CITY OF REDLANDS

BALLOON PAYMENT PROMISSORY NOTE

$179,462.00
PRINCIPAL AMOUNT

March 1, 1999
Redlands, California

THIS NOTE REQUIRES A BALLOON PAYMENT AT MATURITY

FOR VALUE RECEIVED, JOSE HERRERA, whose address is 1911 W. Page St., Fullerton, California 92633 ("Borrower") hereby promises to pay to the order of the CITY OF REDLANDS, whose address is 35 Cajon Street, Redlands, California 92373 ("Lender"), at Lender's address or at such other place as the holder thereof may from time to time designate, the principal amount of ONE HUNDRED SEVENTY-NINE THOUSAND FOUR HUNDRED SIXTY-TWO DOLLARS ($179,462) together with interest as set forth below on the unpaid principal amount from time to time outstanding from the date hereof, plus any costs of suit and attorney's fees incurred by the holder hereof in collecting any amounts due under this Note.

INTEREST

This Note shall bear, and Borrower promises to pay, interest (computed on the basis of a three hundred sixty (360) day year but with interest payment for a partial month based upon a thirty (30) day month) on the unpaid principal amount from time to time outstanding commencing on March 1, 1999 (the "Commencement Date") until this Note is paid in full at the annual rate of eight percent (8%) amortized over a period of twenty-five (25) years.

INSTALLMENTS OF INTEREST AND PRINCIPAL

The principal amount and accrued interest thereon under this Note shall be due and payable as follows:

(a) Thirty-two (32) consecutive monthly installments of $1,391.03 commencing on August 1, 1999 and payable on the first (1st) day of each month thereafter until March 1, 2002; and

(b) The outstanding principal balance of the Note and any and all accrued and unpaid interest thereon shall be due and payable, in full, on March 1, 2002.

PREPAYMENT

Borrower may prepay all or any portion of this Note without penalty at any time. All payments on this Note, including but not limited to prepayments, shall be credited first to accrued and unpaid interest and then to the unpaid principal amount. Except as set forth herein, Borrower, endorsers, and guarantors of this Note hereby severally waive presentment for payment, demand, notice of non-payment and protest.

EVENT OF DEFAULT

An "event of default" shall occur if any installment of principal, interest, or both, on the obligation represented by this Note shall not be paid when and as the same shall become due and payable, and such default shall have continued for a period of ten (10) days after written notice is delivered or is mailed to Borrower at the last address of Borrower furnished to the holder of this Note in writing at the place for payment; provided, however, such notice of default need not be given and an event of default shall exist without any requirement for notice five (5) days after a failure to make when due any payment as aforesaid if no such address is furnished.

DUE ON SALE PROVISION

Should Borrower agree to or actually sell, convey, transfer, or otherwise dispose of the real property described in the Deed of Trust securing this Note, or any part of it, or any interest in it, without first obtaining the written consent of the Lender of this Note, then all obligations secured by this Note may be declared due and payable, at the option of the Lender. Consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

REMEDIES

Upon the occurrence of an "event of default" as defined above, the whole of the unpaid principal amount of this Note and all accrued and unpaid interest shall be immediately due and payable without further notice to or demand of the Borrower. No remedy herein conferred upon Lender or any holder of this Note is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy giver hereunder provided in any mortgage, deed of trust or agreement securing or relating to Borrower's obligations hereunder or are hereafter existing at law or in equity, by statute or otherwise.

LATE CHARGE

Borrower acknowledges that in the event any payment of any amount required hereby is not made when due, the Lender will incur additional costs and expenses. The exact amount of these additional costs and expenses (which include, but are not limited to, processing and accounting charges as well as loss of use of money due) is difficult and impractical to assess. Therefore, Borrower acknowledges that the sum of ten percent (10%) of the amount overdue is, under the circumstances existing at the time of thie Note is made, a reasonable late charge, and Borrower promises to pay such late charge when due. Said late charge shall become immediately due fifteen days after due date.

GENERAL

No course of dealing between Borrower and Lender or any holder of this Note or any delay on the part of Lender or any holder of this Note in exercising any right hereunder shall operate as a waiver of any right of Lender or any holder of this Note.

This note shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

Should there be an event of default under this Note and should this Note be placed in the hands of attorneys for collection, Borrower agrees to pay, in addition to the unpaid principal amount and interest due and payable hereunder, reasonable attorneys' fees, together with all reasonable costs and expenses of any such action or proceeding, whether or not litigation has commended.

This Note is secured by a DEED OF TRUST to First American Title Insurance Company dated March 1, 1999.

Executed effective the date first above written.

3-1-99

Jose Herrera

Order No. 274960ms
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:

City of Redlands
35 Cajon Street
Redlands, CA 92373

Recorded in Official Records, County of San Bernardino, Larry Walker, Recorder

Doc No. 19990089481
3:00pm 03/03/99

First American Title B # 601

1 PG	2 FEE	3 APF	4 GIMS	5 PH CPY	6 CRT CPY	7 ADD NM	8 PEN PR	9 10 PCOR
2	7	3						
			5			2	601	W
NON ST	LN	SVY	CIT-CO	TRANS TAX		DA	CHRG	EXAM

DEED OF TRUST WITH ASSIGNMENT OF RENTS

(This Deed of Trust contains an acceleration clause)

This DEED OF TRUST, made March 1, 1999, between

Jose Herrera, a married man as his sole and separate property, herein called TRUSTOR,

whose address is 3596 Van Buren Blvd., Riverside, CA 92503,
(Number and Street) (City) (State)

FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called TRUSTEE, and

CITY OF REDLANDS, herein called BENEFICIARY,

WITNESSETH: That Trustor grants to Trustee in Trust, with Power of Sale, that property in the

City of Redlands County of San Bernardino, State of California, described as:

Lots 23, 24 and 25, Berkeley Tract, as per plat recorded in Book 15 of Maps, pages 85 and 86, records of said county.

Excepting therefrom that poriton granted ot the City of Redlands by Deed recorded March 12, 1976, in Book 8882, page 202, Official Records.

Also Excepting the Westerly 25 feet of Lot 23.

together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits, for the purpose of securing (1) payment of the sum of $ 179,462.00 with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof, (2) the performance of each agreement of Trustor incorporated by reference or contained herein and (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and

(continued on reverse side)

at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	769	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5	Book 1964, Page 149774			

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and printed on pages 3 and 4 hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

If the trustor shall sell, convey or alienate said property, or any part thereof, or any interest therein, or shall be divested of his title or any interest therein in any manner or way, whether voluntarily or involuntarily, without the written consent of the beneficiary being first had and obtained, beneficiary shall have the right, at its option, except as prohibited by law, to declare any indebtedness or obligations secured hereby, irrespective of the maturity date specified in any note evidencing the same, immediately due and payable.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

STATE OF CALIFORNIA }
COUNTY OF Riverside }ss.

On MARCH 1, 1999 before me, LINDA KENASTON, personally appeared JOSE Herrera,

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Linda Kenaston

Signature of Trustor

Jose R Herrera 3-

Jose Herrera

LINDA KENASTON
Commission # 1130829
Notary Public — California
Riverside County
My Comm. Expires Mar 23, 2001

(This area for official notarial seal)

(continued on next page)

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay: at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having

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been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of: all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO FIRST AMERICAN TITLE INSURANCE COMPANY, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes, and of all other indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated ______________________________

____

Please mail Deed of Trust, ______________________________

Note and Reconveyance to ______________________________

____

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

DEED OF TRUST

WITH POWER OF SALE

FIRST AMERICAN

First American Title Insurance Company

TRUSTEE

RECORDED AT THE REQUEST OF
FIRST AMERICAN TITLE INSURANCE CO.

Recording requested by
and when recorded return to:

City Clerk
City of Redlands
PO Box 3005
Redlands, CA 92373

Recorded in Official Records, County of San Bernardino, Larry Walker, Recorder

Doc No. 19990089479
3:00pm 03/03/99

First American Title B # 601

1 PG	2 FEE	3 APF	4 GIMS	5 PH CPY	6 CRT CPY	7 ADD NM	8 PEN PR	9 0 PCOR
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NON ST	LN	SVY	CIT-CO	TRANS TAX		DA	CHRG	EXAM
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274960 ms

LOAN AGREEMENT
AND SUBSTITUTION OF NOTE AND DEED OF TRUST

THIS LOAN AGREEMENT AND SUBSTITUTION OF NOTE AND DEED OF TRUST (this "Agreement") is made as of the 16th day of February, 1999 by and between the City of Redlands, a municipal corporation, hereinafter referred to as "City" and Jose Herrera, an individual, hereinafter referred to as "Borrower."

RECITALS

WHEREAS, City made a loan to Manly R. Hyde which is evidenced by a secured Note in favor of City dated September 1, 1994, in the original principal amount of $211,500. The Note is secured by that certain Deed of Trust of even date therewith, executed by Manly R. Hyde as Trustor, to Inland Brookside Services, Inc., as Trustee, for the benefit of City, as beneficiary (the "Deed of Trust"), and encumbers certain real property located in said county as described in Exhibit "A" hereto (the "Property"); and

WHEREAS, City deeded all rights and interest to the Property to Manly R. Hyde as evidenced by a Grant Deed recorded on November 14, 1994 as Instrument No. 94-458254; and

WHEREAS, Borrower has entered into an escrow to purchase the Property from Manly R. Hyde and has requested City accept a new Note and Deed of Trust evidencing a loan from City to Borrower; and

WHEREAS, City has agreed to provide a loan to Borrower (the "Loan") for the Property, conditioned upon the execution by Borrower of this Agreement whereby Borrower agrees to execute a new Note and Deed of Trust for the Property in connection with the Loan (collectively, the "Loan Documents") and comply with such other conditions as are set forth below; and

WHEREAS, Borrower is willing to pay to City the sum of $26,000 concurrent with City's execution of this Agreement and assume all obligations specified under the Loan Documents and the other conditions set forth herein; and

NOW, THEREFORE, in consideration of the mutual promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the City of Redlands and Jose Herrera hereby agree as follows:

AGREEMENT

1. Consent to Transfer. City hereby consents to the transfer of the Property to Jose Herrera and the execution of the Loan Documents by Jose Herrera, now hereinafter referred to as the "Borrower."

2. Obligations of Borrower. Borrower hereby agrees to observe and perform each and every term, covenant and condition required to be observed or performed under the Loan Documents and promises to pay to City the amounts due under the terms of the Note and all other sums now and hereafter due and owing under the Loan Documents.

3. Execution of Note and Deed of Trust: The parties hereto agree that Borrower shall execute the Note and Deed of Trust as shown in the form of Note and Deed of Trust attached hereto as Exhibits "B" and "C" respectively and incorporated herein by this reference.

4. Term. This Agreement shall remain in full force and effect as long as any amounts or obligations are owing under the Loan Documents or this Agreement.

5. Costs and Expenses. Any and all costs arising out of or as a result of this Agreement, including all costs of City, fees charged by City's in house or outside legal counsel in connection herewith costs of recordation, title insurance endorsements shall be paid by Borrower, upon recordation hereof and in no event shall any costs be borne by City.

6. Counterclaims. Borrower hereby agrees and acknowledges that there are no claims, defenses (legal or equitable) counterclaims, set-offs and/or any other rights or remedies whatsoever which he now or hereafter may have, claim or assert against City, which would, in the absence of this Agreement, in any way alter, reduce or extinguish his liabilities to City under and pursuant to the Loan Documents.

Borrower hereby authorizes City, without notice or demand and without affecting his liability hereunder, from time-to-time to exchange, enforce, waive and release any security held by City for the payment of the obligations under the Loan Documents, apply such security and direct the order or manner of sale thereof as City in its sole discretion may determine, and assign, without notice, this Agreement in whole or in part and/or City's rights hereunder to anyone at any time. This Agreement is not assignable. Borrower hereby agrees that City may do any or all of the foregoing in such manner, upon such terms and at such times as City, in its discretion, deems advisable, without, in any way or respect, impairing, affecting, reducing or releasing Borrower from his respective obligations under the Note, the Deed of Trust or this Agreement.

Borrower hereby waives and agrees not to assert against City or each other any rights which a guarantor or surety could exercise.

8. Counterparts. This Agreement may be executed in any number of counterparts and each of the such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

9. Governing Law. The terms and provisions of this Agreement shall be construed in accordance with and governed by the laws of the State of California.

10. Definitions. The terms of this Agreement shall be defined, and shall have the same meaning as set forth in the Deed of Trust.

11. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and assigns.

12. Attorneys' Fees. In the event any action is commenced to enforce or interpret the terms or conditions of this Agreement or the Loan documents the prevailing party in such action shall, in addition to any costs and other relief, be entitled to the recovery of its reasonable attorneys' fees.

CITY OF REDLANDS

By: ______________________
Mayor

BORROWER:

______________________ 3-1-99
Jose Herrera

ATTEST:

____
City Clerk

ALL-PURPOSE ACKNOWLEDGMENT

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) SS
CITY OF REDLANDS)

By the authority granted under Chapter 4, Article 3, Section 1181, of the California Civil Code, and Chapter 2, Division 3, Section 40814, of the California Government Code, on February 24, 1999, before me, Beatrice Sanchez, Deputy City Clerk, on behalf of Lorrie Poyzer, City Clerk of the City of Redlands, California, personally appeared William E. Cunningham and Lorrie Poyzer { X} personally known to me - or - { } proved to me on the basis of satisfactory evidence to be the persons whose names) are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

LORRIE POYZER, CITY CLERK

By: Beatrice Sanchez
Beatrice Sanchez, Deputy City Clerk
(909)798-7531

CAPACITY CLAIMED BY SIGNER(S)

{ } **Individual(s) signing for oneself/themselves**
{ } **Corporate Officer(s)**
Title(s) ________
Company ________
{ } **Partner(s)**
Partnership ________
{ } **Attorney-In-Fact**
Principal(s) ________
{ } **Trustee(s)**
Trust ________
{ x } **Other**
Title(s): Mayor and City Clerk
Entity Represented: City of Redlands, California

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:
Title or Type of Document: Loan Agreement and Substitution of note and Deed of Trust
Date of Document: February 16, 1999
Signer(s) Other Than Named Above: Jose Herrera

EXHIBIT "A"

THE LAND REFERRED TO IN THIS POLICY IS SITUATED IN THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 23, 24 & 25, BERKELEY TRACT, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 15, PAGES 85 AND 86 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THEREFROM THAT PORTION GRANTED TO THE CITY OF REDLANDS BY DEED RECORDED MARCH 12, 1976 IN BOOK 8882 PAGE 202 OFFICIAL RECORDS.

ALSO EXCEPTING THE WESTERLY 25 FEET OF SAID LOT 23.

THIS IS NOT A SURVEY OF THE LAND, BUT IS COMPILED FOR INFORMATION ONLY. NOR IS IT A PART OF THE REPORT, OR POLICY TO WHICH IT MAY BE ATTACHED.