

Stock Purchase Agreement

This Stock Purchase Agreement ("Agreement") is made and entered into this 1st day of February 1, 2011 ("Effective Date"), by and between the City of Redlands (the "City") and Rancho Ladero, LLC ("Buyer"). The City and Buyer are sometimes collectively referred to in this Agreement as the "Parties" and individually as a "Party."

Recitals

WHEREAS, the City is currently the registered owner of ninety-eight (98) shares of common stock of the Crafton Heights Pipe Line Company ("Crafton Heights"); and

WHEREAS, the City has agreed to offer Buyer the opportunity to purchase the City's ninety-eight (98) shares of Crafton Heights common stock (the "Shares"); and

WHEREAS, Buyer desires to exercise such purchase opportunity and purchase the Shares from the City, upon the terms and conditions and for the consideration set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, the Parties agree as follows:

Operative Provisions

1. Incorporation of Recitals. The Recitals set forth above are material and by this reference are incorporated herein and made a part of this Agreement.

2. Purchase and Sale of Shares. Subject to the terms and conditions of this Agreement, Buyer agrees to purchase at the Closing defined below, and the City agrees to sell to Buyer at the Closing, ninety-eight (98) shares of common stock of Crafton Heights for the purchase price of Four Hundred Ninety Thousand Dollars and Zero Cents (\$490,000.00), payable in immediately available funds at Closing ("Purchase Price").

3. Closing; Delivery.

(a) The purchase and sale of the Shares shall take place at Redlands, California, within five (5) business days after the Effective Date of this Agreement, or at such other time and place as the City and Buyer mutually agree upon, orally or in writing (which time and place are designated as the "Closing").

(b) At the Closing, Buyer shall deliver to the City the full Purchase Price by cashier's check or by wire transfer.

(c) At the Closing, the City shall deliver to Buyer an originally executed Stock Assignment in the form attached hereto as Exhibit "A" and by this reference incorporated herein, relinquishing all right, title and interest in the Shares.

(d) The City shall deliver to Crafton Heights original stock Certificate Nos. 256, 427 and 428 representing the Shares of Crafton Heights, for cancellation and issuance of a new certificate to Buyer representing the Shares.

4. Representations, Warranties and Covenants of the City. The City hereby represents, warrants and covenants to Buyer that:

(a) Authorization. This Agreement, when executed and delivered by the City, shall constitute valid and legally binding obligation of the City, enforceable against the City in accordance with its terms. The Shares are free and clear of all encumbrances, liens and pledges and the City has the right to sell the Shares in accordance with the terms of this Agreement.

(b) Valid Issuance of Securities. The Shares, when sold and delivered in accordance with the terms of this Agreement, will be fully paid and nonassessable and free of restrictions on transfer other than restrictions on transfer under applicable state and federal securities laws.

(c) Annual Assessments. The City shall have paid all annual assessments for the Shares and respective share certificates as of the transfer date.

5. Survival. The warranties, representations, and covenants of the City shall survive the consummation of the purchase and sale of the Shares herein described.

6. Miscellaneous Provisions.

(a) Nonassignability. Neither this Agreement, nor any interest herein, shall be assignable by the Buyer without the prior written consent of the City.

(b) Notices. All notices and other communications required or permitted to be given hereunder shall be in writing and shall be sent by First Class mail, postage prepaid, deposited in the United States mail in California, and if intended for either Party shall be addressed to the address provided below in this subsection 6 (b). Any Party, by written notice to the other Party, may change the address for notices to be delivered.

City

City Clerk
35 Cajon Street, Suite 4
Redlands, CA 92373

Rancho Ladero, LLC

Keene Matsunaga
380 New York Street
Redlands, CA 92372

(c) Inurement. Subject to the restrictions against assignment set forth above, this Agreement shall inure to the benefit of, and shall be binding upon, the assigns, successors in interest, personal representatives, estates, heirs, and legatees of each of the Parties.

(d) Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect without being impaired or invalidated in any way and shall be construed in accordance with the purpose and intent of this Agreement.

(e) Entire Agreement. This Agreement contains the entire agreement of the Parties, and supersedes any prior written or oral agreement between them concerning the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between and among the Parties, relating to the subject matter contained in this Agreement, which are not fully expressed herein.

(f) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be an original, but all of which together shall be deemed to be one and the same instrument.

(g) Governing Law. All questions with respect to the construction of this Agreement, and the rights and liabilities of the Parties, shall be governed by the laws of the State of California.

(h) Attorneys' Fees. If any legal action or proceeding is brought for the enforcement of this Agreement, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Agreement, the successful or prevailing Party in such action or proceeding shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which such Party may be entitled, including fees for use of in-house counsel by a Party at private rates prevailing in San Bernardino County for similar legal representation.

[signature page follows]

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first set forth above.

SELLER

CITY OF REDLANDS

By: _____
Pete Aguilar, Mayor

Attest

By: _____
Sam Irwin, City Clerk

BUYER

RANCHO LADERO, LLC, A California Limited Liability Company

By: _____

Name: _____

Title: _____

Exhibit "A"
STOCK ASSIGNMENT

ASSIGNMENT SEPARATE FROM SHARE CERTIFICATE

The undersigned, hereby assigns and transfers to Rancho Ladero, LLC, 98 shares of common stock of Crafton Heights Pipe Line Company ("Crafton Heights"), standing in the name of the City of Redlands, on the books of Crafton Heights and represented by Stock Certificate Numbers 256, 427 and 428 .

Dated: _____

CITY OF REDLANDS

By: _____
Pete Aguilar, Mayor

Attest

By: _____
Sam Irwin, City Clerk