

ANNEXATION AGREEMENT

This Agreement is made by and between the City of Redlands, a municipal corporation hereinafter called "City", and Chapman Investment Company, a California limited partnership hereinafter called "CICO".

RECITALS

A. CICO is the owner of fifty acre parcel of real property located in an unincorporated portion of San Bernardino County, California, south of Lugonia Street, east of Bryn Mawr Street, and North of San Bernardino (Interstate 10) Freeway (the "CICO property").

B. The City has commenced proposed Annexation No. 59 that would annex approximately 400 acres to the City, including the CICO property.

C. Since the CICO property will comprise a "gateway" to the City, the City desires that the CICO property be annexed to the City.

D. Because the East Valley Corridor Study has just been started, CICO believes that the proposed annexation is premature.

E. In return for consenting to the annexation of the CICO property, CICO desires to ensure that the City will undertake certain actions after the annexation that

will benefit the CICO property.

THE PARTIES AGREE AS FOLLOWS:

1. Upon application by CICO, either by itself or with other landowners, the City agrees to start promptly the process for the establishment of a benefit assessment district pursuant to California law for financing the construction of a lift station and a force main that will pump wastewater to the City's wastewater treatment plant.

2. Concomitant with formation of the benefit assessment district, the City shall make provision for reimbursement agreements whereby landowners in the area of benefit who later connect to assessment district improvements or benefit therefrom will reimburse the assessed properties for the construction costs thereof on a pro rata basis.

3. As an alternative to the above benefit assessment district arrangement, City shall upon request by CICO construct and install the lift station and force main to City specifications and at City expense. City may then, for costs expended by means of reimbursement agreements, obtain proportionate reimbursement upon connection by properties served, including the CICO property.

4. The City agrees to accept full ownership and to pay all costs of maintaining such lift station and force main after their construction/installation to City specifications.

5. The City agrees that CICO will pay no annexation fee or charge for the annexation of the CICO property.

6. The City intends to cooperate and assist CICO in the development of the CICO property through the issuance of industrial development bonds and the use of available funds for street improvements, subject only to applicable legal limits.

7. The City further agrees that it will not use a "no-growth" policy as a basis for impeding the development of the CICO property or for limiting the availability of industrial development bonds and construction financing.

8. The CICO property has been rezoned C-M ("commercial-industrial"). The City hereby asserts that it has no present intention of initiating another change of zone on the CICO property.

9. In consideration for the City agreement to the aforesaid matters, CICO consents to the annexation of the CICO property to the City of Redlands.

10. This agreement shall be binding upon and inure to the benefit of the successors and assigns of CICO.

EXECUTED on March 19, 1985 at
Redlands, California.

CITY OF REDLANDS

By Carole Bisworth
Mayor of City of Redlands

ATTEST:

Gawie Lopez
City Clerk of City of Redlands

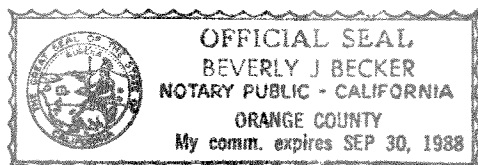
CHAPMAN INVESTMENT COMPANY

By C.S. Chapman, Jr.
General Partner

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On March 5, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared C.S. Chapman, Jr., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person that executed the within instrument as General Partner, on behalf of Chapman Investment Company, the partnership therein named and acknowledged to me that the partnership executed it.

WITNESS my hand and official seal.



Beverly J. Becker
Notary Public