

**ATHLETIC CLUB**

September 25, 2013

Top Hat Plan Exemption
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue N.W., Room N-1513
Washington D.C. 20210

Re: The Belmont Athletic Club Stock Appreciation Rights Plan

Dear Sir or Madam:

Pursuant to Department of Labor Regulation §2520.104-23, this statement is filed in compliance with the reporting and disclosure requirements of Part 1 of Title I of the Employee Retirement Income Security Act of 1974. The Belmont- A Racquetball & Athletic Club, Inc. maintains a deferred compensation plan for a select group of management or highly compensated employees. The following information is provided in accordance with DOL Regulations §2520.104-23(b)(1):

The Belmont- A Racquetball & Athletic Club, Inc.
4918 East Second Street
Long Beach, California 90803

Employer Identification number: 45-5395153

It is hereby declared that The Belmont-A Racquetball & Athletic Club, Inc. maintains a plan primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

The number of top hat plans maintained by the Employer: One (1).

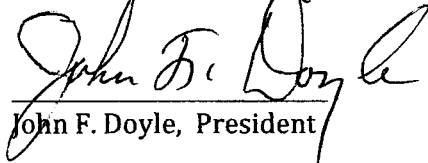
The number of Participants in this top hat plan is one (1).

The number of Participants in each of the other top hat plans maintained by the Employer: N/A.

The Plan was adopted effective September 1, 2013.

Sincerely,

THE BELMONT-A RACQUETBALL & ATHLETIC CLUB, INC.



John F. Doyle, President

Enclosures

THE BELMONT ATHLETIC CLUB
STOCK APPRECIATION RIGHTS PLAN

SECTION 1. PURPOSE

This Stock Appreciation Rights Plan (“SARs Plan” or “Plan”) is adopted by The Belmont – A Racquetball & Athletic Club, Inc., a California corporation (the “Company”) to further the long-term growth of the Company through grants of Stock Appreciation Rights in order to provide an incentive for key management employees of the Company to expand and improve the profitability of the Company, and to assist in attracting and retaining key personnel. The Plan is intended to constitute an unfunded “top hat” plan for a “select group of management or highly compensated employees” within the meaning of U.S. Department of Labor Resolutions Section 2520.104-23.

SECTION 2. DEFINITIONS

Whenever the following capitalized terms are used in the Plan they shall have the meanings specified below:

Account. “Account means the Account of the Participant as described in Section 7.3 of the Plan.

Award. “Award” or “SAR Award” means a grant of Stock Appreciation Rights under the Plan.

Award Agreement. “Award Agreement” means the written agreement between the Company and the Participant setting forth the terms and conditions of the Award and subject to Section 4.3 of the Plan.

Beneficiary. “Beneficiary” means the person designated pursuant to Section 12.6 of this Plan.

Board. “Board” means the Board of Directors of the Company.

Change of Control. “Change of Control” shall mean that (a) a person or group of persons (other than the ESOT or a trust established in connection with another employee benefit plan of Company) acquires beneficial ownership of more than 50% of the outstanding capital stock of

employer. This definition of Disability shall be interpreted consistently with the rules under Code Section 409A and any regulations or other guidance thereunder.

Distribution Event. “Distribution Event” shall mean the date the Participant becomes fully vested in some or all of his Stock Appreciation Rights in accordance with Section 5 of this Plan.

Effective Date. “Effective Date” means September 1, 2013, the date on which the SARs Plan takes effect.

Eligible Employee. “Eligible Employee” means a key management or highly compensated executive employee of the Company, as determined by the Committee, other than the Selling Shareholder.

ESOP. “ESOP” means The Belmont Athletic Club Employee Stock Ownership Plan effective January 1, 2012, as the same may be amended from time to time.

ESOT. “ESOT” means The Belmont Athletic Club Employee Stock Ownership Trust established by trust agreement which constitutes part of the ESOP.

Fair Market Value. “Fair Market Value” means the value per share of the common stock of the Company underlying each Award determined on the basis of the most recent independent appraisal performed for purposes of the ESOP for the plan year ending on or immediately prior to the date of grant, purchase, exercise, settlement or payment, as applicable, of the Award. If the exercise of the Stock Appreciation Right is triggered by a Change in Control, then the Fair Market Value per share of Common Stock shall be equal to the consideration payable per share of the common stock in the consummation of the Change in Control.

Participant. “Participant” means an Eligible Employee to whom a Stock Appreciation Right Award has been granted under the Plan.

Payment Date. “Payment Date” means the date on which payment will be made to Participant of the Fair Market Value of his or her vested account balance following a Distribution Event. If the Distribution Event arises from a Change of Control, a Participant’s Payment Date shall be the earlier of (i) the date that the selling shareholders initially receive

consideration for the sale of the Company's stock or assets or (ii) the last day of the Participant's taxable year in which the Distribution Event occurs. If the Distribution Event arises from any other occurrence other than a Change of Control, a Participant's Payment Date shall be the earlier of the (i) fifteenth (15th) day after the date that the independent appraisal performed for purposes of the ESOP for the applicable Plan Year is available or (ii) the last day of the Participant's taxable year in which the Distribution Event occurs.

Payment Event Date. "Payment Event Date" means the date upon which a Separation from Service (other than for Cause) or a Disability occurs with respect to a Participant, or there is a Change in Control.

Plan. "Plan" means this Belmont Athletic Club Stock Appreciation Rights Plan.

Plan Year. "Plan Year" means the twelve (12) month period beginning January 1 and ending the following December 31.

Retention SARs. "Retention SARs" means SAR Awards granted not on Company performance but solely on the Participant's continued employment with the Company, subject to the restrictions of Section 4.1 of this Plan.

Selling Shareholder. "Selling Shareholder" means the sellers in that certain stock purchase agreement dated June 11, 2012 by The Belmont – A Racquetball & Athletic Club, Inc., the Company, and The Belmont Athletic Club Employee Stock Ownership Trust, and the other parties referenced there in.

Separation from Service. "Separation from Service" means a separation by the Participant from the Company or a Subsidiary as contemplated by Section 409A of the Code and any regulations or other guidance thereunder.

Stock. "Stock" means the Common Stock of the Company, held by the ESOP.

Stock Appreciation Right (SAR). "Stock Appreciation Right" or "SAR" means a right to receive cash equal to the increase in value of one share of Stock from the date the SAR is granted through the date the SAR is exercised as described in Section 6 of the Plan.

Subsidiary. “Subsidiary” means a subsidiary corporation of the Company as defined in Section 424(f) of the Code.

Trustee. “Trustee” means the trustee of the ESOT.

SECTION 3. ELIGIBILITY

The Compensation Committee shall designate which Eligible Employee, if any, shall become eligible Participants in this Plan for each Plan Year. The Compensation Committee shall consider such factors as it deems pertinent in selecting Participants and in determining the type and amount of their respective Awards. The Committee’s designation of a Participant in any year shall not require the Compensation Committee to designate such person to receive SAR Awards in any other year.

SECTION 4. AWARDS

4.1 Maximum Number of SARs Awards. The maximum number of Retention SARs that may be granted under this Plan is 453,409, which number is equivalent to 12% of the outstanding shares of Stock of the Company on a fully diluted basis. The foregoing Award limit shall be subject to adjustment in accordance with Section 8. Any Award terminated or forfeited shall be available for subsequent Awards under the Plan.

4.2 Grant Criteria. Subject to the limitations described in Section 4.1, the Compensation Committee, in its sole discretion, may fix an amount of Awards for each Participant, based upon such performance criteria as the Compensation Committee, in its sole discretion, shall determine, including individual performance criteria and Company performance criteria.

4.3 Award Agreement. No person shall have any rights under any Award granted under the Plan unless and until the Company and the Participant to whom such Award shall have been granted shall have executed and delivered an Award Agreement or received any other Award acknowledgment authorized by the Committee expressly granting the Award to such person and containing provisions setting forth the terms of the Award. Each Award Agreement

will contain restrictive covenants approved by the Committee, restricting, among other things, the Participant's ability to compete with the Company or to solicit employees or customers of the Company.

SECTION 5. VESTING AND FORFEITURES

5.1 Vesting Service. A Participant must be continuously employed by, or perform services for, the Company through the vesting date as set forth in Section 5.2 below.

5.2 Vesting Dates.

(a) Participant Death or Disability. If a Participant Separates from Service as a result of death or becoming Disabled, the Participant's SAR Awards will be one hundred percent (100%) Vested.

(b) Change of Control. Upon a Change of Control, the Participant's SAR Awards shall be one hundred percent (100%) Vested.

(c) Vesting for SAR Awards. If not Vested earlier pursuant to above Subsections 5.2(a) and 5.2(b), the Participant's Account balance shall be one hundred percent vested upon payment in full of the Company Promissory Note issued to the Selling Shareholder dated June 11, 2012.

5.3 Forfeitures. On the date on which a Participant Separates from Service, the SAR Awards credited to a Participant's Account which have not become vested shall immediately be forfeited, and Company shall have no obligation to the Participant with respect to such forfeited amount. Forfeitures that occur under this Plan shall be retained in this Plan as ungranted Stock Appreciation Rights and may be reissued pursuant to Section 4.

SECTION 6. EXERCISE AND DISTRIBUTION

6.1 Exercise of SAR Awards. SAR Awards may be exercised during their term only to the extent vested pursuant to Section 5 above. The Participant shall notify the Company of Participant's intent to exercise by delivery of written notice in the form of the SAR Exercise Notice attached hereto as **Exhibit A**.

6.2 Payment of Incremental Value. Upon exercise of a SAR Award, the Participant shall be entitled to receive an amount equal to the excess, if any, of (a) the Fair Market Value of a share of Common Stock on the date of exercise over (b) the Exercise Price of such SAR Award established in the Award Agreement, which amount shall be payable as provided in this Section 6.

6.3 Distribution. The Company shall make a lump sum payment in cash to the Participant on the Payment Date; provided, however, the Company shall never make the lump sum payment later than the last day of the “applicable 2-1/2 month period” as defined in Treasury Regulation Section 1.409A-1(b)(4), except the Company shall have the right to defer such lump sum payment for the reasons and upon the conditions stated in Treasury Regulation Section 1.409A-1(b)(4)(ii) to the extent permitted by such 409A Regulations.

SECTION 7. ADMINISTRATION

7.1 Compensation Committee. This Plan will be administered by the Compensation Committee of the Company’s Board of Directors. If the Board fails to designate the Compensation Committee, the Board as a whole shall administer this Plan and all references to the “Committee” or “Compensation Committee” in this Plan shall be deemed references to the Board. Any member of the Compensation Committee may be removed at any time, with or without cause, by resolution of the Board and any vacancy occurring in the membership of the Compensation Committee may be filled by the Board’s appointment of a new member. The Compensation Committee, from time to time, may adopt rules and regulations for carrying out the purposes of this Plan.

7.2 Committee Authority. Subject to the express limitations of the Plan, the Compensation Committee has authority in its discretion to determine the Eligible Employees to whom, and the time or times at which, SAR Awards are granted and the number of SARs subject to each Award. The Compensation Committee shall have full discretionary authority to interpret the Plan, to make all factual determinations under the Plan, to establish the terms and provisions of Award Agreements, and to make all other determinations necessary or advisable for the administration of the Plan. The Compensation Committee has authority to prescribe, amend, and

rescind rules and regulations relating to the Plan, and to waive and modify vesting, performance and other conditions relating to Awards in its discretion, subject to the express limitations of the Plan, and so long as any such action on the part of the Compensation Committee shall not adversely affect a Participant's rights under any outstanding SAR Award without the consent of the affected Participant. All interpretations, determinations, and actions by the Compensation Committee will be final, conclusive, and binding upon all parties.

7.3 Accounts. The Compensation Committee shall establish and maintain a separate Account with respect to each Participant. A Participant's Account shall be credited with all grants of Stock Appreciation Rights made to the Participant and the Fair Market Value of each such grant from time to time. For each Plan Year, the Compensation Committee shall subsequent to the close of such Plan Year adjust each Participant's Account for the change in value of SAR Awards granted to the Participant and further adjust the Account to reflect any distributions or forfeitures.

7.4 Indemnity of Committee. All decisions, actions and interpretations of the Compensation Committee or the Board required under this Plan shall be in its sole discretion, not in a fiduciary capacity and need not be uniformly applied to similarly situated individuals. No member of the Compensation Committee or the Board shall be personally liable for any action taken with respect to this Plan, and Company shall defend, indemnify, and hold each such individual harmless, unless circumstances indicate the individual acted with gross negligence or willful misconduct.

SECTION 8. ADJUSTMENT

The aggregate number of SARs under the Plan and the value of each share of Stock represented by a SAR shall be equitably adjusted by the Compensation Committee for any increase or decrease in the number of issued and outstanding shares of Stock subsequent to the Effective Date of the Plan such as from a recapitalization, stock dividend, stock split, reverse stock split, or other similar non-cash distribution with respect to Stock. If the Company shall be the surviving corporation in any merger or consolidation, the number (and value) of outstanding SARs shall be equitably adjusted to reflect the number of shares of Stock to which a holder of the number of

shares of Stock represented by the SARs would have been entitled after the merger or consolidation.

SECTION 9. INTERNAL REVENUE CODE SECTIONS 409A AND 409(p)

9.1 Section 409A. This Plan is intended to conform to the provisions of Internal Revenue Code Section 409A and shall be interpreted and administered accordingly. In the event that any provision that is necessary for the Plan to comply with Code Section 409A is determined by the Compensation Committee to have been omitted, such omitted provision shall be deemed included in the Plan and is hereby incorporated as part of the Plan. The Board may adopt amendments to the Plan and the Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Board determines are necessary or appropriate to (a) exempt the Awards from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Awards, or (b) comply with the requirements of Section 409A of the Code and related Treasury Regulations guidance. If a Participant is assessed with any taxes and/or penalties due to a violation of Code Section 409A, then such taxes and/or penalties shall be paid by the Participant, and the Company shall not be responsible for any such payment of any such taxes or penalties.

9.2 Section 409(p). In the event Awards made or to be made under the Plan would violate the restrictions of Internal Revenue Code Section 409(p), the Compensation Committee, at its discretion, may accelerate the time of exercise of an Award, or reduce the amount of any Award to the extent necessary to avoid a violation of Code Section 409(p).

SECTION 10. NONTRANSFERABILITY

During a Participant's lifetime the Stock Appreciation Rights (or the cash equivalent of the current SAR Value) granted to the Participant under this Plan and any Stock Appreciation Rights Agreements may be paid only to the Participant or his or her legal representative. After a Participant's death the current SAR value may be paid only to the Participant's Beneficiary. No assignment or transfer of the Stock Appreciation Rights granted to a Participant under this Plan,

whether voluntary or involuntary, by operation of law or otherwise, except a transfer by will or by the laws of descent or distribution, shall vest in the assignee or transferee any interest or right whatsoever in the Stock Appreciation Rights granted to the Participant under this Plan.

SECTION 11: AMENDMENT AND TERMINATION

11.1 Amendment. The Board may, at any time, amend this Plan in whole or in part by written instrument, provided that no amendment shall reduce the number of Stock Appreciation Rights then outstanding under this Plan. Generally, the Company shall amend this Plan by action of the Board; however, the Compensation Committee may approve amendments to this Plan, without prior approval or subsequent ratification by the Board, if the amendment: (a) does not significantly change the benefits provided under this Plan (except as required by a change in applicable law); (b) does not significantly increase the costs of this Plan; and (c) the amendment is intended either to enable this Plan to remain in compliance with the requirements of the Code or other applicable law, to facilitate administration of this Plan, or to improve the operation of this Plan.

11.2 Termination. The Board may completely terminate this Plan by instructing the Committee not to grant any additional Awards; providing this Plan shall continue in effect (inclusive of the continuance of vesting accruals) with respect to then outstanding Awards until such time as all such outstanding Stock Appreciation Rights have ceased to exist due to forfeitures or distributions under this Plan.

SECTION 12. GENERAL PROVISIONS

12.1 No Rights as Stockholder. No Participant shall have any rights as a stockholder or shareholder of the Company, including the right to any dividends or the right to vote, as a result of the grant of Stock Appreciation Rights under this Plan.

12.2 No Right to Continued Employment. Nothing in the Plan or in any Award or Award Agreement under the Plan shall confer upon any Participant the right to continue to serve as an employee of the Company. Nothing in this Plan is intended to supersede the terms of any other agreement between the Company and a Participant.

12.3 Effect on Other Compensation and Benefit Plans. The amount of any compensation received by a Participant under the Plan shall not constitute compensation with respect to which any other employee benefits of such Participant are determined, including, without limitation, benefits under any bonus, pension, profit sharing, life insurance or salary continuation plan, except as otherwise specifically provided by the terms of such plan.

12.4 Tax Withholding. The Company shall withhold from payments of a Participant's SAR Award, or from other amounts due to the Participant from the Company, such amounts as it deems necessary to satisfy the obligations of the Company to withhold income, employment, payroll or other taxes due with respect to a Participant's benefits under the Plan.

12.5 Claims for Benefits. In the event of a dispute concerning a Participant's or Beneficiary's entitlement to benefits, the following procedures shall apply. The Participant or applicable Beneficiary, as the case may be, shall notify the Company's President of any dispute and shall make a written claim for benefits. Within ninety days after receipt of a written claim for benefits, the Compensation Committee shall notify the applicant of its decision with respect to the payment of benefits under the Plan. If special circumstances require an extension of time, the Compensation Committee shall notify the applicant of such circumstances within ninety days after receipt of the application, the Compensation Committee shall thereafter notify the applicant of its decision within 180 days after receipt of the application. If the application is denied in whole or in part, the Compensation Committee's notice of denial shall be in writing and shall state:

- (a) the specific reasons for denial with specific reference to pertinent Plan provisions upon which the denial was based;
- (b) a description of any additional materials or information necessary for the applicant to perfect his or her claim and an explanation of why the materials or information are necessary; and
- (c) an explanation of the Plan's claims review procedure.

12.6 Beneficiary Designation.

- (a) Each Participant shall have the right, at anytime, to designate in writing one or more persons or entities as a Beneficiary (both primary as well as secondary) to whom

benefits under this Plan shall be paid in the event of the Participant's death prior to complete distribution of the Participant's Account. In the event that no separate Beneficiary designation is made under this Plan, the Participant's Beneficiary designation made under the ESOP shall determine to whom benefits under this Plan shall be paid in the event of the Participant's death. If no election is made under either this Plan or the ESOP, then the default provisions of the ESOP shall determine the payment of benefits. The written form of Beneficiary designation shall be determined by the Compensation Committee, and the Compensation Committee shall also determine whether the form requires signatures in addition to the Participant's.

(b) If a married Participant designates the Participant's spouse as the Participant's Beneficiary, and subsequent to such designation, the Participant and the Participant's spouse are divorced, such designation shall automatically be voided. In this instance, the Participant's Beneficiary shall be the secondary Beneficiary, or if no such designation has been made, the Participant's designation as made under the ESOP. Should the Participant wish to designate an ex-spouse as his Beneficiary, he or she must affirmatively do so by completing a new Beneficiary designation form after the divorce, naming his or her ex-spouse as his or her Beneficiary.

12.7 Unfunded Plan. The Plan is intended to be an unfunded plan which provides benefits for a select group of management or highly compensated employees selected by the Compensation Committee of the Board, and the Plan is not required to include all management and highly compensated employees. The adoption of the Plan and any setting aside of cash amounts by the Company with which to discharge its obligations hereunder shall not be deemed to create a trust or other funded arrangement. The benefits provided under the Plan shall be a general, unsecured obligation of the Company payable solely from the its general assets, and no person shall have any interest in any assets of the Company by virtue of the Plan or any Award pursuant hereto, except as a general unsecured creditor of the Company. Notwithstanding the foregoing, the Company shall have the right to implement or set aside funds in a grantor trust subject to the claims of its creditors to discharge its obligations under the Plan.

12.8 Interests of a Participant. Participants and their Beneficiaries, heirs, successors, and assigns shall have no secured legal or equitable rights, interest or claims in any property or assets of Company, nor shall they be beneficiaries of, or have any rights, claims or interests in

any property or asset which may be acquired by the Company. Assets of the Company shall not be held under any trust for the benefit of Participants, their Beneficiaries, heirs, successors or assigns, or held in any way as collateral security for the fulfilling of the obligations of Company under this Plan. Any and all of Company's assets and properties shall be, and remain, the general, unpledged, unrestricted assets of Company. To the extent that any person acquires a right to receive payment from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of Company. Nothing contained in this Plan and no action taken pursuant to this Plan shall create or be construed to create a fiduciary relationship between Company, the Compensation Committee or the Board, on one hand, and any Participant or any other person, on the other hand.

12.9 Information Required. Each Participant shall file with the Compensation Committee such pertinent information concerning himself or herself as the Committee may specify, and no Participant or other person shall have any rights or be entitled to any benefits under this Plan unless such information has been filed by, or with respect to, the Participant.

12.10 Incapacity. If the Compensation Committee, in its sole discretion, shall find that any Participant is unable to care for his affairs because of illness or accident or is a minor, any payment due shall be made to the duly appointed guardian or other legal representative of the Participant. Any such payment shall be a complete discharge of the liabilities of Company under this Plan as to the amount paid.

12.11 Affect on Powers of Company. The existence of Stock Appreciation Rights shall not affect in any manner the right or power of Company to make, authorize or consummate: (a) any or all adjustments, recapitalizations, reorganizations or other changes in Company's capital structure or its business; (b) any merger or consolidation of Company; (c) any issue by Company of debt securities or stock; (d) the dissolution or liquidation of Company; (e) any sale, transfer or assignment of all or any part of the assets or business of Company; or (f) any other corporate act or proceeding, whether of a similar character or otherwise. No Participant shall have any voting rights with respect to any of the foregoing.

12.12 Notice. Any notice required to be given or delivered under the terms of the Plan or any Award Agreement shall be in writing and, if to the Company, addressed to the Company

at its principal corporate offices and directed to the Compensation Committee; and if to a Participant, addressed to the Participant at the address provided for the Participant in the Award Agreement. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

12.13 Governing Law. The laws of the State of California shall govern the validity and construction of all Awards and Award Agreements under the Plan, except to the extent that such laws may be preempted by federal law.

12.14 Plan Binding on Successors. The Plan shall be binding upon the Company, its successors and assigns, and the Participant, and his or her heirs, executors, and administrators.

12.15 Severability. If any provision of the Plan or any Award Agreement shall be determined to be illegal or unenforceable by any court of law, the remaining provisions hereof and thereof shall be severable and enforceable in accordance with their terms.

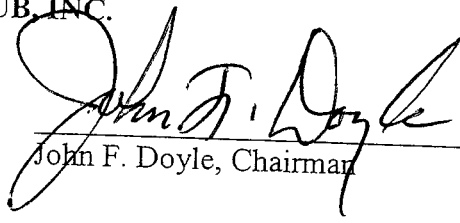
12.16 Captions and Gender. The captions preceding the sections and subsections of this Plan have been inserted solely as a matter of convenience and in no way define or limit the scope or intent of any provisions of this Plan. When the context admits or requires, words used in masculine gender shall be construed to include the feminine, the plural shall include the singular, and the singular shall include the plural.

12.17 Entire Plan. This Plan and the Stock Appreciation Rights Agreements entered into pursuant to this Plan shall contain the entire agreement among the parties pertaining to the subject matter of this Plan and the Stock Appreciation Rights Agreements and supersedes any and all prior agreements, representations and understandings of the parties, written or oral.

[Signature Page Follows]

To record the adoption of the Plan, the Company has caused this document to be executed this 23rd day of September, 2013.

THE BELMONT – A RACQUETBALL & ATHLETIC CLUB, INC.

By: 
John F. Doyle, Chairman



ATHLETIC CLUB
4918 East Second Street
Long Beach, California 90803

TOP HAT PLAN EXEMPTION
EMPLOYEE BENEFITS SECURITY ADMIN
U.S. DEPARTMENT OF LABOR
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