



McLaughlin & Quinn, LLC  
Attorneys at Law

133569

July 7, 2015

To: CREDITORS AND OTHER PARTIES OF INTEREST

Re: Brian J. McLaughlin, Robert and Sonia Russell vs. Outerlimits Offshore Powerboats, Ltd. ("Outerlimits"), C.A. No. PB-2015-2684

On June 29, 2015, the Rhode Island Superior Court in Providence County entered an Order Appointing Special Master (the "Order") appointing the undersigned as the Special Master of Outerlimits. A copy of the Order is enclosed. Pursuant to Paragraph 8 of the Order, the undersigned is required to send a copy of the Order to all of Outerlimits' known creditors and stockholders.

Also enclosed for your information is the Special Master's Emergency Petition for Instructions to Obtain Post-Petition Financing (the "Petition"). The Hearing on the Petition will be at 9:30 a.m. on July 14, 2015, at the Licht Judicial Complex, 250 Benefit Street, Providence, Rhode Island 02903. Creditors and other interested parties are welcome to attend the Hearing, but are not required to do so.

If you have any questions regarding this matter, you may contact the undersigned or Marcus Howell, Esq. at (401) 421-5115.

Very truly yours,

Jeffrey B. Cianciolo, Esq.  
as Special Master for Outerlimits Offshore Powerboats,  
Ltd. (and not individually)

// Enclosures

RECEIVED  
SECRETARY OF STATE  
CORPORATIONS DIV  
2015 JUL -8 AM 8:43

STATE OF RHODE ISLAND  
PROVIDENCE, SC

SUPERIOR COURT

BRIAN J. MCLAUGHLIN,  
ROBERT AND SONIA RUSSELL

VS.

C.A. No. PB-2015-2684

OUTERLIMITS OFFSHORE POWERBOATS  
LTD.

RECEIVED  
SECRETARY OF STATE  
CORPORATIONS DIV  
2015 JUL - 8 AM 8:43

**ORDER APPOINTING SPECIAL MASTER**

This action was scheduled for hearing on June 26, 2015, on the Petition for the Appointment of Special Master. Upon consideration thereof, it is hereby:

**ORDERED, ADJUDGED AND DECREED**

1. Petitioners' request for the appointment of a Special Master is hereby granted.
2. Jeffrey Cianciolo of Providence be and hereby is appointed the Special Master (the "Special Master") of the Respondent, Outerlimits Offshore Powerboats, Ltd. ("Outerlimits").
3. The Special Master is being appointed specifically to resolve certain issues, so as to conclude the purchase and sale of certain assets, as well as the assumption of certain liabilities, of Outerlimits under the supervision of and subject to the approval of this Court. In furtherance of such authority, the Special Master shall have the following powers:
  - a. To receive a formal offer from the Buyer to acquire the assets and assume certain liabilities of Outerlimits;
  - b. To negotiate an agreement with the Buyer, subject to Court approval, for the management and funding of the ongoing operations at Outerlimits under Court supervision;
  - c. To report to the Court within thirty (30) days of appointment regarding the status of a transaction with the Buyer, the assets to be acquired pursuant thereto, the assets that are not being acquired pursuant thereto, the liabilities that are being assumed pursuant thereto, the liabilities that are not being assumed pursuant thereto, and whether such transaction can be recommended to the Court for approval;
  - d. To report to the Court within thirty (30) days of appointment as to the known creditors of Outerlimits;
  - e. To report to the Court within thirty (30) days of appointment as to a plan for liquidating and resolving Federal and State tax obligations of Outerlimits;

- f. To report to the Court within thirty (30) days of appointment as to a plan to resolve any disputed shareholder issues;
- g. To have authority on behalf of Outerlimits to conclude the transaction with the Buyer and sell those assets being acquired thereunder free and clear of any claims, liens and encumbrances not being assumed by the Buyer subject to Court supervision and Court approval;
- h. Transactional procedures shall include notice to all creditors of Outerlimits and a hearing on the proposed sale in an expedited timeframe; and
- i. To report to the Court as to a post-closing process for Outerlimits to address liens, claims and encumbrances not being assumed by the Buyer.

4. That said Special Master shall, no later than five (5) days from the date thereof, file a bond in the sum of \$10,000.00 with any surety company authorized to do business in the State of Rhode Island as surety thereon, conditioned that the Special Master will well and truly perform the duties of said office and duly account for all monies and property which may come into the Special Master's hand and abide by and perform all things which the Special Master will be directed to do by this Court.

5. Pursuant to this Court's equitable authority, this Court finds that the designation of the afore-described person for appointment as Special Master herein is warranted and required because of the Special Master's specialized expertise and experience in complex business transactions and in administering non-routine Special Masterships which involve unusual or complex legal, financial, or business issues.

6. That the Special Master shall continue to discharge said Special Master's duties and trusts hereunder until further order of this Court; that the right is reserved to the Special Master and to the parties hereto to apply to this Court for any other or further instructions to said Special Master and that this Court reserves the right, upon such Notice, if any, as it shall deem proper, to make such further orders herein as may be proper, and to modify this Order from time to time.

7. That the commencement, prosecution, or continuance of the prosecution, of any action, suit, arbitration proceeding, hearing, or any foreclosure, reclamation or repossession proceeding, both judicial and non-judicial, or any other proceeding, in law, or in equity or under any statute, or otherwise, against Outerlimits or any of its property, in any Court, agency, tribunal, or elsewhere, or before any arbitrator, or otherwise by any creditor, stockholder, corporation, partnership or any other person, or the levy of any attachment, execution of other process upon or against any property of Outerlimits, or the taking or attempting to take into possession any property in the possession of Outerlimits or of which Outerlimits has the right to possession, or the cancellation at any time during the Special Mastership proceeding herein of any insurance policy, lease or other contract with Outerlimits, by any of such parties as aforesaid, other than the Special Master designated as aforesaid, or the termination of telephone, electric, gas or other utility service to Outerlimits, by any public utility, without prior approval thereof from this Honorable Court, in which connection said Special Master shall be entitled to prior notice and an opportunity to be heard, are hereby restrained and enjoined until further Order of this Court. This paragraph shall not apply to prosecution of this action by the parties to this

action. This order is without prejudice to and with reservation of all rights of the parties to take discovery, make motions, and to otherwise prosecute the claims and defenses in this action.

8. The Special Master shall give notice of this Order by mailing, on or before 7/7, 2015, a copy of said Order Appointing Special Master to each of Outerlimits creditors and stockholders whose address is known or may become known to the Special Master.

BY ORDER:

*Takesha M. Lopes*  
Asst. Clerk, Superior Court

ENTER:

*/s/ Michael H. Silverstein*  
Associate Justice  
6/29/2015

Submitted by:

Brian J. McLaughlin and Robert  
and Sonia Russell

By their Attorneys,

/s/ Michael Pisaturo

Michael Pisaturo (#5936)  
Law Office of Michael Pisaturo  
1312 Atwood Avenue, Suite A  
Johnston Rhode Island 02919  
Tel.: (401) 464-8111  
E-mail: [mpisaturo@conversent.net](mailto:mpisaturo@conversent.net)

Dated: June \_\_, 2015



continue with operations. Since that date, Brian McLaughlin and Joseph Sgro have apparently provided and advanced considerable funding to continue with operations.

4. Based upon projections assembled by Outerlimits' employees, Outerlimits will not be able to operate in Mastership without post-petition funding to cover shortfalls in operating capital.

5. As one of Outerlimits' principal creditors, Joe Sgro formed an entity, Outerlimits Powerboats (the "Buyer"), and is prepared to buy certain assets of Outerlimits and assume certain liabilities pursuant to a Court-supervised process. Outerlimits Powerboats has since provided necessary funding for the ongoing operations of Outerlimits.

6. Moreover, on or about July 7, 2015, Outerlimits Powerboats presented an offer for the purchase of the assets of Outerlimits to the Special Master.

7. In addition, in an attempt to continue business operations of Outerlimits, the Special Master requests the authority to enter into a Management Services Agreement with the Buyer consistent with the terms and conditions attached hereto as *Exhibit A*.

8. As the Buyer has a long-standing relationship with Outerlimits, its employees, and critical vendors, as well as years of experience in offshore powerboat racing, the Special Master requests that the Outerlimits Powerboats be engaged as the Manager for the operations of Outerlimits.

9. Further, the Special Master believes that obtaining post-Petition financing is crucial in order to continue operations of Outerlimits. In turn, Outerlimits Powerboats has stepped forward and agreed, subject to the Financing Proposal attached hereto as *Exhibits B1 and B2*, respectively, to invest the funds necessary to continue operations of Outerlimits in order to preserve the value of the Mastership Estate.

10. In addition, the terms and conditions under which Outerlimits Powerboats is prepared to provide the post-Petition loan financing to the Special Master include the following:

- a. As further protection for the Mastership Estate's obligations arising under the Financing Proposal, Outerlimits Powerboats shall have a super-priority claim in these proceedings for such post-Petition financing, subordinate only to the Special Master's and his counsel's administrative fees and expenses, as approved by this Court;
- b. Outerlimits Powerboats super-priority position shall be limited to the revenues generated from the sale of any boats delivered to customers on or after August 1, 2015; and
- c. It is the express intent of Outerlimits Powerboats to forgive the repayment of any such post-petition financing, as well as any management fees accrued under the Management Services Agreement, if and only if, Outerlimits Powerboats or its designee, is the Court-approved purchaser of the assets of Outerlimits Offshore Powerboats Ltd. pursuant to the offer submitted by Outerlimits Powerboats and received by the Special Master on or about July 7, 2015.

11. The Special Master believes that it is in the best interest of the Mastership Estate that the Special Master be authorized to enter into a proposal for post-Petition financing with Outerlimits Powerboats on the terms described in the Financing Proposal at six percent (6%) interest per annum, in order to preserve the value of the Mastership Estate. Absent the above-referenced financing, there is a real likelihood that the value of the assets of this Estate will be drastically, if not entirely reduced.

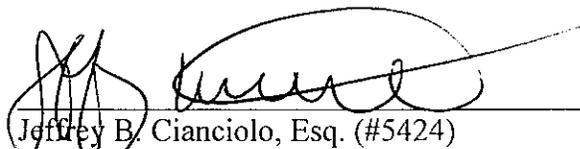
12. In view of the financial circumstances of the Mastership Estate, it is the opinion of your Special Master, that the Estate would be unable to obtain such financing from alternative sources based upon the same terms and conditions as provided in the Financing Proposal.

13. Moreover, the Special Master believes that it is in the best interest of the Mastership Estate for the Special Master to be authorized to borrow from Outerlimits Powerboats, so that the operations of Outerlimits may continue.

WHEREFORE, the Special Master respectfully requests that this Court authorize your Special Master on an Emergency Basis to obtain post-Petition financing based upon the terms and conditions set forth herein and those terms and conditions set forth in the proposed Order authorizing the Special Master to obtain post-Petition financing, a copy of which is attached hereto as *Exhibit C*, and further, authorize the Receiver to execute any and all loan documents necessary to effectuate the Financing Proposal.

Respectfully submitted,

Jeffrey Cianciolo, Esq., In and Only In His Capacity  
As Special Master for Outerlimits



Jeffrey B. Cianciolo, Esq. (#5424)  
148 West River Street, Suite 1E  
Providence, Rhode Island 02904  
Telephone: 401 421-5115 x 219  
Fax: 401 421-5141  
Email: [jcianciolo@mclaughlinquinn.com](mailto:jcianciolo@mclaughlinquinn.com)

Dated: July 7, 2015

*Exhibit A*

MANAGEMENT SERVICES AGREEMENT

BETWEEN

OUTERLIMITS POWERBOATS, INC.

AND

THE COURT-APPOINTED SPECIAL MASTER FOR OUTERLIMITS OFFSHORE  
POWERBOATS, LTD.

DATED AS OF July \_\_\_, 2015

TABLES OF CONTENTS

ARTICLE I	RETENTION OF MANAGER .....
ARTICLE II	TERM .....
ARTICLE III	RIGHTS AND DUTIES OF MANAGER.....
ARTICLE IV	RIGHTS AND DUTIES OF SPECIAL MASTER.....
ARTICLE V	COMPENSATION AND DISTRIBUTIONS.....
ARTICLE VI	TERMINATION RIGHTS .....
ARTICLE VII	INDEMNIFICATION; EXPENDITURE LIMITATION .....
ARTICLE VIII	CONFIDENTIALITY; NON-SOLICITATION.....
ARTICLE IX	REPRESENTATIONS AND WARRANTIES .....
ARTICLE X	SUCCESSORS AND ASSIGNS .....
ARTICLE XI	MISCELLANEOUS PROVISIONS .....

STATE OF RHODE ISLAND  
PROVIDENCE, SC

SUPERIOR COURT

BRIAN J. MCLAUGHLIN,  
ROBERT AND SONIA RUSSELL

:  
:  
:  
:  
:  
:  
:

VS.

C.A. No. PB-2015-2684

OUTERLIMITS OFFSHORE POWERBOATS  
LTD.

**MANAGEMENT SERVICES AGREEMENT**

THIS MANAGEMENT SERVICES AGREEMENT (this "Agreement") is made and entered into as of July \_\_, 2015, between Outerlimits Powerboats, Inc. ("Manager") and Jeffrey Cianciolo, Esq. as Court-appointed Special Master (the "Special Master"), and only as Special Master of Outerlimits Offshore Powerboats, Ltd. ("OuterLimits").

**Introductory Statement**

The Special Master has been appointed by the Rhode Island Superior Court, inter alia, to oversee the operations ("Operations") of the Outerlimits custom offshore powerboat manufacturing facility in Bristol, Rhode Island (the "Facility"), and in connection therewith desires to engage Manager to manage the Operations on behalf of the Special Master. (The Operations and the Facility are hereafter collectively referred to as the "Business Operations of Outerlimits").

Special Master and Manager are entering into this Agreement to set forth the general terms by which the Business Operations of Outerlimits will be managed by Manager.

NOW, THEREFORE, in consideration of the promises and covenants herein contained and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

**RETENTION OF MANAGER**

1.1 Retention. For and during the Term (as defined in Article II hereof) of this Agreement, Special Master hereby grants to Manager the sole and exclusive right, and employs Manager, to supervise, manage, and operate the Business Operations of

Outerlimits in Mastership subject to the authority of the Special Master and the Mastership Court, upon the terms and conditions herein set forth; provided, however, that throughout the Term of this Agreement, Special Master or its authorized representative(s) may exercise any duties or responsibilities delegated to Manager in the event Special Master deems such action to be reasonably desirable or necessary.

1.2 Acceptance. Manager accepts such appointment and agrees that it will (a) perform its duties and responsibilities hereunder in accordance with this Agreement, (b) use commercially reasonable efforts to supervise and direct the management and operation of the Business Operations of Outerlimits in an efficient and cost effective manner and comply, in all material respects, with all applicable court orders, statutes, ordinances, rules and regulations established by any court or governmental authority having jurisdiction over the Business Operations of Outerlimits (the "Laws"); and (c) consult with Special Master and keep Special Master advised of all major policy matters relating to the Business Operations of Outerlimits , and all other matters into which the Special Master inquiries from time to time. Subject to the foregoing and to the other provisions of this Agreement, including Section 1.1 hereof, Manager, without the approval of the Special Master (unless such approval is herein specifically required as to policies and manner of operation), shall have, consistent with the Laws, the control and sole discretion with regard to the operation and management of the Business Operations of Outerlimits for all customary purposes (including the exercise of its rights and performance of its duties provided for in Article III hereof), and the right to determine all policies affecting the appearance, maintenance, standards of operation, quality of service, and any other matter affecting the Business Operations of Outerlimits or the operation thereof.

1.3 Special Mastership.

(a) The Special Master shall be the holder of the respective licenses, permits and contracts pertaining to the Business Operations of Outerlimits (subject to Section 3.7 hereof.

(b) The Special Master hereby consents and allows Manager to utilize the name "Outerlimits Powerboats, Inc." throughout the Term of this Agreement. Upon a Court-approved sale of the Mastership Estate, the Special Master may assign said name.

## ARTICLE II

### TERM

The term (the "Term") of this Agreement begins on the date hereof (the "Commencement Date") and shall continue for a minimum of six months (until

December 31, 2015) (the "Termination Date") until terminated as provided for in Article VI hereof. Upon the Termination Date, the Special Master may request the Court to extend this Agreement.

### ARTICLE III

#### RIGHTS AND DUTIES OF MANAGER

During the Term of this Agreement, and in the course of its management and operation of the Business Operations of Outerlimits and in consultation with the Special Master if so requested by the Special Master, the Manager has the following rights:

3.1 Employees. Manager shall hire, promote, discharge, and supervise the work of all operating and service employees performing services in and about the Business Operations of Outerlimits. All of such employees shall be employees of the Special Master and the aggregate compensation, including fringe benefits, with respect to such employees shall be charged to the Special Master as an expense of the operation of the Business Operations of Outerlimits. The term "fringe benefits" as used herein shall include, if applicable, but not be limited to, the employer's contribution of FICA, unemployment compensation, and other employment taxes, retirement plan contributions, workman's compensation, group life, accident, and health insurance premium, profit sharing contributions, disability, and other similar benefits paid or payable by Manager for the employees of the Business Operations of Outerlimits. The cost of same shall be charged to the Special Master as an expense of the Business Operations of Outerlimits.

Notwithstanding anything to the contrary hereinabove, Manager has the right to remove or discharge any of the employees of the Business Operations of Outerlimits.

3.2 Purchases. Manager shall supervise the purchasing by Outerlimits staff of operating supplies, and other materials and supplies, in the name of and for the account and at the expense of the Special Master, as may be needed from time to time for the maintenance and operation of the Business Operations of Outerlimits. The Special Master shall have the right from time to time to review such purchases with Manager and to provide input with respect thereto.

3.3 Sales and New Orders. The Manager shall continue Outerlimits' marketing and sales efforts. The Manager may submit proposed customer contracts to the Special Master as obtained, so as to continue Outerlimits as a going concern.

3.4 Ancillary Services, Utilities, Etc. Manager shall enter into such contracts in the name of and at the expense of the Special Master as may be deemed necessary or advisable for the furnishing of all ancillary services, utilities, concessions, supplies and other services as may be needed from time to time to support the business operations

and manufacturing of custom offshore powerboats, provided, however, that any contract or arrangement requiring an expenditure in excess of Twenty-Five Thousand Dollars (\$25,000.00) in any one (1) year, or which is for a term in excess of one (1) year and is not terminable upon thirty (30) days notice, shall be subject to the review and written approval of the Special Master.

3.5 Licenses and Permits. Manager shall apply for and use commercially reasonable efforts to obtain and maintain in the name and at the expense of the Special Master, all licenses and permits required in connection with the management and operation of the Business Operations of Outerlimits. The Special Master agrees to cooperate with Manager in applying for, obtaining, and maintaining such licenses and permits.

3.6 Governmental Regulation.

(a) Manager shall take such action as shall be reasonably necessary to insure that the Business Operations of Outerlimits and the management thereof by Manager comply with all federal, state and local laws, regulations and ordinances applicable to the Business Operations of Outerlimits or the management thereof by Manager.

(b) Manager shall promptly provide to the Special Master as and when received by Manager, all notices, reports or correspondence from governmental agencies that assert deficiencies or charges against the Business Operations of Outerlimits or that otherwise relate to the suspension, revocation, or any other action adverse to any approval, authorization, certificate, determination, license or permit required or necessary to own or operate the Business Operations of Outerlimits. Subject to the Special Master's prior written approval, Manager may appeal any action taken by any governmental agency against the Business Operations of Outerlimits; provided, however, that the Special Master shall adequately secure and protect Manager from loss, cost, damage or expense by bond or other means reasonably satisfactory to Manager in order to contest by proper legal proceedings the validity of any such statute, ordinance law, regulation or order, provided that such contest shall not result in the suspension of the Business Operations of Outerlimits; and, provided, further, that the Special Master shall have no obligation to secure and protect Manager from any loss, cost, damage or expense that arises directly out of Manager's breach of any of its covenants, duties or obligations under this Agreement.

3.7 Taxes. Manager shall cause all taxes, assessments, and charges of every kind imposed upon the Business Operations of Outerlimits by any governmental authority, including interest and penalties thereon (collectively, "Taxes"), to be paid when due from funds of the Business Operations of Outerlimits. Manager shall not cause such Taxes to be paid if (a) such Taxes are in good faith being contested by the

Special Master at its sole expense and without cost to Manager, (b) enforcement for non-payment of such Taxes is stayed, and (c) the Special Master shall have given Manager written notice of such contest and stay and authorized the non-payment thereof, not less than ten (10) days prior to the date on which such Taxes are due and payable. Interest or penalty payments shall be reimbursed by Manager to the Special Master if imposed upon the Special Master by reason of the gross negligence on the part of Manager in making the payment for Taxes if funds are available therefor. Manager shall notify the Special Master of all Taxes assessed against the Business Operations of Outerlimits to Manager's knowledge, other than in the normal course of business.

3.8 Insurance. Manager shall apply for, obtain and maintain on behalf of the Special Master, all insurance (a) necessary or required for the Business Operations of Outerlimits and (b) consistent with the Special Master's obligations under any agreements with holders of secured debt on the Business Operations of Outerlimits. The cost of such insurance shall be charged to the Special Master as an expense of the Business Operations of Outerlimits and shall be paid by the Special Master out of funds of the Business Operations of Outerlimits. Manager shall provide the Special Master with Certificates of Insurance evidencing such insurance. All insurance obtained by Manager shall be effected by policies issued by insurance companies of good reputation and of sound and adequate financial responsibility. All liability insurance policies shall be carried in the name of the Special Master and Manager and any losses payable under such policies shall payable to the Special Master and Manager as their respective interests shall appear. The record the Special Master of the Business Operations of Outerlimits and any lender of secured debt on the Business Operations of Outerlimits shall be named as mortgagee and, along with the Special Master and Manager, additional insured (as appropriate) on the property insurance and the comprehensive general liability insurance policies. Manager shall not be liable to the Special Master or any other person if it fails to obtain and/or maintain any such insurance policies if the failure is not due to Manager's negligence (e.g., it is a result of the Special Master's failure to make monies available to Manager to pay the premiums on any such insurance policies).

Unless otherwise set forth herein to the contrary, the Special Master and Manager each hereby waive any right of recovery against the other party for any claims that may be brought for any loss which is covered by fire and extended coverage insurance upon or relating to the Business Operations of Outerlimits and the furnishings and equipment thereon. This waiver of subrogation shall be valid and binding only in the event it is recognized and accepted by the fire and hazard insurance companies issuing policies required hereunder. Each party further agrees that its sole source of reimbursement of loss or damage shall be the insurance proceeds of the policies to be provided hereunder and that the other party shall not be liable for any damage or loss in excess of such insurance coverage. Nothing contained herein shall be deemed by either party to be a release, relinquishment and/or forfeiture of subrogation

rights, if any, exercisable by any insurance carriers under the terms and conditions of insurance policies applicable to the matters contained in this paragraph.

Subject to the provisions of this Section 3.8, Manager shall secure certificates of such insurance for the Business Operations of Outerlimits, shall maintain the original of all such policies at the office of the Manager, if requested, shall deliver copies of such original policies to the Special Master. Manager shall provide prompt written notice to the Special Master of any modification, termination or cancellation of any insurance policy for the Business Operations of Outerlimits.

Subject to the prior review and written approval of the Special Master, any insurance of the character described in the foregoing provisions of this Section 3.8 may be effected by Manager through policies of blanket insurance or through self-insurance programs which may cover other properties or locations of Manager and its subsidiaries or affiliates, the premium or other cost for which will be prorated among the various properties, including the Business Operations of Outerlimits covered by said policies and such allocated portion of said premium cost shall be borne by the Special Master.

3.9 Legal Actions. Manager shall promptly notify the Special Master of all threatened or pending legal actions to which Manager has knowledge. Subject to the Special Master's prior written approval, Manager shall institute, in the Special Master's name and at the Special Master's expense, any and all legal actions or proceedings to collect charges, rent, or other sums due the Business Operations of Outerlimits or to lawfully oust or dispossess tenants or other persons in possession under, or lawfully cancel, modify, or terminate any lease, license, or concession agreement for the breach thereof or default thereunder by the tenant, licensee, or concessionaire. Additionally, subject to the Special Master's prior written approval (not to be unreasonably withheld), Manager may take, at the Special Master's expense, appropriate steps to protect and/or litigate to final judgment in any appropriate court any violation or order affecting the Business Operations of Outerlimits.

3.10 Management Services. Without limitation, Manager shall provide the Business Operations of Outerlimits with all of the customary management services and techniques which it employs in operating other facilities which it manages and consistent with industry practices which may be applicable to and beneficial to the Business Operations of Outerlimits.

3.11 Statements and Projections. Manager shall prepare or cause to be prepared the following financial statements and projections:

(a) Two (2) week cash flow projections ("Two-Week Look Aheads"), to be delivered to the Special Master.

(b) As soon as available but in any event within ten (10) days after the Commencement Date, Manager shall prepare and deliver to the Special Master an itemized budget for the Business Operations of Outerlimits for the thirty (30)-day period following and the ninety (90)-day period following, to be updated monthly thereafter for rolling thirty (30)-day and ninety (90)-day periods, which budgets shall be subject to the written approval of the Special Master, which consent shall not be unreasonably withheld. The itemized budgets shall cover all projected revenues and expenses of the Business Operations of Outerlimits for the applicable budget periods. The Manager shall obtain an itemized budget reflecting administrative fees and expenses of the Mastership for the thirty (30)-day period following, to be incorporated within the Manager's thirty (30)-day and ninety (90)-day budgets. Once the Special Master has approved the Manager's proposed budgets in writing (the "Approved Budgets"), then Manager shall be entitled to incur all expenses and liabilities described in this Agreement in substantial compliance with the Approved Budgets. Except under exigent circumstances, Manager shall not, without the prior written consent of the Special Master, incur any expenses or liability on behalf of Manager, the Business Operations of Outerlimits or the Special Master in material deviation from the Approved Budgets. Manager shall be available to meet with the Special Master at Manager's offices on a regular basis to review the Approved Budgets relative to actual results of operations of the Business Operations of Outerlimits. If in the reasonable opinion of the Special Master, Manager has not achieved or under the circumstances it appears the Manager will not achieve substantial compliance with a budget or budgets, or in the event that it appears the Business Operations of Outerlimits cannot be operated on a positive cash flow basis, or the Special Master's accountant advises that the cash flow of the Business Operations of Outerlimits is such that continuing business operations is not financially responsible, the Special Master can request that the Manager advance monies to the Mastership to fund operational shortfalls pursuant to the Letter of Credit, Promissory Note and form of Order attached hereto. The Special Master intends on petitioning the Court for such post-petition funding in conjunction with petition for instructions to approve this form of Management Agreement. In turn, if the Manager is no longer willing to advance funds, the Special Master shall have the right upon appropriate motion to the appointing court to seek instructions as to, among other things, modification or termination of this Agreement, or termination of business operations and the liquidation of assets.

(c) Mastership Costs and Expenses. The Special Master shall provide the Manager with projected Mastership costs and expenses, including legal fees, to be incorporated into the Two Week Look Ahead, as well as the thirty (30) day and ninety (90) day budgets, so that those fees and expenses can be included and funded as part of the operational budget.

(d) A weekly report providing a comparison of the Two-Week Look Aheads and the Approved Budgets, to be delivered to the Special Master the Monday directly following the week to which the report refers.

(e) A monthly balance sheet, income statement and statement of cash flows for the Business Operations of Outerlimits, in a form reasonably acceptable to the Special Master, to be delivered to the Special Master not later than thirty (30) days after the end of each month.

(g) Annual compiled or reviewed financial statements for the Business Operations of Outerlimits prepared by a firm of independent public accountants reasonably acceptable to the Special Master, to be delivered to the Special Master not later than one hundred twenty (120) days after the end of the fiscal year for the Business Operations of Outerlimits.

(h) Any statements or reports reasonably requested by the Special Master that in turn are requested by landlords to the Facility or the holders of secured debt on the Business Operations of Outerlimits.

3.12 Books and Records. Manager on behalf of the Special Master shall supervise and direct the keeping of full and accurate books of account and such other records reflecting the results of operation of the Business Operations of Outerlimits as required by law. All such books and records shall be the property of the Special Master.

3.13 Payment of Expenses. All expenditures of every kind by Manager authorized or required under this Agreement are for the Special Master's account (the "Special Master Expenditures"). The Special Master will review and authorize payment of all the Special Master Expenditures from Business Operations of Outerlimits Funds. The Special Master shall pay directly (or reimburse Manager promptly if Manager advances funds for) any of the Special Master Expenditures not paid from Business Operations of Outerlimits Funds. Manager's "Staff Services", which are not reimbursable by the Special Master, means only the salaries and benefits of Manager's officers and home office staff, as well as Manager's home office overhead that is not specifically allocable to the Business Operations of Outerlimits. The Special Master shall have the right to approve the issuance of all checks in connection with the foregoing.

3.14 Data Processing. Manager shall oversee and consult with the Special Master regarding the data processing required to maintain the financial, payroll, and accounting records of the Business Operations of Outerlimits.

#### ARTICLE IV

## RIGHTS AND DUTIES OF THE SPECIAL MASTER

During the Term of this Agreement and subject to the Special Master's rights set forth in Section 1.1 hereof:

4.1 Right of Inspection. The Special Master shall have the right to enter upon any part of the Business Operations of Outerlimits upon reasonable advance notice to Manager for the purpose of examining or inspecting same or examining or making extracts of books and records of the Business Operations of Outerlimits, but the same shall be done with as little disruption to the Business Operations of Outerlimits as possible. However, the books and records of the Business Operations of Outerlimits shall not be removed from the Facility without the express written consent of Manager. The Special Master acknowledges that some books and records will be maintained at Manager's principal place of business and the Special Master shall have access thereto as if such books and records were maintained at the Business Operations of Outerlimits.

The Special Master shall direct all inquiries regarding operations, procedures, policies, employee relations, and all other matters concerning the Business Operations of Outerlimits to the President and CEO of Manager.

4.2 Cooperation with Manager. The Special Master will cooperate in all reasonable respects with Manager in operating and supervising the operations of the Business Operations of Outerlimits.

4.3 Operating Capital. As pursuant to the funding vehicle referenced in subparagraph 3.11(b), above, the Special Master is aware that as of the fall of 2014 Outerlimits experienced operational short falls and required funding to continue with operations. As such, Manager agrees to provide operating capital loans to the Special Master, subject to appropriate documentation, in the form attached hereto and incorporated herein as *Exhibit A* (the "Line of Credit Agreement"), and in such amounts and on such terms as the Special Master shall approve, and subject to the approval of the appointing court, for the continued operations of the Business Operations of Outerlimits during the term of this Agreement. Such operating capital loans shall be repaid on a priority basis as an administrative expense of the Special Mastership Estate, and shall bear interest at the rate of six percent (6%) per annum. Pursuant to the Line of Credit, it is within the Manager's discretion to provide such funding where projected operating capital shortfalls exist.

## ARTICLE V

### COMPENSATION AND DISTRIBUTIONS

5.1 Management Fees. As full and exclusive compensation for all of the services to be rendered by Manager during the Term of this Agreement, assuming sufficient monies are available to the Special Master, the Special Master shall pay to Manager on the first day of each calendar month, beginning on July 1, 2015, at its principal office, or at such other place as Manager may from time to time designate in writing:

(a) A monthly fee (the "Management Fee") equal to \$17,500.00 per calendar month (or portion thereof) of the Term.

5.2 Carryover of Unpaid Management Fees. Payment of the management fee shall be due ninety (90) days from the commencement date hereof and then monthly thereafter. In the event that any portion of the Management Fees are not paid when due, interest shall accrue on such unpaid amount at a rate per annum equal to the prime rate, then in effect, plus two percent (2%), and such total amount shall be carried over and be payable on the immediately succeeding Payment Date. When past due Management Fees are paid, the fees shall be paid in the order in which they were earned. Any and all accrued and unpaid Management Fees shall become immediately and fully payable by the Special Master upon the expiration or any termination of this Agreement, regardless of the availability of funds of the Business Operations of Outerlimits. In the event that Manager submits a bid to acquire the Business Operations of Outerlimits, Manager shall be entitled to credit against said bid the amount of any unpaid Management Fees due and owing at the time of the bid. If Manager is the successful bidder, it shall be entitled to credit against the purchase price the amount of any unpaid management fees, if any, due and owing at the time of closing.

## ARTICLE VI

### TERMINATION RIGHTS

6.1 Termination by the Special Master. If at any time or from time to time during the Term any of the following events shall occur and, if applicable, not be remedied or agreed to by Manager within the applicable period of time herein specified, namely:

(a) Manager shall apply for or consent to the appointment of a the Special Master, trustee, or liquidator of Manager of all or a substantial part of its assets, file a voluntary petition in bankruptcy, make a general assignment for the benefit of

creditors, file a petition or an answer seeking reorganization or arrangement with creditors or take advantage of any insolvency law, or if an order, judgment or decree shall be entered by any court of competent jurisdiction, on the application of a creditor, adjudicating Manager as bankrupt or insolvent or approving a petition seeking reorganization of Manager or appointing a the Special Master, trustee or liquidator of Manager or of all or substantial part of its assets, and such order, judgment or decree shall continue unstayed and in effect for any period of sixty (60) consecutive days;

(b) Manager shall fail to keep, observe, or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed, or performed by Manager, and such default shall continue for a period of thirty (30) days after written notice thereof by the Special Master to Manager;

(c) Manager shall, in the performance of its services hereunder, engage in self-dealing activities that involve terms and conditions that are not arms-length, commit fraud, or engage in any act (or any failure to act) that constitutes willful misconduct or gross negligence; or

(d) Any other event for which the Court determines there exists cause to terminate this Agreement;

then in case of any such event and upon the expiration of the period of grace (if any) applicable thereto, this Agreement shall terminate at the Special Master's option and upon five (5) days written notice to Manager (except for a termination under Section 6.1(c), in which case said termination shall be effective upon delivery of notice). Notwithstanding the foregoing, the Special Master may terminate this Agreement without cause and for no reason upon ninety (90) days prior written notice to Manager, which notice cannot be given sooner than ninety (90) days after the Commencement Date.

6.2 Termination by Manager. If at any time from time to time during the Term any of the following events shall occur and not be remedied within the applicable period of time herein specified, namely:

(a) The Special Master shall fail to keep, observe, or perform any material covenant, agreement, term or provision of this Agreement to be kept, observed, or performed by the Special Master (except for a payment default described in Section 6.2(b) below) and such default shall continue for a period of thirty (30) days after written notice thereof by Manager to the Special Master;

(b) The Special Master shall fail to make any payment required hereunder and such default shall continue for a period of thirty (30) days after written notice from Manager to the Special Master;

(c) The Business Operations of Outerlimits or any portion thereof shall be damaged or destroyed by fire or other casualty and (i) the Special Master shall fail to undertake to repair, restore, rebuild, or replace any such damage or destruction within forty-five (45) days after such fire or other casualty, or shall fail to complete such work diligently, and (ii) the Special Master shall fail to permit Manager to undertake to repair, restore, rebuild, or replace, at the Special Master's expense, any such damage or destruction within forty-five (45) days after such fire or other casualty;

(d) All or any portion of any Management Fee which is earned (including interest accrued thereon) remains unpaid to Manager after the date that is one hundred and eighty (180) days after the last day of the month to which such Management Fee relates; or

(e) The Business Operations of Outerlimits is no longer covered by general liability insurance policies;

then in case of any such event and upon the expiration of the period of grace (if any) applicable thereto, this Agreement shall terminate at Manager's option and upon five (5) days written notice to the Special Master. Notwithstanding the foregoing, Manager may terminate this Agreement upon written notice, without cause and for no reason, such termination to be effective on the date specified in the notice at any time after the expiration of one hundred eighty (180) days after the Commencement Date; provided, however, that Manager shall continue to perform its duties hereunder for such time as is reasonably necessary for the Special Master to obtain a replacement manager.

6.3 Termination Upon Acquisition by Manager. This Agreement shall terminate automatically and shall be null and void, in the event that Manager is the successful bidder to acquire the Business Operations of Outerlimits, and upon the completion of a Closing on said acquisition.

6.4 Surviving Rights Upon Termination. If either party exercises its option to terminate pursuant to this Article VI, each party shall account for and pay to the other all sums due and owing pursuant to the terms of this Agreement within thirty (30) days after the effective date of termination. Without limiting the generality of the foregoing, within thirty (30) days after the effective date of termination of this Agreement, the Special Master shall be obligated to pay to Manager all accrued and unpaid Management Fees, and the reimbursable expenses of Manager, together with all accrued and unpaid interest thereon, notwithstanding the available funds of the Business Operations of Outerlimits may not be sufficient for such purposes. All other rights and obligations of the parties under this Agreement shall terminate (except as set forth in Article VII, Article VIII, Section 6.4 and Section 6.5 hereof).

6.5 Cooperation After Termination. Upon the expiration or earlier termination of this Agreement, Manager shall cooperate fully with the Special Master in effecting an orderly transition to avoid any interruption in the rendering of the above-described services to the Business Operations of Outerlimits and, in such event, shall promptly surrender to the Special Master or New Manager all keys, contracts, other documents and records maintained by Manager in connection with the Business Operations of Outerlimits as soon as practical but in no event later than three (3) days from the Termination Date. In addition, upon the expiration or earlier termination of this Agreement, Manager shall return to the Special Master or New Manager all original documents and all copies thereof, except for one copy which Manager may maintain for record purposes only, which relate in any way to the performance of services hereunder, and the operation and maintenance of the Business Operations of Outerlimits, including, without limitation, personnel records, resident records, purchase orders, material receiving reports, checks, vouchers, and all bills of accounts however maintained, whether in written form or magnetic media, in the possession, custody or control of Manager. Further, Manager shall cooperate fully with the Special Master and the Special Master's accountants and other representatives in respect of the preparation of annual financial statements or other reports that may be required for the Business Operations of Outerlimits relating to Manager's operation of the Business Operations of Outerlimits during the period covered by the Term of this Agreement; provided, however, that any requests of Manager made after the Termination Date that do not involve obligations of Manager already required under this Agreement but not as yet completed prior to the Termination Date, including, but not limited to, the delivery of any financial statements or information under Section 3.11 hereof, Manager will be reimbursed by the Special Master for any of Manager's accrual and documented out of pocket expenses incurred and will be reasonably compensated by the Special Master for any material efforts made at the request of the Special Master.

## ARTICLE VII

### INDEMNIFICATION; EXPENDITURE LIMITATION

7.1 Indemnification of the Special Master by Manager. Manager shall indemnify and hold the Special Master and the Special Master's officers, directors, shareholders, members, managers, employees and affiliates harmless from any and all claims, losses, judgments, damages, expenses and liabilities whatsoever (including reasonable attorneys' fees) incurred by any of them in connection with, by reason of, or arising out of: (a) the breach or failure of any representation, warranty, covenant or obligation of Manager that is contained in this Agreement or (b) any third party claims which are caused by Manager in whole or in part through any negligent act, willful omission, fraud or self-dealing activities that involve terms and conditions that are not arms-length in connection with the performance of Manager's duties or obligations

under this Agreement. Manager's obligations under this Section 7.1 shall survive termination of this Agreement.

7.2 Indemnification of Manager by the Special Master. The Special Master shall indemnify and hold Manager and Manager's officers, directors, shareholders, employees and affiliates harmless from any and all claims, losses, judgments, damages, expenses and liabilities whatsoever (including reasonable attorneys' fees) incurred by any of them in connection with, by reason of, or arising out of: (a) Manager's performance of services or undertaking of responsibilities in compliance with the terms and conditions of this Agreement; (b) the breach or failure of any representation, warranty, covenant or obligation of the Special Master that is contained in this Agreement; or (c) any damage to property, or injury or death to persons, occurring in or with respect to the Business Operations of Outerlimits; excluding, however, for clauses (a), (b) and (c) any matters covered by Manager's indemnity under Section 7.1 hereof. The Special Master's obligations under this Section 7.2 shall survive termination of this Agreement, but only until such time as the Court terminates or closes the Special Mastership case (except to the extent that the Court retains jurisdiction or reopens the case).

7.3 Control of Defense of Indemnifiable Claims. The indemnified party shall promptly notify the indemnifying party of any such claim and shall provide the indemnifying party with all available evidence to enable the indemnifying party to defend such claim. The indemnifying party shall have the sole and exclusive right to select counsel and shall pay all expenses of the defense, including, without limitation, attorneys' fees and court costs. If necessary, the indemnified party shall join as a party to the suit, but shall be under no obligation to participate except to the extent that such participation is required as a result of being a named party to the suit. The indemnified party shall offer reasonable assistance to the indemnifying party in connection therewith at no charge to the indemnifying party except for reimbursement of reasonable out-of-pocket expenses incurred by the indemnified party in rendering such assistance. The indemnified party shall have the right to participate and be represented in any such suit by its own counsel at its own expense. The indemnifying party shall not settle any such suit if such settlement would have an adverse effect on the rights of the indemnified party without obtaining the prior written consent of the indemnified party, which consent shall not be unreasonably withheld. It is the intention of the parties that, in the event that the indemnifying party wrongfully denies its indemnification obligations hereunder, and the indemnified party is required to enforce the indemnifying party's obligation hereunder, then the indemnified party shall be entitled to recover its reasonable attorneys' fees and costs incurred therein.

7.4 Limitation of Expenditure Obligation. Notwithstanding anything to the contrary in this Agreement, Manager shall have no obligation whatsoever to make any advance to or for the account of the Special Master, or to pay any amount contemplated

for, or required of, Manager under this Agreement, or to incur any expenditure obligation - whether ordinary or capital - except to the extent that funds are available for such purpose (in Manager's reasonable judgment) either from working capital or capital funds provided by the Special Master, from operating capital loans of Manager as referenced in Section 4.3 hereof, or otherwise from the funds of the Business Operations of Outerlimits. Moreover, if Manager so requests, from time to time, the Special Master shall sign, as principal, any contract or agreement which Manager is authorized or required to execute pursuant to this Agreement to evidence that Manager is acting with the Authority of the Special Master.

## ARTICLE VIII

### CONFIDENTIALITY; NON-SOLICITATION

8.1 Non-Disclosure of Confidential Information. The Special Master acknowledges that Manager's business involves the development and use of Confidential Information (defined below) and that Manager will make available such Confidential Information to the Special Master and to the Business Operations of Outerlimits in connection with Manger's duties under this Agreement. Manager acknowledges that the Special Master and the Business Operations of Outerlimits business involves the development and use of Confidential Information and that the Special Master and the Business Operations of Outerlimits will make available such Confidential Information to Manager in connection with Manager's duties under this Agreement. Except as the Special Master and Manager may disclose to landlords to the Business Operations of Outerlimits or the holders of secured debt on the Business Operations of Outerlimits or to its respective lenders, investors or advisors or in fulfillment of their duties and responsibilities under this Agreement or as may be required to be disclosed by the Special Master, the Business Operations of Outerlimits and Manager by law or the Mastership Court, the parties and their respective officers, directors, employees or agents shall not, at any time during or after the term of this Agreement, divulge, furnish or make accessible Confidential Information to any person or entity for any purpose whatsoever. "Confidential Information" means any confidential or proprietary information, including, without limitation, manuals, forms, policies and procedures, computer programs, system documentation and related software, customer information and any other information of any kind with respect to the finances, business plans or business operations of the parties, provided, however that Confidential Information does not include information which (a) is generally available to the public other than as a result of disclosure by the receiving party, (b) was available to the receiving party on a non-confidential basis prior to its disclosure to the receiving party by the disclosing party, or (c) becomes available to the receiving party on a non-confidential basis from a source other than the disclosing party.

8.2 Non-use and Return of Materials. Effective upon a termination of this Agreement for any reason whatsoever, the parties and their respective officers, directors, managers, employees and agents shall not use any Confidential Information of the other party for any purpose whatsoever, including, but not limited to, use in connection with the operation and management of the Business Operations of Outerlimits.

8.3 INTENTIONALLY OMITTED

8.4 Remedies. The parties agree that an aggrieved party who is the beneficiary of any restriction contained herein may not be adequately compensated for damages for a breach of the covenants contained in this Article VIII, and such aggrieved party shall be entitled to injunctive relief and specific performance in addition to all other remedies. If the appointing court shall finally determine that the restraints provided for in this Article VIII, are too broad as to the activity, geographic area or time covered, said activity, geographic area or time covered will be reduced to whatever extent the court deems necessary, and such covenant shall be enforced as to such reduced activity, geographic area or time period.

8.5 Nothing contained herein shall restrict the Special Master from disseminating information relating to the financial performance of the Business Operations of Outerlimits, including the reports, budgets and other financial data generated by Manager or any other party in connection with this Agreement or otherwise.

## ARTICLE IX

### REPRESENTATIONS AND WARRANTIES

9.1 Organization and Standing of the Special Master. The Special Master represents and warrants to Manager that it is the duly appointed the Special Master for Outerlimits Offshore Powerboats, Ltd., and that the Special Master is authorized to enter into this Agreement in accordance with the Order appointing him and the Order approving this Agreement.

9.2 INTENTIONALLY OMITTED

9.3 Organizing and Standing of Manager. Manager represents and warrants to the Special Master that Manager is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Rhode Island. Manager has the power and authority to own the property and assets now owned by it and to conduct the business presently being conducted by it.

9.4 Absence of Conflicting Agreements. Manager represents and warrants to the Special Master that, to the best of Manager's knowledge, information, and belief, neither the execution or delivery of this Agreement, including all Exhibits hereto, or any of the Transaction Documents by Manager, nor the performance by Manager of the transactions contemplated hereby and thereby, conflicts with, or constitutes a breach of or a default or requires the consent of any third party (except consents already obtained) under (a) the operating agreement of Manager; or (b) to the best of its knowledge, any applicable law, rule, judgment, order, writ, injunction, or decree of any court, currently in effect; or (c) to the best of its knowledge, any applicable rule or regulation of any administrative agency or other governmental authority currently in effect; or (d) any agreement, indenture, contract or instrument of which Manager is now a party or by which the assets of Manager are bound.

## ARTICLE X

### SUCCESSORS AND ASSIGNS

10.1 Assignments by Manager. Manager, without the consent of the Special Master, shall have the right to assign this Agreement to a wholly or majority owned subsidiary of Manager; provided, however, that Manager shall not thereby be released from its obligations hereunder, and provided, further, that any such assignment shall be subject to Court approval. In the event that all or substantially all the assets of Manager or its limited liability company membership interests shall during the term of this Agreement be acquired by another corporation or other entity (hereinafter referred to as the "Acquiring Corporation") as a result of a merger, consolidation, reorganization, or other transaction, and the Acquiring Corporation assumes all of the obligations of Manager then accrued hereunder, if any, then Manager shall be relieved of all such obligations (and such Acquiring Corporation shall be relieved of liability hereunder if it subsequently is involved in such acquisition), and such transaction shall be subject to court approval. Except as otherwise permitted herein, Manager shall have no right to assign this Agreement.

10.2 Binding Effect. This Agreement shall be binding upon the respective successors, assigns and legal representatives of the parties hereto and shall inure to the benefit of and be enforceable by the parties hereto and their respective successors, assigns and legal representatives.

## ARTICLE XI

### MISCELLANEOUS PROVISIONS

11.1 Notices. Any notice or communication by any party to the other shall be in writing and shall be given and be deemed to have been duly given, upon the date

delivered if delivered personally (including by commercial express service or by facsimile transmission (with a copy sent by regular mail)) or upon the date received if mailed postage pre-paid, registered express, or certified mail, addressed as follows:

To Manager: Outerlimits Powerboats, Inc.  
Attn: Joe Sgro  
57 Ballou Blvd.  
Bristol, RI 02809

Copy: W. Mark Russo, Esq.  
Ferrucci Russo P.C.  
55 Pine Street, 4<sup>th</sup> Floor  
Providence, RI 02903  
Email: [mrusso@frlawri.com](mailto:mrusso@frlawri.com)

To the Special Master:

Jeffrey Cianciolo, Esq.  
McLaughlin & Quinn LLC  
148 West River Street, Suite 1E  
Providence, RI 02904  
Tel: (401) 421-5115 x219  
Email: [jcianciolo@mclaughlinquinn.com](mailto:jcianciolo@mclaughlinquinn.com)

or to such other address, and to the attention of such other person or officer as any party may designate in writing by notice.

11.2 No Partnership or Joint Venture. Nothing contained in this Agreement shall constitute or be construed to be or create a partnership or joint venture between the Special Master, its successors, or assigns on the one part and Manager, its successors, or assigns on the other part. Notwithstanding the foregoing, the parties hereby agree that they shall each have a duty to act in good faith and to deal fairly with the other party hereto.

11.3 Modifications and Changes. This Agreement cannot be changed or modified except by another agreement in writing signed by the Special Master and Manager, and approved by the appointing court.

11.4 Understanding and Agreements. This Agreement constitutes the entire understanding and agreement of whatsoever nature or kind existing between the parties with respect to Manager's management of the Business Operations of Outerlimits and all prior negotiation and agreements (if any) pertaining to the subject matter hereof are merged into this Agreement.

11.5 Headings, Etc. The article and paragraph headings contained herein are for convenience of reference only and are not intended to define, limit, or describe the scope or intent of any provision of this Agreement. The Exhibits attached hereto form part of this Agreement.

11.6 Approval of Consent. Whenever under any provisions of this Agreement, the approval or consent of each party is required, the decision thereon shall be promptly given and such approval or consent shall not be unreasonably withheld, unless this Agreement expressly provides that a decision shall be made in a party's sole discretion. For all purposes under this Agreement, Manager shall determine solely from the latest such notification received by it the person or persons authorized to give such approval or consent. Manager shall rely exclusively and conclusively on the designation set forth in such notification, notwithstanding any notice of knowledge to the contrary.

11.7 Governing Law. THIS AGREEMENT SHALL BE DEEMED TO HAVE BEEN MADE AND SHALL BE CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF RHODE ISLAND, WITHOUT REGARD TO ITS LAWS REGARDING CONFLICTS OF LAW. THE PARTIES HERETO AGREE THAT ANY SUIT, ACTION OR OTHER LEGAL PROCEEDING IN CONNECTION WITH THIS AGREEMENT SHALL BE BROUGHT IN THE SUPERIOR COURT OF THE STATE OF RHODE ISLAND IN PROVIDENCE COUNTY BEFORE THE SUPERIOR COURT BUSINESS CALENDAR. THE PARTIES HERETO WAIVE ANY OBJECTION TO SUCH JURISDICTION AND VENUE IN ANY OF SUCH COURTS.

11.8 Enforceability. Should any provision of this Agreement be unenforceable as among the parties, such unenforceability shall not affect the enforceability of the other provisions of this Agreement.

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

11.10 No Personal Liability. The parties hereto agree that the liability of Manager under the terms of this Agreement shall be limited solely to assets of Manager, it being intended that no officers, managers or members of Manager shall be deemed personally liable for any judgment, costs or damages incurred by Manager hereunder, and that the liability of the Special Master under the terms of this Agreement shall be limited solely to the assets of the Special Mastership estate, it being intended that neither the Special Master nor its representatives, agents, offices and professionals shall

be deemed personally liable for any judgment, costs or damages incurred by the Special Master hereunder.

11.11 Approval of this Agreement. This Agreement shall be subject to the approval of the Rhode Island Superior Court Providence County Business Calendar.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Management Agreement as of the date first above written.

MANAGER:

\_\_\_\_\_  
Outerlimits Powerboats, Inc.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_ (Seal)

JEFFREY CIANCIOLO, as THE SPECIAL  
MASTER and only as THE SPECIAL MASTER  
for OUTERLIMITS OFFSHORE  
POWERBOATS, LTD.

\_\_\_\_\_

*Exhibit B-1*

**LINE OF CREDIT AGREEMENT**

THIS LINE OF CREDIT AGREEMENT (this "Agreement") is made this \_\_\_ day of July, 2015 by and between Jeffrey Cianciolo, Esq., in his capacity as Special Master for Outerlimits Offshore Powerboats, Ltd., under authority of the Rhode Island Superior Court, C.A. No. PB-2015-2684 ("Borrower") and Outerlimits Powerboats, Inc. ("Lender").

A. Borrower is the Special Master for Outerlimits Offshore Powerboats, Ltd. ("Outerlimits"). Borrower is entering into this Agreement and borrowing under this Agreement pursuant to an Order issued by the Rhode Island Superior Court on July \_\_, 2015, a copy of which Order is attached hereto as Exhibit A and incorporated herein by reference (the "Court Order").

B. Borrower has requested that Lender provide certain post-petition financing where projected operating capital shortfalls exist for purposes of continuing operations (the "Operations") of the Outerlimits custom offshore powerboat manufacturing facility in Bristol, Rhode Island (the "Facility"). (The Operations and the Facility are collectively referred to as the "Business Operations of Outerlimits").

C. Borrower, in conjunction herewith has sought and secured authority to enter into a Management Services Agreement, wherein Lender will manage the Business Operations of Outerlimits. The Management Services Agreement is incorporated herein.

D. Lender has agreed to provide the line of credit to Borrower upon the terms and conditions set forth below.

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

1. Lender has established for Borrower a line of credit for a maximum principal amount at any one time outstanding of \$250,000 (the "Line") through the expiration of such line of credit on December 30, 2015 (the "Termination Date").

2. The Line may be used by Borrower solely for purpose of continuing Business Operations of Outerlimits and for no other purpose. In no event shall the aggregate of all outstanding advances made hereunder exceed \$250,000.

3. Borrower may make requests for advances under the Line by written request made to Lender from time to time. Pursuant to the Management Services Agreement dated of even date herewith, Lender will serve as Manager to manage the Business Operations of Outerlimits. As such, the Lender will project operational capital shortfalls and advance sums to the Special Master necessary for the continued operations of the Business Operations of Outerlimits. Advances made under the Line will be evidenced by and repaid in accordance with the terms of the Promissory Note dated of even date herewith made by Borrower in favor of

Lender in the stated principal amount of \$250,000 (the "Note"), and will accrue interest in accordance with the terms of the Note. Borrower authorizes Lender to record each advance made hereunder, and together with Lender's corresponding records of debits and credits, such record will constitute the official record of all advances made on the Line. Borrower agrees that this record will be prima facie evidence of the amount of the advances made under the Line, absent manifest error. Notwithstanding anything to the contrary herein, Lender's advance of such sums to fund post-petition operational shortfalls of the Borrower are solely within the discretion of the Lender based upon Lender's review and approval of operational budgets under the Management Services Agreement which is incorporated herein.

4. By executing this Agreement, Borrower represents and warrants to Lender that he is the Special Master for Outerlimits Offshore Powerboats, Ltd., and has the authority granted by the Rhode Island Superior Court to enter into this Agreement, borrow under the Line and make payments in accordance with the Note. Borrower agrees that he will promptly proceed to petition the Rhode Island Superior Court to (a) approve the Line as post-petition financing for Outerlimits, (b) authorize and direct Borrower to enter into this Agreement and the Note, and (c) grant Lender super priority claim in such Rhode Island Superior Court's proceedings for such post-petition financing in accord with the Court Order. In the event that Borrower does not obtain such approvals, then Borrower shall immediately notify Lender and cease any further borrowing, until such approvals may be obtained.

5. All costs and expenses, including reasonable attorneys' fees related to the negotiation, making or collection of the Line, are the responsibility of Borrower. This Agreement shall be governed by the laws of the State of Rhode Island, without resort to its conflict of laws rules. All notices and communications provided for herein shall be in writing and shall be deemed effective when deposited in the United States mail, sent by certified mail, return receipt requested, postage prepaid, addressed as follows:

(a) If to Borrower: Jeffrey Cianciolo, Esq., in his capacity as  
Special Master for Outerlimits Offshore  
Powerboats, Ltd.  
McLaughlin & Quinn LLC  
148 West River Street, Suite 1E  
Providence, RI 02904  
Tel: (401) 421-5115 x219  
Email: [jcianciolo@mclaughlinquinn.com](mailto:jcianciolo@mclaughlinquinn.com)

(b) If to Lender: Outerlimits Powerboats, Inc.  
Attn: Joe Sgro  
57 Ballou Blvd.  
Bristol, RI 02809

Copy: W. Mark Russo, Esq.  
Ferrucci Russo P.C.  
55 Pine Street, 4<sup>th</sup> Fl.  
Providence, RI 02903  
Email: [mrusso@frlawri.com](mailto:mrusso@frlawri.com).

Any party may change its address by not less than three (3) days' advance notice thereof given as aforesaid.

6. Lender may have a lien, security interest and right of setoff as security for all liabilities and obligations of Borrower to Lender, whether now existing or hereafter arising, upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Lender or any entity under the control of Lender, or in transit to any of them. At any time after demand for payment has been made by Lender and Borrower has failed to make such payment, without demand or notice Lender may set off the same or any part thereof and apply the same to any liability or obligation of Borrower.

7. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8. The following events shall each constitute an "Event of Default" hereunder:

(a) default in the payment of the principal of, or fees or interest on, the Note, after the date when the same shall become due and payable, whether at the due date thereof or at a date fixed for payment or be acceleration or otherwise;

(b) default in the due observance or performance of any other covenant, condition or agreement, on the part of Borrower to be observed or performed pursuant to the terms hereof, and the continuance of such default for a period of thirty (30) days after written notice thereof is given by Lender to Borrower;

(c) Borrower shall (i) admit in writing inability to pay its debts as they mature, or (ii) make a general assignment for the benefit of creditors; or

(d) Borrower is no longer Special Master for Outerlimits.

Upon the occurrence of an Event of Default, Lender shall have all of the rights and remedies of a lender under all laws.

9. All costs and expenses, including all reasonable attorneys' fees related to the negotiation, making or collection of the Loan, are the responsibility of Borrower. This Agreement shall be governed by the laws of the State of Rhode Island, without resort to its conflict of laws rules. This Agreement shall be binding upon Borrower and Lender and their respective successors and assigns.

**(Signature Page Follows)**

IN WITNESS WHEREOF, the undersigned parties, by their duly authorized representatives, have executed this Agreement as of the date first above written.

Witnessed by:

Outerlimits Powerboats, Inc.

---

---

---

---

Jeffrey Cianciolo, Esq., in his capacity as  
Special Master for Outerlimits Offshore  
Powerboats, Ltd., and not individually

EXHIBIT A  
COURT ORDER

*Exhibit B-2*

**PROMISSORY NOTE**

\$250,000

Providence, Rhode Island

June \_\_\_, 2015

FOR VALUE RECEIVED, the undersigned, Jeffrey Cianciolo, in his capacity as duly appointed Special Master of Outerlimits Offshore Powerboats, Ltd. ("Borrower"), pursuant to the Order Authorizing Special Master To Obtain Post-Petition Financing issued by the Rhode Island Superior Court dated June 29, 2015 (the "Court Order"), hereby promises to pay to the order of OUTERLIMITS POWERBOATS, INC., ("Lender"), the principal sum of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000), or, if less, the aggregate unpaid principal amount of all advances made by Lender to Borrower pursuant to the Line of Credit Agreement dated of even date herewith by and between Borrower and Lender (the "Line of Credit Agreement"), with interest on the principal amounts from time to time outstanding hereunder from the date hereof until this Note is paid in full, at the fixed rate per annum of six percent (6%). Interest shall be calculated on the basis of a year of 360 days for the actual number of days elapsed.

All accrued and unpaid interest and the full principal balance hereof shall be due and payable in one payment on December 31, 2015. Principal and interest shall be payable in lawful money of the United States of America to Lender at the office of Lender in Bristol, Rhode Island, or any other office of Lender, in immediately available funds, without setoff, counterclaim, withholding or deduction of any kind whatsoever. All advances made by Lender to Borrower pursuant to the Line of Credit Agreement and all payments made on account of principal hereof shall be recorded by Lender, provided that any failure of Lender to make such notation shall not effect the unconditional obligation of Borrower to pay all amounts due hereunder as and when due. The entries on the records of Lender shall be prima facie evidence (in the absence of manifest error) of amounts outstanding hereunder.

This Note is the Note referred to in, evidences borrowings under, and has been made by Borrower in accordance with the terms of, the Line of Credit Agreement. Lender and any holder hereof shall be entitled to the benefits of the Line of Credit Agreement and may enforce the agreements of Borrower contained therein, and any holder may exercise the respective remedies provided for thereby or otherwise available in respect thereof, all in accordance with the terms thereof. All capitalized terms used in this Note and not otherwise defined herein shall have the same meanings herein as in the Line of Credit Agreement.

Any deposits or other sums at any time credited by or due from Lender to Borrower which may at any time be in the possession of Lender may at all times be held and treated as additional collateral for the indebtedness evidenced hereby. Lender may at any time after the occurrence of an Event of Default under the Line of Credit Agreement apply any such deposits or other sums to the payment of, or set off the same against, any obligations of Borrower to Lender regardless of the adequacy of any other collateral therefor.

Borrower hereby waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or

enforcement hereof and consents that this Note may be extended from time to time and that no such extension or other indulgence, and no substitution, release or surrender of collateral, shall discharge or otherwise affect the liability of Borrower. No delay or omission on the part of the holder in exercising any right hereunder shall operate as a waiver of such right or of any other right hereunder, and a waiver of any such right on any one occasion shall not be construed as a bar to or waiver of any such right on any future occasion.

If, at any time, the rate of interest, together with all amounts which constitute interest and which are reserved, charged or taken by Lender as compensation for fees, services or expenses incidental to the making, negotiating or collection of the loan evidenced hereby, shall be deemed by any competent court of law, governmental agency or tribunal to exceed the maximum rate of interest permitted to be charged by Lender to Borrower under applicable law, then, during such time as such rate of interest would be deemed excessive, that portion of each sum paid attributable to that portion of such interest rate that exceeds the maximum rate of interest so permitted shall be deemed a voluntary prepayment of principal. As used herein, the term "applicable law" shall mean the law in effect as of the date hereof; provided, however, that in the event there is a change in the law which results in a higher permissible rate of interest, then this Note shall be governed by such new law as of its effective date.

Borrower agrees to pay on demand all costs and expenses (including reasonable legal costs and attorneys' fees) incurred or paid by the holder in connection with the enforcement of this Note.

All of the provisions of this Note shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns.

This Note shall be governed by and construed in accordance with the laws of the State of Rhode Island.

Witnessed by:

---

---

Jeffrey Cianciolo, Esq., in his capacity as Special Master for Outerlimits Offshore Powerboats, Ltd., and not individually



**SUPERIOR COURT  
OMNIBUS CALENDAR ASSIGNMENT FORM**

<input checked="" type="checkbox"/> Providence/Bristol County <input type="checkbox"/> Kent County <input type="checkbox"/> Washington County <input type="checkbox"/> Newport County	
Brian J. McLaughlin, Robert and Sonia Russell	CASE NUMBER PB-2015-2684
VS. Outerlimits Offshore Powerboats, Ltd.	
<b>CALENDAR TYPE MUST BE SELECTED FOR SCHEDULING PURPOSES</b> <input type="checkbox"/> FORMAL SPECIAL CAUSE CALENDAR <input checked="" type="checkbox"/> BUSINESS CALENDAR <input type="checkbox"/> DISPOSITIVE MOTION CALENDAR	

FORMAL SPECIAL CAUSE AND BUSINESS CALENDAR	
<input type="checkbox"/> AGENCY APPEAL <input type="checkbox"/> ASSESSMENT OF DAMAGES <input type="checkbox"/> APPOINTMENT OF A SPECIAL MASTER <input type="checkbox"/> CONFIRM ARBITRATION <input type="checkbox"/> DECLARATORY JUDGMENT <input type="checkbox"/> ENTRY OF JUDGMENT <input type="checkbox"/> EVIDENTIARY HEARING <input type="checkbox"/> FIRST AND FINAL REPORT <input type="checkbox"/> FORECLOSURE OF RIGHT OF REDEMPTION <input type="checkbox"/> FRIENDLY SUIT <input type="checkbox"/> APPOINTMENT OF PERMANENT RECEIVER <input type="checkbox"/> MOTION TO ATTACH <input type="checkbox"/> MOTION FOR ATTORNEYS FEES <input type="checkbox"/> MOTION TO COMPEL RECEIVER <input type="checkbox"/> MOTION TO DEFAULT <input type="checkbox"/> MOTION FOR ENTRY OF FINAL JUDGMENT <input type="checkbox"/> MECHANIC'S LIEN <input type="checkbox"/> MOTION FOR APPROVAL <input type="checkbox"/> MANDATORY INJUNCTION <input type="checkbox"/> MOTION TO ADJUDGE IN CONTEMPT <input type="checkbox"/> OTHER FORMAL MATTER (EXPLAIN) _____ <input type="checkbox"/> OTHER BUSINESS MATTER (EXPLAIN) _____	<input type="checkbox"/> MOTION FOR PROTECTIVE ORDER <input type="checkbox"/> MOTION TO RECONSIDER <input type="checkbox"/> ORAL PROOF OF CLAIM <input type="checkbox"/> PETITION TO ALLOW SECURED CLAIM <input type="checkbox"/> PETITION TO APPOINT TEMPORARY RECEIVER <input type="checkbox"/> PROOF OF CLAIM <input type="checkbox"/> PETITION TO ENFORCE <input checked="" type="checkbox"/> PETITION FOR INSTRUCTIONS <input type="checkbox"/> PRELIMINARY INJUNCTION <input type="checkbox"/> APPOINTMENT OF PERMANENT SPECIAL MASTER <input type="checkbox"/> PETITION TO RECLAIM <input type="checkbox"/> PARTITION PROCEEDINGS <input type="checkbox"/> PETITION TO SELL <input type="checkbox"/> RECEIVERSHIP PROCEEDINGS <input type="checkbox"/> SHOW CAUSE HEARING <input type="checkbox"/> SUPPLEMENTARY PROCEEDINGS <input type="checkbox"/> TITLE PROCEEDINGS <input type="checkbox"/> TEMPORARY RESTRAINING ORDER <input type="checkbox"/> TRUSTEE PROCEEDINGS <input type="checkbox"/> VACATE ARBITRATION <input type="checkbox"/> WRIT OF MANDAMUS <input type="checkbox"/> WRIT OF REPLEVIN
If you require witnesses, state the estimated time frame of said hearing and attach a witness list and expected testimony to this form.	

DISPOSITIVE MOTION CALENDAR	
<input type="checkbox"/> MOTION TO DISMISS, UNDER RULE 12 <input type="checkbox"/> MOTION FOR ENTRY OF JUDGMENT ON PLEADINGS <input type="checkbox"/> OTHER DISPOSITIVE MOTION: (EXPLAIN) _____	<input type="checkbox"/> MOTION FOR PARTIAL SUMMARY JUDGMENT <input type="checkbox"/> MOTION FOR SUMMARY JUDGMENT

<b>HEARING DATE:</b> July 14, 9:30 am	<b>APPROVED BY:</b> /s/ BH	
Failure to fill out this form properly may result in your hearing date not being approved.		
Signature of Attorney or Self-represented Litigant /s/ Marcus Howell	Address: 148 West River Street, Suite 1E, Pvd, RI 02904	
Rhode Island Bar Number: 7427	Office Telephone Number: 4014215115x230	Date: 07/07/2015