

J. P. KING AUCTION COMPANY, INC.

TERMS OF AUCTION

La Baranca
Palo Cedro (Shasta County), California
May 31, 2008 at 11:00 AM (PT)

J. P. King Auction Company, Inc. ("King"), an Alabama corporation, whose main California office is 179 Niblick Road, #225, Paso Robles, California 93446 (telephone 888-572-6539) and its broker, Lora Pankey-Eade ("Broker") whose address is 179 Niblick Road, #225, Paso Robles, California 93446 (King and its Broker being referred to herein collectively as "Auctioneer") have contracted with Fidel Realyvasquez, as Trustee of The FRV Trust, dated March 28, 2001 ("Seller") to offer to sell at public auction ("Auction") certain real property ("Property"). These terms, plus any additions, deletions, and/or revisions announced by Auctioneer before the commencement of the Auction, represent the exclusive terms for the Auction ("Terms of Auction").

1. *AGENCY*: Auctioneer is acting exclusively as an agent for Seller and not as an agent for any Bidder or Buyer. No third-party broker is acting as a sub-agent of Auctioneer.

2. *COLLUSION*: Bid-rigging is a federal felony punishable by imprisonment and fine. Auctioneer will report all illegal conduct to the F.B.I. and cooperate with any prosecution.

3. *COPYRIGHT*: The Auction is the exclusive intellectual property of Auctioneer, covered by copyright protection, and may not be recorded, reproduced, or used in any form by anyone other than Auctioneer.

4. *PROPERTY*: The Property is described in the "Real Property Sale Contract" ("Sale Contract"), a copy of which is available from Auctioneer, online at www.jpking.com, and posted at the Auction. The Seller has provided a list of personal property, which is limited to those items shown on the list, to be conveyed to the buyer of Parcel no. 1 of the Property. The Seller and Auction Company shall have no liability whatsoever to Buyer for any subsequent claim of variance, deficiency, or defect in the personal property.

5. *DUE DILIGENCE*: Seller and Auctioneer do not attempt to provide Bidder with all of the information Bidder may need to make an informed decision about the Auction and Property. Bidder should obtain professional advice and conduct due diligence on the Property, title commitment (available from Auctioneer and posted at the Auction), surrounding area, all information provided by Seller or Auctioneer, "Property Information Package" (available from Auctioneer, online at www.jpking.com, and posted at the Auction), public records, Terms of Auction, Auction, Sale Contract, transaction contemplated, and all circumstances, defects, facts, issues, problems, and other relevant matters (collectively "Property Issues"). All information provided by Auctioneer came from Seller and is believed to be accurate, but neither Seller nor Auctioneer guarantees, represents, or warrants its accuracy or completeness and Bidder should not rely upon it without independent inspection and verification from sources Bidder knows to be reliable. Seller and Auctioneer are not required to update any information provided or published and shall have no liability on any basis for failing to do so.

6. *DISCLAIMER*: Participation in the Auction is at Bidder's sole risk and Seller and Auctioneer, plus their agents, contractors, and employees, shall have no liability on any basis. The Property will be offered in "**AS IS, WHERE IS**" condition. To the fullest extent allowed by law, Seller and Auctioneer unconditionally disclaim any guarantee, representation, or warranty of every kind, whether expressed, implied, or statutory, whether oral or written, whether past, present, or future, with respect to all Property Issues, except as expressly provided in the Terms of Auction and the Sale Contract.

7. *DISCLOSURES*: The Property will be offered for sale and conveyed subject to all conditions, covenants, deeds, easements, reservations, restrictions, right-of-ways, title exceptions, and matters of record. Maps, depictions, and sketches in any materials related to the Property are for illustration purposes only and Seller and Auctioneer do not guarantee, represent, or warrant their accuracy or completeness.

Property Specific Disclosures: Property specific disclosures shall be attached to these Terms of Auction as referenced herein.

8. *REGISTRATION*: Any competent adult with a satisfactory photo identification who properly registers and complies with the Terms of Auction may bid. Auctioneer may refuse to register or expel any person who is disruptive, noncompliant, or previously caused a problem for Seller or Auctioneer. Bidder must deposit a cashier's check with

Auctioneer at registration in the amount of Twenty Thousand Dollars and no cents (\$20,000.00) for each parcel or One Hundred Thousand Dollars and no cents (\$100,000.00) for the entirety. This deposit must be in the form of a cashier's check made payable to Bidder. Any person intending to bid on behalf of another must present Auctioneer with an executed, enforceable, recorded, and unexpired power of attorney which is subject to Auctioneer's approval. The requirements for Bidder registration may be waived by Auctioneer with respect to any Bidder, without waiving same for any other Bidder. By registering, Bidder acknowledges receipt of the Terms of Auction and access to the Sale Contract and unconditionally and irrevocably agrees to be bound by both.

9. *BUYER'S PREMIUM*: A ten percent (10.00%) buyer's premium shall be in effect for the Auction and added to the amount of the highest bid to arrive at the selling price for the Property ("total contract price").

10. *AUCTION*: Auctioneer's discretion includes, but is not limited to, the auction method, bid-calling, bid increments, and determining the buyer. The decision of Auctioneer is final regarding all matters that arise before, during, or after the Auction. Seller shall not bid. Bidder shall not retract any bid. An individual purchase shall be considered a singular transaction whether it includes one or more parcels. Under no circumstances will the sale of any parcel be contingent upon the sale of any other parcel whether or not purchased by the same Buyer.

(a) The Property is scheduled to be sold to the highest bidder with no minimum or reserve (absolute) using "*High Bidder's Choice*" and "*Multi-Parcel Bidding*" (also known as "*Multi-Par Bidding*") methods of auction as follows:

(1) Parcel No. 1 will be bid by the dollar amount. Parcel nos. 2 through 7 will be bid by the acre amount.

(b) *Round One*: The initial highest Bidder in round one will select any one or more of the parcels from the Property inventory designated for round-one bidding. Once the initial highest bidder has completed this selection, if any parcels in the round-one Property inventory remain available, bidding will resume in a second phase of round one for the available parcels. The highest Bidder in the second phase of round one will select any one or more of the available parcels from the round-one Property inventory. This process will continue into a third and subsequent phases of round-one bidding until all parcels in the round-one Property inventory have been selected by their respective highest Bidders. Prior to starting the second and any subsequent phase of round-one bidding, Seller and Auctioneer may offer Bidders, on a first-come-first-served basis, the opportunity to select any one or more of the unselected parcels included in the round-one Property inventory for the amount of the last highest Bidder's bid. Once a high Bidder has selected one or more parcels from the round-one Property inventory, that Bidder may NOT exchange any parcel previously selected for any other parcel.

(c) *Round Two*: All Bidders, including the respective high bidders in round one, shall have the right to select any parcel for re-bidding in round two, or to select and combine any two or more parcels for re-bidding, on the terms defined by Auctioneer and subject to a minimum, five-percent (5.00%) increase over the current highest bid price for the parcel(s) selected. Round-two bidding shall remain open for the parcel(s) selected through one or more phases of bidding until all bidding for all of the parcels has ended and the Bidders make no further request to re-bid any parcel or combination of parcels, at which time Auctioneer will close the round-two bidding and announce which parcels have been sold and the identities of the respective highest Bidder(s) to become the Buyer(s).

11. *SALE CONTRACT*: This is a cash sale and not contingent upon any matter, including Buyer obtaining financing. Buyer shall immediately execute the Sale Contract and all related documents presented by Auctioneer to bind Bidder and Seller to the sale of the Property. Any Buyer purchasing on behalf of a business or arm of government ("artificial person") shall immediately execute the Sale Contract in both the artificial person's and buyer's names, until such time as the artificial person presents Auctioneer with acceptable, written evidence of the artificial person's good standing in its state of formation, plus written authority, in a form acceptable to Auctioneer, agreeing to be bound by the Sale Contract. The Terms of Auction are incorporated into the Sale Contract which defines the entire agreement between Seller and Buyer. The Terms of Auction complement the Sale Contract and, in the event of any conflict between them, the Sale Contract shall control in all instances. Buyer shall execute the Sale Contract and no addition, deletion, or revision shall be permitted.

12. *DEPOSIT*: Buyer shall immediately pay to the escrow/closing agent, in U. S. Dollars, an earnest money deposit of no less than ten percent (10.00%) of the total contract price of the Property ("deposit"). If for any reason Buyer fails to timely execute the Sale Contract or pay the deposit, Seller has sole discretion, to: (a) pursue all legal and equitable remedies available against Buyer, or (b) declare Buyer's bid to be immediately forfeited, null, and void, without any requirement of notice, and immediately re-sell the Property to another buyer.

13. *ARBITRATION*: Any action, claim, controversy, counterclaim, dispute, or proceeding arising out of the Property Issues and involving Seller, Bidder, Buyer, or Auctioneer, in any combination, whether controlled by federal or state law, and whether an issue of law or equity, including the determination of the scope and applicability of this agreement to arbitrate, shall be determined and resolved exclusively by final and binding arbitration, with no appeal permitted, except as provided by applicable law for the judicial review or enforcement of arbitration decisions. The

arbitration shall be administered by Judicial Arbitration and Mediation Services, Inc., or its successor, and decided by a panel of three (3) independent arbitrators. Judgment on the arbitration award may be entered in any court having jurisdiction. The parties waive the right to any legal action and trial by jury. The costs of arbitration, including the fees and expenses of the arbitrators, but not including the parties' attorneys' fees, shall initially be paid equally by them. The prevailing party shall be entitled to collect from the other its full costs associated with the arbitration, including reasonable attorneys' fees. All aspects of any arbitration shall be permanently kept confidential and not disclosed in any form or manner to any entity, media, or person, and the parties shall jointly move the court entering judgment on the arbitration award to so order. Any arbitration must be commenced within two (2) years from the date when the cause of arbitration accrues or it will be forever barred. The right of arbitration shall accrue, and the two (2) year limitation period shall begin to run, on the date the breach, damage, or injury is sustained and not when the resulting damage or harm is discovered.

14. CHOICE OF LAW, JURISDICTION, AND VENUE: Any Auction matter shall be exclusively construed and governed in accordance with the laws of the State of California, without regard to its conflict of laws principles. The exclusive jurisdiction and venue for any controversy or claim between the parties shall be the City of Palo Cedro, County of Shasta in the State of California.

15. MISCELLANEOUS: The Terms of Auction shall bind Bidders and their agents, assigns, attorneys, beneficiaries, brokers, directors, distributees, employees, executors, heirs, legatees, officers, representatives, shareholders, and successors in interest. No deletion, modification, supplement, or waiver of any provision of the Terms of Auction shall be made, except by Auctioneer's written revision or announcement at the Auction.

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PROPERTY SPECIFIC DISCLOSURES

DISCLAIMER: Seller and Auctioneer (this term to include Broker) do not, here or otherwise, attempt to provide Bidder with all of the information Bidder may need to conduct due diligence and make an informed decision about the Auction and Property. Participation in the Auction is at Bidder's sole risk and Seller and Auctioneer, plus their agents, brokers, contractors, employees, and representatives shall have no liability whatsoever on any basis. The Property will be offered and sold in "AS IS, WHERE IS" condition with all defects, faults, issues, and related problems. To the fullest extent allowed by law, Seller and Auctioneer unconditionally disclaim any guarantee, representation, or warranty of every kind, whether expressed, implied, or statutory, whether oral or written, whether past, present, or future, with respect to all issues and matters affecting, involving, or related in any way to the Auction and Property, except as expressly provided for in the *Terms of Auction* and the *Real Property Sale Contract*. The disclosures that follow are made to Bidders to assist them in performing their due diligence, but this list is not represented to be complete or correct and there may be other defects, facts, faults, issues, items, problems, and other relevant matters affecting, involving, or related in some way to the Property. Bidders should govern themselves accordingly.

Natural Hazard Disclosure Statement: A Natural Hazard Disclosure Statement ("NHDS") has been provided by the Seller for each parcel listed in the Auction sale. The NHDS includes certain material facts (i.e. Special Flood Hazard Area, High Fire Hazard, Wildland Area, Earthquake Fault Zone, Seismic Hazard Zone, Radon Disclosure, Environmental Disclosure, Mold Disclosure) that may effect the value or desirability of the Property. Buyer of each parcel must immediately execute the NHDS to be made a part of the Sale Contract. The NHDS is not intended to be a substitute for prospective buyer's hiring of qualified experts to inspect the Property, nor are the NHDS's a warranty or guarantee, of any kind by the Seller, Broker or Auction Company. Every bidder should read and understand the *Natural Hazard Disclosure Statement* in the Sale Contract.

Airport Influence Area: California Civil §1102.6a states in pertinent part: "On and after January 1, 2006, should a city or county not adopt a different or additional local disclosure form, then the required "airport influence area." disclosure shall be made consistent with a current airport influence map..." The nearest airport to this property is located six to eight miles from the Property. Further information regarding the airport influence area may be found in the Natural Hazard Disclosure Statements prepared for each parcel offered in this Auction sale.

Fencing: Any fencing situated on the Property is not necessarily an indication of the Property's boundary. Buyer should rely on the legal description of the Property contained within the title commitment, which was prepared by Placer Title Company, for a description of the location of any and all Property boundaries.

Wet Lands: Portions of the Property are considered wetlands.

State Required Disclosure Forms: As required by the California statutes, the Seller has completed a Real Estate Transfer Disclosure Statement ("TDS"), a TDS Section I – Coordination With Other Disclosure Forms and a Water Heater and Smoke Detector Statement of Compliance ("disclosure statements") for describing the dwelling located on Parcel no. 1. The disclosure statements are not intended to be a substitute for prospective buyer's hiring of qualified experts to inspect the Property, nor are these disclosure statements a warranty or guarantee, of any kind by the Seller, Broker, or Auction Company. The buyer will be required to acknowledge receipt and acceptance of the Seller's responses to these disclosure statements.

LP Gas Tanks: There are two (2) LP gas tanks (one 250-gallon tank and one 288-gallon tank) located on Parcel no.1 which are leased from Amerigas. At the time of closing of the sale, Seller will have terminated the existing lease agreement with Amerigas. It shall be the Buyer's responsibility to make arrangements for the continued provision of propane gasoline on Parcel no. 1.

Property Line Adjustment: Due to rezoning of the Property, Seller has received from Shasta County Department of Resource Management, via a letter dated May 31, 2006, approval of a Property Line Adjustment ("PLA"). A sales map entitled, "Quad/Zoning Overlay" prepared by SHN Consulting Engineers and Geologists during March, 2008 ("sales map"), is available to all bidders and shows the general and tentative, but not exact and final, layout of the parcels. At the

time of closing of the parcels of the Property, the property line adjustment map will be recorded in the official records of Shasta County, California. The parcels will convey at the time of closing according to the legal description of each parcel as contained in the title commitment prepared by Placer Title Company.

Ingress/Egress: The existing roads through the Property are private roads. A sales map of the Property entitled, "Access Roadways" ("Access Map") which was prepared by SHN Consulting Engineers and Geologists during May, 2008, is available to all bidders and shows the general and tentative, but not exact and final, layout of the private road(s) for access for the purpose of ingress and egress to the Property parcels by the respective buyer(s).

As shown on the sale map and described in the title commitment, the buyers of Parcel nos. 1, 2 and 3, at the time of closing of the parcels and recording of their respective deeds, shall receive a specific-purpose easement granting access for ingress/egress and utility services to the respective parcels as purchased by the buyers.

Parcel no. 4 shall have ingress/egress and utility service access from Bridlewood Lane.

Parcel nos. 5, 6 and 7 are selling subject to an Easement Agreement as recorded in Book 2238, page 440 in the official records of Shasta County, California. Seller shall grant to the buyers of these parcels, at the time of closing of the parcels, a specific-purpose easement granting access for ingress/egress and utility services by the buyers of the respective parcels.

The specific-purpose easements for ingress/egress and utility services by the buyers of their respective parcel(s) shall be in the form of a single roadway as shown on the Access Map. Following the auction and by the time of the closing of the sales of the Property, all parcels of the Property will be selling subject to all rights of access for ingress/egress and utility services by other buyers of parcels of the Property. Each buyer of a parcel of the Property shall be solely responsible for performing, and paying all costs attributable to, the reasonable maintenance of any portion of the ingress and egress roadway that exists along the specific-purpose easement and which passes through that buyer's respective parcel.

Water Service: Parcel nos. 1, 3 and 4 are located within and receive water service from Bella Vista District.

Due to the Property Line Adjustment, the existing water meter located on Parcel no. 1 will be relocated immediately following the Auction and prior to closing, at Seller's expense, to a more accessible location on Parcel no. 1.

Should Parcel nos. 3 and 4 be purchased individually or in combination, the buyer(s), at buyer's expense, shall be responsible for contacting Bella Vista District for connection of water service as well any and all required connection fees, permits and permit fees to provide such service to the respective parcel.

Well Water: Should Parcel nos. 2, 5, 6 and 7 be purchased individually or in combination, the buyer(s), at buyer's expense, shall be responsible for the installation of a well(s) to provide water service to that respective parcel. The availability and/or condition of water in these parcels is unknown and Seller and Auctioneer make no representation or warranty of the quality, suitability, or usability of the water for any purpose.

Covenants, Conditions and Restrictions: Should Parcel no. 1, 2 and 3 sell to more than one buyer, whether individually or in combination, these parcels will be subject to covenants, conditions and restrictions ("CC&R's"), which will be recorded at the time of closing of the sale of each respective parcel(s). A copy of the CC&R's is available from the Auctioneer, online at www.jpking.com, included in the bidder's packet and posted at the Auction.

Leach Line Maintenance: The buyer of Parcel no. 7, at the time of closing of the sale, will be required to grant to the buyer of Parcel no. 1 a general easement from Oak Run Road along the existing dirt road through Parcel no. 7, for purposes of allowing the buyer of Parcel no. 1 access for upkeep and maintenance of the existing leach lines located on Parcel no. 1.

Wine Cellar Completion: The wine cellar located in the home on Parcel no. 1 is incomplete. The mahogany and cherry wood, which has been purchased by the Seller and is being stored at the builder's lot, will convey with Parcel no. 1. The buyer of Parcel no. 1, at buyer's expense, will be responsible for transporting the wood and any further construction required for the completion of the wine cellar. Seller and Auctioneer make no representation or warranty for the material, construction or completion of the wine cellar.