 8.01 of this lease, Tenant shall be under no duty to indemnify and hold Landlord harmless from

any liability, claims, or damages arising because of Landlord's failure to make any repairs required by this lease to be made by Landlord or because of any negligence or willful acts of misconduct by Landlord or by any person who is an agent or employee of Landlord acting in the course and scope of its agency or employment. Landlord agrees to indemnify, defend, protect, and hold Tenant free and harmless from and against any liability, claims, or damages arising from or in connection with Landlord's failure to make any repairs required by this lease to be made by Landlord or because of any negligence or willful acts of misconduct by Landlord or by any person who is an agent or employee of Landlord acting in the course and scope of its agency or employment.

**ARTICLE IX.
DEFAULT AND REMEDIES**

Section 9.01 Remedies on Tenant's Default. If Tenant breaches this lease, Landlord shall have all remedies available under California law.

Section 9.02 Termination by Landlord. No act of Landlord, including but not limited to Landlord's entry on the Premises or efforts to relet the Premises, or the giving by Landlord to Tenant of a notice of default, shall be construed as an election to terminate this lease unless a written notice of the Landlord's election to terminate is given to Tenant or unless termination of this lease is decreed by a court of competent jurisdiction.

Section 9.03 Default by Tenant. All covenants and agreements contained in this lease are declared to be conditions to this lease and to the term hereby leased to Tenant. The following constitute a material default and breach of this lease by Tenant:

- (a) Any failure to pay rent when due when the failure continues for five days after written notice to pay that rent or surrender possession of the Premises is served on Tenant by Landlord.
- (b) Any failure to perform any other covenant, condition, or agreement contained in this lease when the failure is not cured within 20 days after written notice of the specific failure is given by Landlord to Tenant.
- (c) The bankruptcy or insolvency of Tenant, the making by Tenant of any general assignment for the benefit of creditors; the filing by or against Tenant of a petition to have Tenant adjudged a bankrupt or of a petition for reorganization or arrangement under the Bankruptcy Act (unless, in the case of a petition filed against Tenant, it is dismissed within 60 days); the appointment of a trustee or receiver to take possession of substantially all of Tenant's assets located at the Premises or of Tenant's interest in this lease, if possession is not restored to Tenant within 30 days; or the attachment, execution, or other judicial seizure of substantially all of Tenant's assets located at the

Premises or of Tenant's interest in this lease, when that seizure is not discharged within 15 days.

- (d) The abandonment or vacating of the Premises by Tenant (which, for purposes of this lease, shall mean Tenant's failure to occupy and operate the Premises for business for a period of at least 30 consecutive days.

The notices provided for in subsections (a) and (b) of this Section 9.03 are not intended to replace, but rather are in addition to, any required statutory notices for unlawful detainer proceedings under Code of Civil Procedure Section 1161 et seq.

Section 9.04 Cumulative Remedies. The remedies granted to Landlord in this Article shall not be exclusive but shall be cumulative and in addition to all other remedies now or hereafter allowed by law or authorized in this lease.

Section 9.05 Waiver of Breach. The waiver by Landlord of any breach by Tenant of any of the provisions of this lease shall not constitute a continuing waiver or a waiver of any subsequent default or breach by Tenant either of the same or a different provision of this lease.

ARTICLE X. MISCELLANEOUS

Section 10.01 Assignment and Subletting. Tenant shall not encumber, assign, sublet, or otherwise transfer this lease, any right or interest in this lease, or any right or interest in the Premises or any of the improvements that may now or hereafter be constructed or installed on the Premises without first obtaining the written consent of Landlord. Tenant shall not sublet the Premises or any part of the Premises nor allow any other person, other than Tenant's agents, servants, and employees, to occupy the Premises or any part of the Premises without the prior written consent of Landlord. Any encumbrance, assignment, transfer, or subletting without the prior written consent of Landlord, whether voluntary or involuntary, by operation of law or otherwise, is void and shall, at the option of Landlord, terminate this lease. The consent of Landlord to any assignment of Tenant's interest in this lease or the subletting by Tenant of the Premises or parts of the Premises shall not be unreasonably withheld.

Section 10.02 Utilities. Tenant shall pay all charges incurred for the furnishing of gas, electricity, water, telephone service, garbage or refuse service, and other public utilities to the Premises during the term of this lease. All payments shall be made directly to the service provider before their delinquency.

Section 10.03 Notices. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to either party to this lease by the other party shall be in writing and shall be deemed duly served

and given when personally delivered to the party to whom it is directed or to any managing employee or officer of that party or, in lieu of personal service, when deposited in the United States mail, first-class postage prepaid, addressed to Tenant or to Landlord at their business address. Either party, Landlord or Tenant, may change its address for purposes of this Section by giving written notice of that change to the other party in the manner provided in this section.

Section 10.04 Attorneys' Fees. If any litigation, including arbitration proceedings, is commenced between the parties to this lease concerning the Premises, this lease, or the rights and duties of either in relation to this lease, the party prevailing in that litigation shall be entitled, in addition to any other relief that may be granted in the litigation, to a reasonable sum as and for its attorneys' fees in the litigation, which shall be determined by the court in that litigation or in a separate action brought for that purpose.

Section 10.05 Binding on Heirs and Successors. This lease shall be binding on and shall inure to the benefit of the heirs, executors, administrators, successors, and assigns of each Landlord and Tenant, but nothing contained in this section shall be construed as a consent by Landlord to any assignment of this lease or any interest in this lease by Tenant.

Section 10.06 Time of Essence. Time is expressly declared to be of the essence in this lease.

Section 10.07 Sole and Only Agreement. This instrument constitutes the sole and only full, final, and complete agreement between Landlord and Tenant respecting the Premises, the leasing of the Premises to Tenant, and the lease terms contained in this lease, and correctly sets forth the obligations of Landlord and Tenant to each other as of its date. Any agreements or representations respecting the Premises or their leasing by Landlord to Tenant not expressly set forth in this instrument are null and void. All prior negotiations between the parties are subsumed into this lease to the extent they have been agreed to, and if not agreed to by the parties such negotiations are not set forth in the terms and conditions of this lease. This lease may not be extended, amended, modified, altered, or changed, except in a writing signed by Landlord and Tenant.

EXECUTED December __, 2015 at Temecula, California.

LANDLORD

TENANT

By:


Stacy Mapleton, Manager

By:

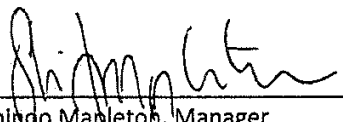

Shingo Mapleton, Manager

EXHIBIT "9"



Filing Number Inquiry

This Debtor Name Search was performed on 10/19/2016 16:59 with the following search parameters:

DEBTOR NAME: SECTOR111

City, State, Country: [Not Specified]

<u>View</u>	<u>Filing Number</u>	<u>Filing Type</u>	<u>Filing Date</u>	<u>Pages</u>	<u>Lapse Date</u>
▼	15-7493750465	Financing Statement	11/05/2015 11:48	1	11/05/2020
▼	16-75477585	Assignment	09/23/2016 11:54	1	N/A

Debtor - Organization	SECTOR 111 LLC	26661 PIERCE CIRCLE, MURRIETA, CA, USA 92562
Secured Party - Organization	FORUM CAPITAL, LLC A NEVADA LIMITED LIABILITY COMPANY	5990 CARTIER DR., RENO, NV, USA 89511-4564
Secured Party - Organization	COMMERCE BANK OF TEMECULA VALLEY	25220 HANCOCK AVENUE, STE. 140, MURRIETA, CA, USA 92562

Cancel

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company 800-858-5294
B. E-MAIL CONTACT AT FILER (optional)
C. SEND ACKNOWLEDGMENT TO: (Name and Address) CORPORATION SERVICE COMPANY 801 ADLAI STEVENSON DRIVE SPRINGFIELD, IL 62703 USA

DOCUMENT NUMBER: 57378710002
FILING NUMBER: 16-75477585
FILING DATE: 09/23/2016 11:54

IMAGE GENERATED ELECTRONICALLY FOR XML FILING
THE ABOVE SPACE IS FOR CA FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER 15-7493750465		1b. This FINANCING STATEMENT AMENDMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Filer: Attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13.																		
2. TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement.																				
3. ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9. For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8.																				
4. CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law.																				
5. PARTY INFORMATION CHANGE: Check one of these two boxes: <input checked="" type="checkbox"/> Debtor or <input type="checkbox"/> Secured Party of record. AND Check one of these three boxes for: <input type="checkbox"/> CHANGE name and/or address: Complete item 6a or 6b; and item 7a and 7b and item 7c. <input type="checkbox"/> ADD name: Complete item 7a or 7b, and item 7c. <input type="checkbox"/> DELETE name: Give record name to be deleted in item 6a or 6b.																				
6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)																				
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7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)																				
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8. COLLATERAL CHANGE: Also check one of these four boxes: <input type="checkbox"/> ADD collateral <input type="checkbox"/> DELETE collateral <input type="checkbox"/> RESTATE covered collateral <input type="checkbox"/> ASSIGN collateral. Indicate collateral: All inventory, accounts, equipment, chattel paper, instruments (including but not limited to all promissory notes), letter-of-credit rights, letters of credit, documents, deposit accounts, investment property, money, fixtures, other rights to payment and performance, and general intangibles (including but not limited to all software and all payment intangibles).																				
9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment). If this is an Amendment authorized by a DEBTOR, check here <input type="checkbox"/> and provide name of authorizing Debtor.																				
<table border="1"> <tr> <td rowspan="2">OR</td> <td colspan="4">a. ORGANIZATION'S NAME Commerce Bank of Tehucula Valley</td> </tr> <tr> <td>b. INDIVIDUAL'S SURNAME</td> <td>FIRST PERSONAL NAME</td> <td>ADDITIONAL NAME(S)/INITIAL(S)</td> <td>SUFFIX</td> </tr> </table>				OR	a. ORGANIZATION'S NAME Commerce Bank of Tehucula Valley				b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX								
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	b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX																
10. OPTIONAL FILER REFERENCE DATA: Debtor: Sector111, LLC [121703713]																				

FILING OFFICE COPY

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional) Corporation Service Company 800-858-5294				
B. E-MAIL CONTACT AT FILER (optional) 				
C. SEND ACKNOWLEDGMENT TO: (Name and Address) CORPORATION SERVICE COMPANY 801 ADLAI STEVENSON DRIVE SPRINGFIELD, IL 62703 USA				
DOCUMENT NUMBER: 51817080002 FILING NUMBER: 15-7493750465 FILING DATE: 11/05/2015 11:48 IMAGE GENERATED ELECTRONICALLY FOR XML FILING THE ABOVE SPACE IS FOR CA FILING OFFICE USE ONLY				
1. DEBTOR'S NAME: Provide only <u>one</u> Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here <input type="checkbox"/> and provide the Individual Debtor information in Item 10 of the Financing Statement Addendum (Form UCC1Ad)				
OR	1a. ORGANIZATION'S NAME Sector 111 LLC			
	1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
1c. MAILING ADDRESS 26661 Pierce circle		CITY Murrieta	STATE CA	POSTAL CODE 92562
2. DEBTOR'S NAME: Provide only <u>one</u> Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); if any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here <input type="checkbox"/> and provide the Individual Debtor information in Item 10 of the Financing Statement Addendum (Form UCC1Ad)				
OR	2a. ORGANIZATION'S NAME			
	2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
2c. MAILING ADDRESS		CITY	STATE	POSTAL CODE
3. SECURED PARTY'S NAME (or NAME of ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only <u>one</u> Secured Party name (3a or 3b)				
OR	3a. ORGANIZATION'S NAME Commerce Bank of Temecula Valley			
	3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX
3c. MAILING ADDRESS 25220 Hancock Avenue, Ste. 140		CITY Murrieta	STATE CA	POSTAL CODE 92562
4. COLLATERAL: This financing statement covers the following collateral: All inventory, accounts, equipment, chattel paper, instruments (including but not limited to all promissory notes), letter-of-credit rights, letters of credit, documents, deposit accounts, investment property, money, fixtures, other rights to payment and performance, and general intangibles (including but not limited to all software and all payment intangibles).				
5. Check <u>only</u> if applicable and check <u>only</u> one box: Collateral is <input type="checkbox"/> held in a Trust (see UCC1Ad, Item 17 and Instructions) <input type="checkbox"/> being administered by a Decedent's Personal Representative				
6a. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Public-Finance Transaction <input type="checkbox"/> Manufactured-Home Transaction <input type="checkbox"/> A Debtor is a Transmitting Utility			6b. Check <u>only</u> if applicable and check <u>only</u> one box: <input type="checkbox"/> Agricultural Lien <input type="checkbox"/> Non-UCC Filing	
7. ALTERNATIVE DESIGNATION (if applicable): <input type="checkbox"/> Lessee/Lessor <input type="checkbox"/> Consignee/Consignor <input type="checkbox"/> Seller/Buyer <input type="checkbox"/> Bailee/Bailor <input type="checkbox"/> Licensee/Licensor				
8. OPTIONAL FILER REFERENCE DATA: [107671230]				

FILING OFFICE COPY

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:

650 Town Center Drive, Suite 950, Costa Mesa, CA 92626

A true and correct copy of the foregoing document entitled (*specify*): **MOTION FOR ORDER: (1) AUTHORIZING THE SALE OF THE DEBTOR'S ASSETS PURSUANT TO 11 U.S.C. § 363(b)(1) FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES, AND OTHER INTERESTS, EXCEPT AS PROVIDED IN THE ASSET PURCHASE AGREEMENT, PURSUANT TO 11 U.S.C. § 363(f); (2) AUTHORIZING AND APPROVING THE ASSET PURCHASE AGREEMENT; (3) APPROVING BUYER AS A GOOD-FAITH PURCHASER PURSUANT TO 11 U.S.C. § 363(m); AND (4) AUTHORIZING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN UNEXPIRED LEASES AND EXECUTORY CONTRACTS PURSUANT TO 11 U.S.C. § 365** 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 October 27, 2016, 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:

☒ Service information continued on attached page

2. SERVED BY UNITED STATES MAIL:

On (*date*) October 27, 2016, 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.

Honorable Wayne E. Johnson
U.S. Bankruptcy Court – Central District of CA
3420 Twelfth Street, Suite 384/Courtroom 304
Riverside, CA 92501-3819

☒ 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 (*date*) _____, 2016, 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.

☐ Service information continued on attached page

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

10/27/2016
Date
#1092994

Lori Gauthier
Printed Name

/s/ Lori Gauthier
Signature

SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF):

- **Beth Gaschen** bgaschen@wglp.com,
kadele@wglp.com;lfisk@wglp.com;tziemann@wglp.com
- **United States Trustee (RS)** ustpreion16.rs.ecf@usdoj.gov

SERVED VIA FIRST-CLASS MAIL:

REFER TO ATTACHED

Sector111 LLP
Attn: Shinoo Mapleton
26661 Pierce Circle
Murrieta, CA 92562

Cherokee Associates Limited Ptnshp
Attn Authorized Agent
311 Cherokee Place
Charlotte, NC 28207

Franchise Tax Board
Attn: Bankruptcy
PO Box 2952
Sacramento, CA 95812-2952

Office of the US Trustee
3801 University Ave
Riverside, CA 92501

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Irvine, CA 92623

Employment Development Department
Bankruptcy Group MIC 92E
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Sacramento, CA 94280-0001

Internal Revenue Service
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Charlotte, NC 28211

James B Kelligrew
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Roanoke, VA 24018

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Long Beach, CA 90803

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Riverside, CA 92502

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