

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

between

CITY OF REDLANDS

AS CITY

and

PROPERTY ONE, LLC, a California limited liability company

AS PROPERTY ONE

October 15, 2013

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (this "Agreement") is made as of October 15, 2013 (the "Effective Date"), by and between the City of Redlands ("City"), and Property One, LLC, a California limited liability company ("Property One"), or its assignee, with reference to the following facts.

A. WHEREAS, City owns certain real property located in Redlands, California, and more particularly identified as assessor parcel number 0171-022-13, consisting of approximately one point three seven (1.37) acres of unimproved land; and

B. WHEREAS, Property One entered into a ground lease with an option to purchase the abovementioned real property on June 18, 2013 (the "Lease With Option"); and

C. WHEREAS, the Lease With Option allows Property One to subtract from the purchase price, of the abovementioned real property, the expenses Property One incurred in leasing the property and effecting removal of hazardous materials in an amount not to exceed Three Hundred Thousand dollars (\$300,000); and

D. WHEREAS, Property One desires to exercise its option to purchase the abovementioned real property pursuant to the Lease With Option; and

E. WHEREAS, City has obtained approval for the sale of the abovementioned real property from the Redlands City Council by adoption of Resolution No. 7300 in accordance with the State of California's Municipal Park Abandonment Law of 1939; and

F. WHEREAS, Property One and City mutually desire to consummate the transaction on the terms and conditions in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 PURCHASE AND SALE

1.1 Agreement of Purchase and Sale. Subject to the terms and conditions hereinafter set forth, City agrees to sell and convey to Property One, and Property One agrees to purchase from City, the following:

(a) The parcel of real property described above, together with all of City's right, title and interest in and to all rights, privileges, easements and appurtenances thereto (collectively, the "Land");

(b) All structures, improvements and fixtures, if any, located on the Land upon the Effective Date, if any ("Improvements").

1.2 Property Defined. The Land and the Improvements are hereinafter referred to collectively as the "Property."

1.3 Purchase Price. Four Hundred Twenty Thousand and 00/100 Dollars (\$420,000), less an amount not to exceed Three Hundred Thousand and 00/100 Dollars (\$300,000), which was expended by Property One for costs associated with the Property including, but not limited to, rent, the remediation of hazardous materials in accordance with U.S. Environmental Protection Agency ("EPA") requirements, and the removal of storage tanks on the Property as evidenced by written documentation reviewed, approved and signed by City.

1.4 Deposit. Six Thousand and 00/100 Dollars (\$6,000).

(a) Property One shall deposit with First American Title Insurance Company, located at 3281 E. Guasti Road, Suite 440, Ontario, California 91761, or such other title company mutually agreed upon by City and Property One (the "Title Company"), the sum of Six Thousand and 00/100 Dollars (\$6,000) (the "Deposit") in good funds upon the opening of escrow.

1.5 Deposit as Liquidated Damages.

FROM AND AFTER THE EXPIRATION OF THE INSPECTION PERIOD (AS HEREINAFTER DEFINED), IN THE EVENT THE SALE OF THE PROPERTY AS CONTEMPLATED HEREUNDER IS NOT CONSUMMATED BY REASON OF A DEFAULT ON THE PART OF PROPERTY ONE, THE DEPOSIT (INCLUDING ALL INTEREST EARNED FROM THE INVESTMENT THEREOF) SHALL BE PAID TO AND RETAINED BY CITY AS LIQUIDATED DAMAGES AND AS CITY'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, AT LAW OR IN EQUITY, AS A RESULT OF SUCH DEFAULT. THE PARTIES ACKNOWLEDGE THAT CITY'S ACTUAL DAMAGES IN THE EVENT THAT THE SALE IS NOT CONSUMMATED WOULD BE EXTREMELY DIFFICULT OR IMPRACTICABLE TO DETERMINE. THEREFORE, BY SEPARATELY INITIALING THIS SECTION, THE PARTIES ACKNOWLEDGE THAT THE DEPOSIT HAS BEEN AGREED UPON, AFTER NEGOTIATION, AS THE PARTIES' REASONABLE ESTIMATE OF CITY'S DAMAGES AND AS CITY'S SOLE AND EXCLUSIVE REMEDY UNDER THIS AGREEMENT, AT LAW OR IN EQUITY, AGAINST PROPERTY ONE IN THE EVENT THE CLOSING (AS DEFINED IN SECTION 5.1) DOES NOT OCCUR AS A RESULT OF PROPERTY ONE'S DEFAULT. NOTWITHSTANDING THE FOREGOING, IN NO EVENT SHALL THIS SECTION LIMIT THE DAMAGES RECOVERABLE BY EITHER PARTY AGAINST THE OTHER PARTY DUE TO THE OTHER PARTY'S OBLIGATION TO INDEMNIFY SUCH PARTY IN ACCORDANCE WITH THIS AGREEMENT OR THIRD PARTY CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE PROPERTY.

City's Initial _____

Property One's Initial _____

ARTICLE 2 OPENING OF ESCROW

2.1 Escrow. Within five (5) business days of the Effective Date of this Agreement by the Parties, Property One shall open an escrow (“Escrow”) with the Title Company for the purpose of consummating this Agreement. The parties shall execute and deliver to the Title Company such escrow instructions prepared by the Title Company as may be required to complete this transaction. Any such instructions shall not conflict with, amend, or supersede any provision of this Agreement. If there is any inconsistency between such instructions and this Agreement, this Agreement shall control.

2.2 Conduct of Escrow. The Title Company is hereby authorized and instructed to conduct the Escrow in accordance with this Agreement, applicable law, custom and practice of the community in which the Title Company is located, including any reporting requirements of the State of California and the Internal Revenue Service.

ARTICLE 3 TITLE

3.1 Title Inspection Period. Within three (3) days after opening of escrow, the Title Company shall deliver or cause to be delivered to Property One, a current preliminary report on the Property, accompanied by copies of all documents referred to in the report and plotted easements (collectively, the “Title Report”). Property One shall have the right until the date that is ten (10) business days after the Effective Date to review all title and survey matters pertaining to the Property (“Title Inspection Date”).

3.2 Title Examination. Property One shall notify City in writing (the “Title Notice”) prior to the Title Inspection Date which exceptions to title, if any, will not be accepted by Property One. If Property One fails to notify City of its approval of any matters shown in the Title Report before the Title Inspection Date, Property One shall conclusively be deemed to have approved the Title Report. If Property One notifies City in writing that Property One objects to any exceptions to title, City shall have five (5) business days after receipt of the Title Notice to notify Property One in writing (the “Response Notice”) (a) that City will remove such objectionable exceptions from title on or before the Closing (as defined in Section 5.1); or (b) that City elects not to cause such exceptions to be removed. If City gives Property One notice under clause (b) above, Property One shall have until the later of (c) five (5) business days after receipt of the Response Notice, or (d) the end of the Inspection Period (as defined in Section 4.1) in which to notify City that Property One will nevertheless proceed with the purchase and take title to the Property subject to such exceptions, or that Property One will terminate this Agreement. If this Agreement is terminated pursuant to the foregoing provisions of this paragraph, then neither party shall have any further rights or obligations hereunder (except for any indemnity obligations of either party pursuant to this Agreement), the Deposit shall be returned to Property One and each party shall bear its own costs incurred hereunder.

3.3 Pre-Closing “Gap” Title Defects. Property One may, prior to Closing, notify City in writing (the “Gap Notice”) of any objections to title (a) raised by the Title Company after the

Title Inspection Date and prior to the Closing and (b) not disclosed by the Title Company prior to the expiration of the Title Inspection Date; provided that Property One must notify City of such objection to title within five (5) business days of being made aware of the existence of such exception. If Property One sends a Gap Notice to City, Property One and City shall have the same rights and obligations with respect to such notice as apply to a Title Notice under Section 3.2 hereof.

3.4 Permitted Exceptions. The Property shall be conveyed subject to the following matters, which are hereinafter referred to as the “Permitted Exceptions,” those matters that either are not objected to in writing within the time periods provided in Sections 3.2 or 3.3 hereof, or if objected to in writing by Property One, are those to which Property One has elected or is deemed to have elected to accept with the conveyance of the Property.

3.5 Payment of Monetary Liens. Notwithstanding anything to the contrary contained in this Agreement, the Permitted Exceptions shall not include and City shall cause to be removed from record at or before the Closing at City's cost, all monetary liens or encumbrances against the Property, including assessments, loans and mechanic liens, other than current, non-delinquent real property taxes and assessments.

3.6 Conveyance of Title. At Closing, City shall convey and transfer to Property One fee simple title to the Property, by execution and delivery of the Deed (as defined in Section 5.2(a) hereof). City shall provide a standard CLTA owner's policy of title insurance (the “Title Policy”) in the form approved by Property One prior to the Title Inspection Date covering the Property, in the full amount of the Purchase Price. Property One may upgrade coverage to an ALTA policy at Property One's sole cost.

ARTICLE 4 REVIEW OF PROPERTY

4.1 Right of Inspection.

(a) Property One shall have the right until ten (10) business days after the later of (i) the Effective Date or (ii) City's delivery to Property One of the Due Diligence Materials (as hereinafter defined) (the “Inspection Period”), to make a physical inspection of the Property, and to examine the Due Diligence Materials (as hereinafter defined).

(b) As used herein, the “Due Diligence Materials” shall mean the documents, records and files in City's possession more particularly described on Exhibit A attached hereto.

(c) Property One understands and agrees that any on-site inspections of the Property shall occur at reasonable times agreed upon by City and Property One after reasonable prior notice to City and shall be conducted so as not to interfere unreasonably with the use of the Property by City. Property One shall have the right to make physical inspection of the Property at its own cost and expense.

(d) Property One shall indemnify and hold City harmless from any and all costs, expenses (including attorneys' fees), liabilities, liens, and damages arising out of or resulting from the actions of Property One and its agents, contractors, and subcontractors in

connection with any on-site inspections made by Property One pursuant to this section 4.1. The provisions of this Section shall survive any termination of this Agreement.

4.2 Right of Termination. If for any reason whatsoever in Property One's sole and absolute discretion Property One determines that the Property or any aspect thereof is unsuitable for Property One's acquisition, Property One shall have the right to terminate this Agreement. Property One shall deliver written notice to City accepting the Property or terminating this Agreement on or before the Title Inspection Date. If Property One fails to provide such notice on or before the Title Inspection Date, Property One shall be deemed to have accepted the Property. If this Agreement is terminated pursuant to the foregoing provisions of this Section, then neither party shall have any further rights or obligations hereunder (except for any indemnity obligations of either party pursuant to this Agreement), the Deposit and any accrued interest shall be returned to Property One and each party shall bear its own costs incurred hereunder.

4.3 Maintenance of Property. Between the Effective Date and the Closing, City shall manage, repair, insure, maintain, and operate the Property in substantially the same manner as it is being managed, maintained, insured, repaired and operated on the Effective Date.

ARTICLE 5 CLOSING

5.1 Time and Place.

(a) The consummation of the transaction contemplated hereby (the "Closing") shall occur on the date that is the later of five (5) business days after the expiration of the Inspection Period or City's receipt of a closure letter from the EPA stating that the cleanup efforts at the Property were satisfactory and stating that the EPA will take no further action with respect to the Property.

(b) If, for any reason the Closing does not occur on or before the Closing date, as such date may be extended by, and only by, (i) mutual agreement of Property One and City (which may be agreed to by City's City Manager), or (ii) in accordance with Article 7 of this Agreement, the obligations of the parties to buy and sell the Property shall terminate and each party shall have the rights and remedies set forth herein.

(c) At the Closing, City and Property One shall perform the obligations set forth in, respectively, Section 5.2 and Section 5.3 hereof, the performance of which obligations shall be concurrent conditions; provided that the Deed shall not be recorded until City receives confirmation of the wire number of the wired portion of the Purchase Price, adjusted by prorations as set forth herein.

5.2 City's Deliveries.

(a) At least five (5) business days prior to the Closing, City shall deliver to Title Company, the Grant Deed in the form mutually agreeable to Property One and City (the “Deed”).

(b) In the event that any representation or warranty of City needs to be modified due to changes since the Effective Date, at least five (5) business days prior to the Closing, City shall deliver to Title Company, in escrow, a certificate, dated as of the date of Closing and executed on behalf of City by a duly authorized officer thereof, identifying any representation or warranty which is not, or no longer is, true and correct and explaining the state of facts giving rise to the change.

(c) At least five (5) business days prior to the Closing, City shall deliver to Title Company such evidence as the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of City.

(d) At least five (5) business days prior to the Closing, City shall deliver to Title Company a certificate stating that City is not a “foreign person” as defined in the Federal Foreign Investment in Real Property Tax Act of 1980 and a State of California Form 593-W (collectively, the “Non-Foreign Affidavits”).

(e) At least five (5) business days prior to the Closing, City shall deliver to Title Company such affidavits as may be customarily and reasonably required by the Title Company, in a form reasonably acceptable to City.

(f) On or before the Closing, City shall deliver to Title Company, a duly executed copy of the closing statement previously prepared and delivered by Title Company to City and Property One (the “Closing Statement”). Property One and City shall cooperate with Title Company to prepare the final closing statement.

(g) On or before the Closing, City shall deliver to escrow, and/or Title Company, as applicable, such additional documents as shall be reasonably required to consummate the transaction contemplated by this Agreement.

(h) Upon the Closing, City shall deliver to Property One possession and occupancy of the Property, subject to the Permitted Exceptions.

5.3 Property One's Deliveries.

(a) At least one (1) business day prior to the Closing, Property One shall wire transfer to Title Company the funds sufficient to complete the Purchase, increased or decreased by prorations and adjustments as herein provided, including Property One being credited towards the Purchase Price the full amount of the Deposit and all accrued interest.

(b) In the event that any representation or warranty of Property One needs to be modified due to changes since the Effective Date, at least one (1) business day prior to the Closing, Property One shall deliver to Title Company, in escrow, a certificate, dated as of the date of Closing and executed on behalf of Property One by a duly authorized representative

thereof, identifying any such representation or warranty which is not, or no longer is, true and correct and explaining the state of facts giving rise to the change.

(c) At least one (1) business day prior to the Closing, Property One shall deliver to Title Company such evidence as the Title Company may reasonably require as to the authority of the person or persons executing documents on behalf of Property One.

(d) On or before the Closing, Property One shall deliver to Title Company, in escrow, a duly executed copy of the Closing Statement.

(e) On or before the Closing, Property One shall deliver to Title Company such additional documents as shall be reasonably required to consummate the transaction contemplated by this Agreement.

5.4 Credits, Prorations and Closing Deliveries.

(a) All income and expenses of the Property shall be apportioned as of 12:01 a.m., on the day of Closing, as if Property One were vested with title to the Property during the entire day upon which Closing occurs. Such prorated items shall include without limitation the following: (i) taxes and assessments levied against the Property; (ii) taxes assessed against the Property by supplemental tax bill attributable to the period before the Closing Date for the calendar year in which the Closing occurs; (iii) utility charges for which City is liable, if any, such charges to be apportioned at Closing on the basis of the most recent meter reading occurring prior to Closing (dated not more than fifteen (15) days prior to Closing) or, if unmetered, on the basis of a current bill for each such utility; provided however, that City may pay such utility charges directly to the utility provider; and (iv) any other operating expenses or other items pertaining to the Property which are customarily prorated between a purchaser and a seller in the county in which the Property is located.

(b) Notwithstanding anything contained in Section 5.4(a) hereof, any taxes paid at or prior to Closing shall be prorated based upon the amounts actually paid. If taxes and assessments due and payable during the year of Closing have not been paid before Closing, City shall be charged at Closing an amount equal to that portion of such taxes and assessments which relates to the period before Closing and Title Company shall pay such taxes and assessments out of escrow. Any such apportionment made with respect to a tax year for which the tax rate or assessed valuation, or both, have not yet been fixed shall be based upon the tax rate and/or assessed valuation last fixed. To the extent that the actual taxes and assessments for the current year differ from the amount apportioned at Closing, the parties shall make all necessary adjustments by appropriate payments between themselves within thirty (30) days after such amounts are determined following Closing.

(c) Upon the Closing, Title Company shall record the Deed in the Official Records of San Bernardino County with a conformed recorded copy to be delivered to Property One and City, fund the Deposit and Purchase Price to City, less any of City's share of closing costs, as directed by City, deliver the originals of the Non-Foreign Status Affidavits to Property

One, and deliver the other instruments and documents delivered through the Escrow to the applicable party.

5.5 Transaction Taxes and Closing Costs.

(a) City and Property One shall execute such returns, questionnaires and other documents as shall be required with regard to all applicable real property transaction taxes imposed by applicable federal, state or local law or ordinance.

(b) City shall pay the fees of any counsel representing City in connection with this transaction. City shall also pay the following costs and expenses: (i) one-half of the escrow fee, if any which may be charged by the Title Company, (ii) the cost for a Standard CLTA Owners Title Policy, and (iii) all transfer taxes and documentary fees payable in connection with the recording of the Deed.

(c) Property One shall pay the fees of any counsel representing Property One in connection with this transaction. Property One shall also pay the following costs and expenses: (i) one-half of the escrow fee, if any, which may be charged by the Title Company; (ii) recording fee costs (iii) the cost of an ALTA survey, if requested by Property One; and (iv) the additional cost to upgrade a CLTA Title Policy to an ALTA Title Policy.

(d) All costs and expenses incident to this transaction and the closing thereof, and not specifically described above, shall be paid by the party incurring same.

5.6 Conditions Precedent to Obligation of Property One. The obligation of Property One to consummate the transaction hereunder shall be subject to the fulfillment on or before the date of Closing of all of the following conditions, any or all of which may be waived by Property One in its sole discretion:

(a) City shall have delivered to Title Company all of the items required to be delivered to Property One pursuant to the terms of this Agreement, including but not limited to, those provided for in Section 5.2 hereof;

(b) All of the representations and warranties of City contained in this Agreement shall be true and correct in all material respects as of the date of Closing (with appropriate modifications permitted under this Agreement);

(c) City shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by City as of the date of Closing;

(d) Title Company shall be unconditionally committed to issue to Property One upon the Closing the Title Policy in the form of the pro-forma policy or title commitment as have been agreed to by such Title Company and approved by Property One on or before the Title Inspection Date, a copy of which shall have been delivered to City; and

(e) The Property shall be free of all tenants and occupants and City shall have provided an Owner's Declaration to said effect.

5.7 Conditions Precedent to Obligation of City. The obligation of City to consummate the transaction hereunder shall be subject to the fulfillment on or before the date of Closing of all of the following conditions, any or all of which may be waived by City in its sole discretion:

(a) City shall have received confirmation of the receipt of the Purchase Price, as adjusted as provided herein;

(b) Property One shall have delivered to Title Company, all of the items required to be delivered to City pursuant to the terms of this Agreement, including, but not limited to, those provided for in Section 5.3 hereof;

(c) All of the representations and warranties of Property One contained in this Agreement shall be true and correct in all material respects as of the date of Closing (with appropriate modifications permitted under this Agreement); and

(d) Property One shall have performed and observed, in all material respects, all covenants and agreements of this Agreement to be performed and observed by Property One as of the date of Closing.

ARTICLE 6 REPRESENTATIONS, WARRANTIES AND COVENANTS

6.1 Representations and Warranties of City. City hereby makes the following representations and warranties to Property One as of the Effective Date, which representations and warranties shall be deemed to have been made again as of the Closing, subject to Section 5.2 hereof:

(a) Organization and Authority. City has the full right and authority to enter into this Agreement and to transfer all of the Property and to consummate or cause to be consummated the transaction contemplated by this Agreement. The persons signing this Agreement on behalf of City are authorized to do so.

(b) Execution and Delivery. This Agreement and all instruments, documents and agreements to be executed by City in connection herewith are, or when delivered shall be, duly authorized, executed and delivered by City and are, or when delivered shall be, valid, binding and enforceable obligations of City.

(c) No Consents. Other than the approval from the Redlands City Council which has been obtained, no consent or approval or other authorization of, or exemption by, or declaration or filing with, any person or entity and no waiver of any right by any person or entity is required to authorize or permit, or is otherwise required as a condition of the execution and delivery and performance of this Agreement by City.

(d) Pending Actions. Except for the CERCLA General Notice Letter received from the US Environmental Protection Agency dated June 11 2012 regarding removal of hazardous materials and subsequent notices related thereto, City has no knowledge of any action, suit, arbitration, government investigation, or proceeding pending against City which, if adversely determined, could individually or in the aggregate materially interfere with the consummation of the transaction contemplated by this Agreement.

(e) Condemnation. City has not received written notification of any enacted, pending, or proposed condemnation proceedings relating to the Property.

(f) Litigation. City has no knowledge of any litigation which has been filed against City that arises out of the ownership of the Property and which would materially affect the Property or use or development thereof, or City's ability to perform hereunder.

(g) Violations. Except for the CERCLA General Notice Letter received from the US Environmental Protection Agency dated June 11, 2012 regarding removal of hazardous materials and subsequent notices related thereto, City has not received written notice of any uncured violation of any federal, state or local law relating to the condition, use, or operation of the Property which would materially, adversely affect the intended development of the Property.

(h) Hazardous Materials. Except as described in the Site Characterization Study report and the Removal, Excavation, and Restoration Work Plan of the Property, both of which were prepared on May 8, 2013 by LOR Geotechnical Group, Inc., City, to the best of City's knowledge, is not aware of any, nor has City either directly or indirectly placed or caused the placement of, Hazardous Substances, Materials, or Wastes as defined by applicable law on the Property including, without limitation, asbestos, flammable substances, explosives, radioactive materials, hazardous wastes, toxic substances, pollutants, pollution, contaminant, polychlorinated biphenyls ("PCBs"), urea formaldehyde foam insulation, radon, corrosive, irritant, biologically infectious materials, petroleum product, garbage, refuse, sludge, hazardous or waste materials, and there has been no use of the Property that may, under any federal, state or local environmental statute, ordinance or regulation, require, at any time, any closure or cessation of the use or occupancy of the Property or impose, at any time, upon the owner of the Property any clean-up or other monetary obligation. City has not been identified in any litigation, administrative proceeding, or investigation as a responsible party or potentially responsible party for any liability for clean-up costs, natural resource damages, or other damages or liability for prior disposal or release of Hazardous Substances, Materials, or Wastes or other environmental pollutants or contaminants, and no lien or super lien has been recorded, filed, or otherwise asserted against any real or personal property of City for any clean-up costs or other response costs incurred in connection with any environmental contamination that is attributable, in whole or in part, to City. City hereby indemnifies and holds Property One harmless of, from and against any and all liability, loss or damage suffered or incurred as a result of a claim, demand, cost or judgment in favor of a third party, including, without limitation, any governmental authority, arising from the deposit, storage, disposal, burial, dumping, injecting, spilling, leaking, or other placement or release in or on the Property of Hazardous Substances, Materials, or Wastes during City's period of ownership. For purposes of this Agreement, Hazardous Substances, Materials, and Wastes include but are not limited to those elements and

compounds which are designated as such in the Comprehensive Response, Compensation and Liability Act (CERCLA), 42 U.S.C. Section 9601 et seq., as amended; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801 et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. 6901 et seq.; the California Health and Safety Code Section 25316; the chemicals known to cause cancer or reproductive toxicity as published in the Safe Drinking Water and Toxic Enforcement Act of 1986 (California Health and Safety Code Section 25249.5 et seq.; and all petroleum products and by-products, and any other hazardous substances as that term may be further defined in any and all applicable federal, state and local laws, residential or household waste, solid waste, or other waste as defined in applicable federal, state and local laws. City has not received any summons, citation, directive, letter or other communication, written or oral, from any governmental or quasi-governmental authority concerning any intentional or unintentional action or omission on City's part which (a) resulted in the releasing, spilling, leaking, pumping, pouring, emitting, emptying or dumping of Hazardous Substances, Materials, or Wastes, or (b) related in any way to the generation, storage, transport, treatment or disposal of Hazardous Substances, Materials, or Hazardous Wastes. Neither the Property nor any portion thereof, have been identified on the federal CERLIS, the National Priorities List (40 C.F.R. Part 300, App. B) or any state or local list of potential hazardous waste disposal sites or as an industrial establishment.

(i) Due Diligence Materials. City has delivered to Property One all of the Due Diligence Materials in its possession or control and the Due Diligence Materials are true, correct and complete copies of such books, files and records in the possession or control of City.

(j) Public Improvements. City has not within the period of two years immediately preceding the parties' execution of this Agreement, received notice of, nor does City have any other knowledge or information of, contemplated improvements to the Property, or any property located adjacent to or in the vicinity of the Property, by any public authority, the cost of which is to be assessed as a special tax against the Property in the future.

6.2 Survival of City's Representations and Warranties. The representations and warranties of City set forth in Section 6.1 hereof as updated as of the Closing in accordance with the terms of this Agreement, shall survive Closing for a period of two years.

6.3 Representations and Warranties of Property One. Property One hereby makes the following representations and warranties to City as of the Effective Date, which representations and warranties shall be deemed to have been made again as of the Closing:

(a) Organization and Authority. Property One has been duly organized and validly exists under the laws of California. Property One has the full right and authority to enter into this Agreement and to consummate or cause to be consummated the transaction contemplated by this Agreement.

(b) Execution and Delivery. This Agreement and all instruments, documents and agreements to be executed by Property One in connection herewith are, or when delivered shall be, duly authorized, executed and delivered by Property One and are, or when delivered shall be, valid, binding and enforceable obligations of Property One.

(c) No Consents. No consent or approval or other authorization of, or exemption by, or declaration or filing with, any person or entity and no waiver of any right by any person or entity is required to authorize or permit, or is otherwise required as a condition of the execution and delivery and performance of this Agreement by Property One.

(d) Pending Actions. To Property One's knowledge, there is no action, suit, arbitration, unsatisfied order or judgment, government investigation or proceeding pending against Property One which, if adversely determined, could individually or in the aggregate materially interfere with the consummation of the transaction contemplated by this Agreement.

6.4 Survival of Property One's Representations and Warranties. The representations and warranties of Property One set forth in Section 6.3 hereof as updated as of the Closing in accordance with the terms of this Agreement, shall survive Closing for a period of two years.

ARTICLE 7 DEFAULT

7.1 Default by Property One. In the event the sale of the Property as contemplated hereunder is not consummated on or before the Closing Date due to Property One's Default hereunder, City shall be entitled, as its sole and exclusive remedy under this Agreement, at law or in equity, to terminate this Agreement and receive the Deposit as liquidated damages for the breach of this Agreement in accordance with the provisions of Section 1.5 above, it being agreed between the parties hereto that the actual damages to City in the event of such breach are impractical to ascertain and the amount of the Deposit is a reasonable estimate thereof.

7.2 Default by City. In the event that Property One has performed or has indicated its ability to perform each and every of the conditions precedents herein on or before the Closing Date and the sale of the Property as contemplated hereunder is not consummated on or before such date due to City's Default hereunder (and not as a result of a failure of a condition precedent hereunder in which case Property One shall be entitled to receive the return of the Deposit, which return shall operate to terminate this Agreement), Property One shall be entitled to any and all available remedies at law or in equity.

7.3 Recoverable Damages. In no event shall the provisions of this Article limit the damages recoverable by either party against the other party due to the other party's express obligation to indemnify such party in accordance with this Agreement or the exhibits.

ARTICLE 8 RISK OF LOSS

8.1 Damage. In the event of a material loss or damage to the Property prior to Closing, Property One may terminate this Agreement by written notice to City, in which event the Deposit shall be returned to Property One. If Property One does not elect to terminate this Agreement within fifteen (15) days after City sends Property One written notice of the occurrence of such material loss or damage (which notice shall state the cost of repair or

restoration thereof as opined by an architect), then Property One shall be deemed to have elected to proceed with Closing, in which event City shall, at City's option, either (a) perform any necessary repairs, or (b) assign to Property One all of City's right, title and interest in and to any claims and proceeds City may have with respect to any casualty insurance policies or condemnation awards relating to the premises in question. In the event that City elects to perform repairs upon the Property, City shall use reasonable efforts to complete such repairs promptly and the date of Closing shall be extended a reasonable time in order to allow for the completion of such repairs. If City elects to assign a casualty claim to Property One, the Purchase Price shall be reduced by an amount equal to the greater of the deductible amount under City's insurance policy or the cost of such repairs (provided that in the event of uninsured damage, such reduction in the Purchase Price shall equal the estimated cost of such repairs). Upon Closing, full risk of loss with respect to the Property shall pass to Property One.

ARTICLE 9 BROKERAGE COMMISSIONS

9.1 Brokers' Commission: City and Property One acknowledge, represent and warrant each to the other that no broker or real estate agent brought about or was involved in the making of this Agreement, and that no brokerage fee or commission is due to any broker or real estate agent as a result of having represented such party in connection with this Agreement. Each of the parties hereto agrees to indemnify and hold harmless the other party against any claims by any broker, agent or finder as a result of having represented such party in connection with this Agreement, notwithstanding any representations above to the contrary.

ARTICLE 10 ACKNOWLEDGMENTS AND DISCLAIMERS

10.1 Acknowledgements and Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT AND/OR IN ANY OF THE DOCUMENTS TO BE EXECUTED AND DELIVERED BY CITY AT CLOSING, IT IS UNDERSTOOD AND AGREED THAT CITY IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY WARRANTIES OR REPRESENTATIONS OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT TO THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OR REPRESENTATIONS AS TO HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE.

10.2 As-Is Sale. Property One is, or will be by the Closing Date, familiar with the Property and has made, or will make, such independent investigations as Property One deems necessary, advisable or material concerning all aspects of the Property, including, but not limited to, the condition, use, development or suitability of the Property for Property One's intended purposes. In that regard, except for the representations and warranties of City specifically provided in this Agreement, Property One is relying solely upon Property One's own inspection, investigation and analysis of the Property in electing to purchase the Property. Except as expressly set forth herein, Property One acknowledges and agrees that Property One is acquiring the Property in its "AS IS" and "WHERE IS" condition and "WITH ALL FAULTS", and without any representation or warranty by City (except those set forth in this Agreement).

**ARTICLE 11
MISCELLANEOUS**

11.1 1031 Exchange Cooperation. On condition that Property One receives written notice of City's election to participate in a tax free exchange under Section 1031 of the Internal Revenue Code (the "Code") at least fifteen (15) business days prior to the Closing Date, Property One agrees to reasonably cooperate with City's efforts to integrate the transactions contemplated hereunder into a tax-deferred exchange under Section 1031 of the Code; provided, however, that in no event shall Property One incur any additional cost, obligation, or liability by reason of such exchange of its agreements, or other obligations under this Agreement. This Agreement is not subject to or contingent upon City's ability to acquire a suitable exchange property or effectuate an exchange. In the event any exchange contemplated by City should fail to occur, for whatever reason, the sale of the Property shall nonetheless be consummated as provided herein.

11.2 Assignment. Subject to the provisions of this Section, the terms and provisions of this Agreement are to apply to and bind the permitted successors and assigns of the parties hereto. Property One may not assign its rights under this Agreement without first obtaining City's written approval, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, Property One may assign its interest in this Agreement upon notice to City to any entity controlling, controlled by or under common control with Property One ("Permitted Assignee") (for the purpose of this Agreement, control shall mean an entity in which Property One or the principals of Property One owns more than a 25% interest and has the right to direct and control the management and operations of such entity).

11.3 Notices. Any notice relating to this Agreement shall be given in writing and shall be deemed sufficiently given and served: (a) upon receipt when hand delivered; (b) upon receipt when sent by facsimile or other electronic transmission, including email, if sent before 6:00 p.m. on a business day to the number or email address set forth below with written confirmation of a successful transmission by the sender's facsimile machine or sender's other system of electronic transmission; (c) upon the day of delivery if the notice has been deposited in an authorized receptacle of the United States Postal Service as first-class, postage prepaid; or (d) one (1) business day after the notice has been deposited with a generally recognized overnight courier. The addresses of the parties to receive notices are as follows:

If to City:	City of Redlands Attn: City Clerk 35 Cajon Street Suite 2 Redlands, CA 92373 Tel.: (909) 798-7531 Email: sirwin@cityofredlands.org
-------------	--

If to Property One:	Property One, LLC
---------------------	-------------------

P.O. Box 7538
Redlands, CA 92375-0555
Tel.: (909) 307-3103
Fax: (909) 798-2041
Email: vburgess@esri.com

If delivery is not accepted, notice shall be deemed given and received on the date of such non-acceptance. Either Party may change the person or address to which notices shall be given by providing notice of the same to the other Party as provided for in this Section.

11.4 Modifications. This Agreement cannot be changed orally, and no agreement shall be effective to waive, change, modify or discharge it in whole or in part unless such agreement is in writing and is signed by the parties against whom enforcement of any such change is sought.

11.5 Entire Agreement. This Agreement, including any exhibits and schedules hereto, contains the entire agreement between the parties hereto pertaining to the subject matter hereof and fully supersedes all prior written or oral agreements and understandings between the parties pertaining to such subject matter.

11.6 Further Assurances. Each party agrees that it will execute and deliver such other documents and take such other action, whether prior or subsequent to Closing, as may be reasonably requested by the other party to consummate the transaction contemplated by this Agreement. The provisions of this Section shall survive Closing.

11.7 Counterparts. This Agreement may be executed in counterparts, all such executed counterparts shall constitute the same agreement, and the signature of any party to any counterpart shall be deemed a signature to, and may be appended to, any other counterpart.

11.8 Facsimile Signatures. In order to expedite the transaction contemplated herein, telecopied signatures may be used in place of original signatures on this Agreement. City and Property One intend to be bound by the signatures on the telecopied document, are aware that the other party will rely on the telecopied signatures, and hereby waive any defenses to the enforcement of the terms of this Agreement based on the form of signature.

11.9 Severability. If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall nonetheless remain in full force and effect; provided that the invalidity or unenforceability of such provision does not materially adversely affect the benefits accruing to any party hereunder.

11.10 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State California. Property One and City agree that the provisions of this Section shall survive the Closing or any termination of this Agreement.

11.11 Attorneys' Fees. Except as provided in Section 1.5, in the event of any action or proceeding between City and Property One to enforce any provision of this Agreement, the losing party shall pay to the prevailing party all costs and expenses, including, without limitation,

reasonable attorneys' fees and expenses, including reasonable fees for a party's use of "in-house" counsel, incurred in such action and in any appeal in connection therewith by such prevailing party. The "prevailing party" will be determined by the court before whom the action was brought based upon an assessment of which party's major arguments or positions taken in the suit or proceeding could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's decision. The provisions of this Section shall survive any termination of this Agreement.

11.12 Captions. The section headings appearing in this Agreement are for convenience of reference only and are not intended to limit or define the text of any section or any subsection hereof.

11.13 Recordation. This Agreement may not be recorded by any party hereto without the prior written consent of the other party.

11.14 Time for Performance. Time is of the essence of this Agreement. As used in this Agreement, a "business day" shall mean a day that is not a Saturday, Sunday or recognized federal or state holiday. If the last date for performance by either party under this Agreement occurs on a day that is not a business day, then the last date for such performance shall be extended to the next occurring business day.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the Effective Date.

PROPERTY ONE:

CITY:

PROPERTY ONE, LLC, a California limited liability company

CITY OF REDLANDS, a municipal corporation

By: _____
Name: Laura C. Dangermond
Title: Member Trustee

By: _____
Name: Pete Aguilar
Title: Mayor

ATTEST:

Sam Irwin, City Clerk

EXHIBIT A

LIST OF DUE DILIGENCE MATERIALS

All environmental, seismic, soils and geological, hazardous material, land use, topographical, structural, and other reports pertaining to the condition of the Property.

Copies of any governmental permits, notices and approvals pertaining to the Property.

All information pertaining to any development of the Property.

Management agreements, development agreements and any other agreements (e.g., unrecorded easements, leases, drainage, and water rights agreements) pertaining to the Property.

EXHIBIT B

FORM OF DEED

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Property One, LLC
PO Box 7538
Redlands, CA 92375-0555

MAIL TAX STATEMENTS TO:

Property One, LLC
PO Box 7538
Redlands, CA 92375-0555

(Above Space For Recorder's Use Only)

GRANT DEED

The undersigned Grantor declares that Documentary Transfer Tax is not part of the public records.

FOR VALUE RECEIVED, the City of Redlands, a municipal corporation, grants to Property One, LLC, a California limited liability company ("Grantee"), all that certain real property (the "Property") situated in an unincorporated area of the County of San Bernardino, State of California, described on Exhibit A attached hereto and by this reference incorporated herein.

IN WITNESS WHEREOF, the undersigned has executed this Grant Deed dated as of _____, 2013.

GRANTOR:

SCHEDULE 1 TO GRANT DEED
LEGAL DESCRIPTION OF REAL PROPERTY