

CONSENT TO SUBLEASE AGREEMENT

The City of San Diego (CITY), as LESSOR under that certain Lease Agreement (Master Lease) entered into with Merziotis Properties, Inc. (LESSEE), dated 5/15/95, hereby consents to that certain Sublease Agreement between the above LESSEE (SUBLESSOR) and Ken Shirley, dba Federal Liquidation Services, (SUBLESSEE) dated 12/1/96, attached hereto. Said Sublease shall be subordinate to the Master Lease in all respects.

The CITY is merely approving the SUBLESSEE and all terms and conditions of the Master Lease shall control and supersede any inconsistent or contrary provisions in the Sublease which in any way conflicts with or is additional to the provisions of the Master Lease, except as otherwise approved herein.

The consent of the CITY is granted on the following conditions:

1. SUBLESSEE shall obtain general liability insurance in the amount of one million dollars, (\$1,000,000) with an occurrence claims form, naming the CITY OF SAN DIEGO and the SUBLESSOR as additional insured. Said insurance shall be maintained in full force throughout the term of the Sublease and a copy or proof of same shall be on file with CITY or SUBLESSOR during the term of the Sublease. The insurance policy shall specify that it may not be canceled without thirty (30) days prior written notice to CITY.
2. SUBLESSEE agrees to defend, indemnify, protect, and hold the CITY and SUBLESSOR, their agents, officers, and employees harmless from and against all claims asserted or liability established for damages or injuries to any person or property, including injuries to SUBLESSEE'S employees, invitees, guests, or officers, which arise out of or are in any manner directly or indirectly connected with the development or operation of the premises and all expenses of investigating and defending against same; provided, however, that SUBLESSEE'S duty to indemnify and hold harmless shall not include any claims or liability arising from the established negligence, or willful misconduct of the CITY or SUBLESSOR, their agents, officers, or employees.
3. SUBLESSOR, shall pay to the City the sum of \$150 (One Hundred Fifty Dollars) per month as consideration for granting the consent to this sublease.

...continued.....

SIGNATURE PAGE

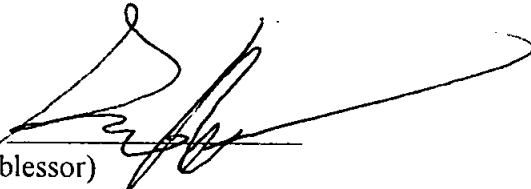
CITY OF SAN DIEGO

Dated 2/7/97

BY 
Airports Real Estate Manger

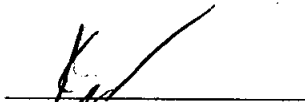
MERZIOTIS PROPERTIES, INC.

Dated 2/6/97

BY 
(Sublessor)

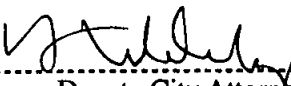
FEDERAL LIQUIDATION SERVICES

Dated 2/6/97

BY 
(Sublessee)

Approved as to form and legality

this 7 day of February, 1997
CASEY GWINN, City Attorney

By 
Deputy City Attorney

SUBLEASE AGREEMENT

This Sublease Agreement is executed in duplicate at San Diego California on December 1, 1996 between George Merziotis, d.b.a. Merziotis Properties, Inc. hereinafter called "SUBLESSOR", and Ken Shirey d.b.a. Federal Liquidation Services hereinafter called "SUBLESSEE".

It is agreed between the parties hereto as follows:

1. **Description of Premises:** SUBLESSOR leases to SUBLESSEE and SUBLESSEE hires from SUBLESSOR, on the terms and conditions hereinafter set forth those certain premises together with all appurtenances thereto, situated in San Diego County California, and located at 1424 Continental Street, San Diego, California 92173.

2. **Term:** The term of this Sublease shall commence as of the date of this sublease agreement and shall continue to exist on a month-to-month basis until such time as SUBLESSOR's rights to the premises are terminated pursuant to the terms of the Master Lease between the City of San Diego and Merziotis Properties, Inc. effective May 15, 1995, a copy of which is on file with the Deputy Director of Airports. This lease may be terminated by either party upon a 30 day written notice.

3. **Rent:** SUBLESSEE shall pay to Merziotis Properties, Inc., without deduction or offset, at a monthly rate of Four Hundred Dollars (\$400) per month. This monthly amount includes all utilities but does not include any taxes due any agency from the SUBLESSEE.

4. **Use:** The premises are subleased to SUBLESSEE for the general purpose of used vehicle sales and leasing and for other purposes directly related to vehicle sales and leasing by SUBLESSEE. SUBLESSEE shall not use or permit the premises or any part thereof to be used for any purpose or purposes other than the purpose or purposes for which the premises are hereby subleased. If the SUBLESSEE uses the property for other than the specified purpose or purposes the SUBLESSOR may treat the SUBLESSEE as terminated.

5. **Alterations:** SUBLESSEE shall not make or suffer to be made any alterations to the premises or any part thereof without first obtaining the written consent of the SUBLESSOR.

6. **Entry by SUBLESSOR:** SUBLESSEE shall permit SUBLESSOR and its agents to enter the premises leased pursuant to this sublease at all reasonable times for the purpose of inspecting the same.

7. **Non-liability of Owner for Damage:** As between SUBLESSOR and SUBLESSEE, this sublease is made upon the express condition that

SUBLESSOR is to be free from all liability and claim for damages by reason of any injury to any person or persons, or loss to property, of any kind whatsoever and to whomsoever belonging in or upon, or in any way connected with, the demised premises during the term of this sublease or any extension hereof. SUBLESSEE hereby covenants and agrees to indemnify and save harmless SUBLESSOR, Merziotis Properties, Inc. and the City of San Diego from all liability, loss, cost and obligations on account of or arising out of any such injuries or losses, however occurring.

8. **Insurance:** SUBLESSEE shall be insured by an insurance carrier acceptable to the SUBLESSOR and the City of San Diego against loss from public liability arising from the use or condition of or operations conducted on the leased premises. Minimum coverage shall be One Million Dollars (\$1,000,000) Combined Single Limit Liability and Property Damage. A copy of the policy of insurance shall be filed with the City of San Diego and shall name the City of San Diego as an additional insured. Said policy shall specify that the policy may not be terminated, altered or canceled without prior written notice to the City of San Diego by the insurance company.

9. **Compliance with Law and High Business Standards:** SUBLESSEE shall, at its sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force or which may hereafter be in force, pertaining to the demised premises and shall faithfully observe in the use of the premises all municipal ordinances and state and federal statutes now in force or which may hereinafter be in force. In addition, the SUBLESSEE shall observe high moral and ethical standards in the use of the premises and shall not conduct a business in any manner which is detrimental to the businesses of the SUBLESSOR. SUBLESSEE is to keep premises clean, no trash, no alcoholic beverages on premises.

10. **Assignment or Subletting:** SUBLESSEE shall not assign this sublease or any interest therein and shall not sublet the premises or any part thereof or any right or privilege pertinent thereto or suffer any other person, agents and servants of SUBLESSEE excepted, to occupy or use the premises or any portion thereof without first obtaining the written consent of the SUBLESSOR and the City of San Diego. A consent to one entity or person shall not infer consent to any other person or entity. This sublease shall not, nor shall any interest therein, be assignable as to the interest of SUBLESSEE by operation of law without the written consent of SUBLESSOR and the City of San Diego.

11. **Provisions of Master Lease:** SUBLESSEE acknowledges receipt of a copy of the Master Lease between the City of San Diego and Merziotis Properties, Inc. SUBLESSEE agrees to be bound by the terms and conditions of such Master Lease and to conform to all of the terms and conditions of such Master Lease pertaining to the area of the demised premises subleased to it.

12. **Remedies of SUBLESSOR:** In the event of any breach of this sublease by SUBLESSEE, including the violation of any term or condition of the Master Lease, then SUBLESSOR, besides other rights or remedies it may have, shall have the immediate right of reentry and may remove all persons and property from the premises. Sublessor shall have the sole and absolute right to determine whether or not SUBLESSEE has violated any of the terms and conditions of this lease or the Master Lease. Should SUBLESSOR elect to reenter, as herein provided, or should it take possession pursuant to legal proceedings or pursuant to any notices provided for by law, it may either terminate this sublease or it may relet the premises or any part thereof for such term or terms and at such rental or rentals and upon such terms and conditions as SUBLESSOR, in its sole discretion, may deem advisable with the right to make alterations and repairs to the premises. Upon each such reletting SUBLESSEE shall be immediately liable to pay to SUBLESSOR, in addition to any indebtedness other than rent due hereunder, the cost and expenses of such reletting and of such alterations and repairs incurred by SUBLESSOR and the amount, if any, by which the rent reserve in this sublease for the period of such reletting, up to but not beyond the term of this sublease, exceed the amount agreed to be paid as rent for the demised premises for such period on such reletting.

13. **Insolvency:** Either (a) the appointment of a receiver to take possession of all or substantially all of the assets of sublease or (b) a general assignment by SUBLESSEE for the benefit of creditors, or © any action taken or suffered by SUBLESSEE under any insolvency or bankruptcy act shall constitute a breach of this sublease by the SUBLESSEE.

14. **Binding on Successors:** The covenants and conditions herein contained shall apply to and bind the successors and assigns of all parties hereto.

15. **Legal Proceedings:** Should it become necessary for the SUBLESSOR, Merziotis Properties, Inc., or the City of San Diego to commence legal proceedings to collect rent, to recover possession or enforce any other provisions of this sublease, SUBLESSEE agrees to pay all legal costs in connection therewith, including a reasonable sum as attorney's fees.

IN WITNESS WHEREOF, the SUBLESSOR and the SUBLESSEE have executed this sublease as of the day and year first written above.

The City of San Diego

by _____

by _____

(SUBLESSOR)

MLM:bej

by _____

(SUBLESSEE)