INDUSTRIAL ASSETS, INC.

▪ Auctioneers ▪ Liquidators ▪ Appraisers

11426 Ventura Blvd., Second Floor, Studio City, CA 91604 • 818-508-7034 • Toll Free 800-243-4887 • FAX 818-508-3025
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AUCTION AGREEMENT

THIS AUCTION AGREEMENT (this "Agreement") is entered into and effective as of 9/15/98 by and between CITY OF REDLANDS ("Owner") and Industrial Assets, Inc., 11426 Ventura Blvd., Second Floor, Studio City, California, 91604 ("Industrial"). The parties hereto agree as follows:

1. **AUCTION AGREEMENT:** Owner hereby authorizes and employs Industrial to act as Owner's agent to sell, at public auction to the high bidder on each lot all of the property described in paragraph 2 below, on or about 10/17/98, at 11:00A o'clock. Owner hereby agrees to provide a corporate resolution in the form attached hereto as Exhibit "A" duly authorizing this transaction.
2. **PROPERTY:** The property to be sold includes all of the property currently located at 1270 W. PARK AVE., City of REDLANDS State of, CA with the inclusion of the property listed on Exhibit "B" attached hereto (the "Property"). The property will be sold in such lots as Industrial may determine to be appropriate to facilitate the sale.
3. **COMPENSATION TO INDUSTRIAL:** INDUSTRIAL WILL CHARGE AND RETAIN A 10% BUYERS PREMIUM.
   a. COMMISSION: As compensation for Industrial's services under this agreement, Industrial shall receive as compensation a commission equal to ZERO percent(0 %) of the property value The Property Value shall be determined as the sum of; (1) the gross sales price of the items of Property sold at the public auction sale, (2) the sales price of the Property sold prior to the public auction sale, (3) the sales price of Property sold at the public auction sale which is refunded to the buyer pursuant to Paragraph 7 below because of faulty title, and (4) all items of Property not delivered by Owner to the auction site at least seven days prior to auction and not sold for whatever reason at Industrial's discretion (value for this purpose shall be determined by independent appraiser) minus sales price for items of Property sold to a buyer who defaults when such property is returned to Owner pursuant to Paragraph 7 below (if such amount was included in the above gross sales price computation).
   b. EXPENSES: In addition, Owner shall reimburse Industrial for expenses incurred for advertising, preparing for auction, preparing the Property for sale at Industrial's discretion, checking out buyers, bookkeepers and other services provided at the public auction sale at Industrial's sole discretion, postage, insurance, attorney's fees incurred by Industrial with reference to this transaction, payroll taxes, licenses, expenses for repair, refurbishing and/or handling the property, interest and costs advanced by Industrial on behalf of Owner, and travel and subsistence. EXPENSES NOT TO EXCEED $7,500.00.
   c. DEDUCTION FROM SALES PROCEEDS: Owner hereby authorizes Industrial to deduct all sums due to Industrial under the terms of this Agreement from the proceeds of the sale and to to pay over to Owner the balance remaining. In consideration of expenditures and services rendered and to be performed, it is agreed that this Agreement shall be irrevocable by Owners without Industrial's written consent.
4. **USE OF PREMISES:** Owners agree to furnish to Industrial, without charge, full use of Owner's premises at reasonable times including necessary utilities including but not limited to reasonable trash and phones for the purposes of lotting up, advertising, conducting public and private sales, and checking out the property sold to buyers, and for such other purposes as are incidental to accomplish Industrial's obligations under this Agreement through __________.
5. **ACCOUNTING:** Within 30 days following the completion of the public auction sale, Industrial shall transmit to Owner an accounting together with a check for the net auction proceeds.
6. **TITLE:** Owner warrants that title to the property will be free and clear of all liens, claims and encumbrances at the time of the sale. Without waiving the foregoing, Industrial is authorized to expend so much of the sales proceeds as is necessary to clear title and to terminate any Uniform Commercial Code ("UCC") filings, security agreements and/or liens and attachments. Industrial shall have the right, at Industrial's sole option to withhold from the public auction sale any item of the Property that is subject to title registration if Owner has not delivered to Industrial's negotiable certificate of title 72 hours prior to the start of the auction. Owner represents and warrants that all liens, claims and encumbrances existing on the date of the Agreement with respect to the Property and their approximate unpaid balances are set forth on Exhibit C.
7. **GRANT OF SECURITY INTEREST:** Owner hereby grants to Industrial a security interest in and to all of the Property, as well as the sales and/or insurance proceeds there from, for the purpose of securing any advances which may be made by Industrial to Owner as well as to secure all other obligations of Owner to Industrial, under this Agreement or otherwise Owner hereby makes, constitutes and appoints Industrial as its true and lawful attorney to act for Owner and in Owner's name, place and stead and for Owner's use and benefit for the execution of any UCC Financing Statements or Amendments on Owner's behalf, as debtor, to secure and perfect a security interest(s) in favor of Industrial in and to all of the Property. Owner hereby grants to Industrial, full power and authority to do and perform each and every act and thing which may be necessary, or convenient; in connection with the foregoing, as fully, to all intents and purposes, Owner might or could do if personally present, hereby ratifying and confirming all that Industrial shall lawfully do or cause to be done by authority hereof. Owner hereby agrees to execute any further documents and/or take any further steps necessary, to grant Industrial such power of attorney. Owner hereby agrees to pay the cost of UCC lien, judgment or other searches conducted by Industrial on the Property and/or Owner. Industrial shall have all of the rights and remedies of the secured creditor under the UCC and Industrial may file a signed copy of this Agreement with the appropriate filing officer to protect the security interest given hereby.
8. **NO PRIOR SALES OR DELETIONS:** Items of the property may be sold prior to the public auction sale only if Owner and Industrial consent in writing. The proceeds of any such prior sale shall be considered as part of the auction sale. Items of the property may be deleted prior to public auction sale only with Industrial's written consent.
9. **NO VALUE REPRESENTATION:** Industrial shall endeavor to secure the highest amount obtainable at the public auction sale. Industrial makes no representation concerning the value of the property or the price obtainable. Owner acknowledges that Owner is not relying upon any appraisal or any evaluation of the Property previously submitted by Industrial to Owner, either verbally or in writing.
10. **ENVIRONMENTAL RELEASES AMD INDEMNITY:** It is expressly understood that Industrial is not purchasing any Hazardous Substances of any kind whatsoever, under this agreement and is not responsible for removal of same should they exist at the time of purchase. "Hazardous Substance," as used in this Agreement, means any substance which is or becomes defined as "hazardous waste,", "hazardous substance," pollutant or contaminant under any federal, state or local state statute, regulation, rule or ordinance or amendments thereto including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601 et seq.) and/or the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.) Owner, its successors and assigns hereby expressly and unconditionally release Industrial, Industrial's successors, assigns and their directors, officers, shareholders, employees, partners, agents, contractors,subcontractors, experts, licenses, affiliates, heirs, and devisees (collectively, "Industrial Parties") from any and all claims directly or indirectly arising from, in connection with or caused by the past, present , or future condition of the Property. "Claim," or "Claims," as used in this Agreement, means any and all known or unknown claims, judgments, demands, damages, debts, obligations, lawsuits, of action, losses, penalties, fines, liabilities (including strict liability), cost or expenses, whether or not ultimately defeated, of whatever kind, nature or description, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including, without limitation, reasonable attorney's fees and disbursements and consultant's fees. Owner hereby acknowledges that it may hereafter discover facts different from or in addition to those now known or believed to be true regarding the Property and it agrees that the releases set forth in this agreement shall remain in full force and effect, notwithstanding the existence of any such different or additional facts. Owner knowingly and voluntarily waives any and all rights, benefits and privileges to the fullest extent permissible under any federal, state, local or other laws which do or would negatively affect validity or enforceability of all or part of the releases set forth in this Agreement. Owner specifically waives the provisions of California Civil Code section 1542, which provides.

    "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of the executing the release, which if known by him, must have materiality affected his settlement with the debtor."

    Owner, It's successors and assigns covenant and agree to indemnify, reimburse and hold harmless the Industrial Parties from and against any and all claims directly or indirectly arising from, in connection with or caused by the past, present or future condition of the Property.
11. **DEFAULT BY BUYER:** In the event any buyer of any lot or lots offered for sale by Industrial defaults in payment prior to delivery of such lot to the buyer, Industrial shall, at Industrial's option, have the right to cancel the sales of specific lots and return those items of Property to the Owner, in which event said items of Property shall be excluded from the gross sales price in determining compensation payable to Industrial under paragraph 8 above, and Industrial shall have no further obligation with regard to said Property. In event that any buyer returns purchased Property because of faulty title and Industrial refunds the sale price to the buyer. Industrial may then demand complete reimbursement of the refunded amount from Owner. Notwithstanding the refunding of the sales price in this event, the sales price will be included in the computation of Industrial's compensation pursuant to Paragraph 8 above.
12. **CONDUCT OF SALE:** Industrial as Owner's agent, may accept payment in form of cash or check at Industrial's discretion. The items of property shall be divided into lots and the public auction sales shall be conducted in the manner as determined by Industrial's sole discretion.
13. **NOTICES AND UCC FILINGS:** Owner hereby authorizes Industrial to publish and record a "Notice of Intention to Sell at Public Auction" in compliance with the Bulk Transfer Division of UCC or to give, publish or record any other notice or file that may be required by applicable law.
14. **INSURANCE:** Owner agrees to carry fire, extended coverage, vandalism, burglary and theft Insurance in an amount adequate to cover the Property and will continue this insurance in force and effect until the Property is removed from the premises by the buyers. It is further agreed that Owner hereby waives all claims against Industrial for any loss, damage or destruction of the Property and will hold Industrial exempt and harmless for any such loss, damage or destruction.
15. **INDEMNIFICATION:** Owner hereby agrees to hold Industrial and all of Industrial's agents and employees harmless from any loss, expense, claim or damages, including but not limited to reasonable attorney's fees and court costs arising out or any failure of any condition herein, any misstatement of fact of misrepresentation by Owner, any breach by Owner of any provision of the Agreement, any loss or damage arising from strikes, Industrial disputes or other causes beyond Industrial's control and any and all liability of any kind whatsoever with respect to any Hazardous Substances existing at any time on Owner's premises.
16. **GOVERNING LAW:** The parties hereby agree that this Agreement shall be construed, enforced and governed by that laws of the State of California, irrespective of such state's choices of law's principles. Venue shall lie in Los Angeles County, California.
17. **ATTORNEY'S FEES:** If any action or arbitration based on the performance, breach or interpretation of the Agreement is brought, the prevailing party in such action or arbitration (as determined by the court or other body having jurisdiction) shall be entitled to recover from the losing party all actual costs and expenses of litigation or arbitration, including attorney's fees, court costs, costs of investigation, and other costs related to such proceeding, in the amount determined by the court or other body having jurisdiction
18. **SALE TO BE ADVERTISED AS:** __________
19. **ENTIRE AGREEMENT:** This Agreement constitutes the entire agreement among the parties pertaining to the subject matter hereof and supercedes all prior agreements, representations and understandings of the parties hereto with respect to the subject matter hereof. This Agreement may be supplemented, modified or amended only by a written instrument duly executed by each of the parties hereto.

Each party by signing this Agreement hereby warrants and represents that the signatory is duly authorized to sign this Agreement on behalf of Owner or Industrial, as the case may be.

OWNER
Company: CITY OF REDLANDS
By: [signature]
Title: WILLIAM CUNNINGHAM / MAYOR
Address: PO BOX 3005, REDLANDS, CA 92373
Telephone No.: 909-798-7567
Home Telephone No.: __________
Fax No.: 909-335-4782
ATTEST: [signature]
City Clerk

INDUSTRIAL
Industrial Assets Inc.
By: [signature]
Title: STEVEN R. MATTES / PRESIDENT
☒ 11426 Ventura Blvd., Second Floor, Studio City, CA 91604
Telephone No.: (818) 508-7034 • Fax No.: (818) 508-3025
☐ [redacted]
License No.:

ORIGINAL OFFICE