

ESTOPPEL CERTIFICATE

The City of Redlands, a municipal corporation and general law city ("City"), and Howard Industrial Partners LLC, a California limited liability company ("HIP"), previously entered into that certain Conditional Property Disposition Agreement dated as of October 18, 2011 (as previously amended, the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Agreement.

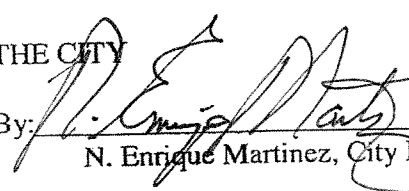
HIP has requested this Estoppel Certificate pursuant to Section 519 of the Agreement. The City hereby certifies as follows:

1. A copy of the Agreement, together with all amendments thereto, are attached to this Estoppel Certificate as Schedule 1. The Agreement is in full force and effect.
2. There are no defaults under the Agreement. To the City's knowledge, HIP has not assigned or transferred its interest under the Agreement.
3. The remaining items to be completed by HIP pursuant to the Agreement are listed on Schedule 2 attached hereto.
4. If Closing occurs in accordance with the Agreement, the Second Amendment to Conditional Property Disposition Agreement (the "Second Amendment") will be entered into at Closing in the form attached hereto as Schedule 3.
5. HIP, Prologis L.P., and its affiliates, and any other permitted assignee of HIP or Prologis, may rely upon the provisions in this Estoppel Certificate and such provisions shall be binding upon the undersigned and their successors and assigns.

Executed as of September 19, 2012.

THE CITY

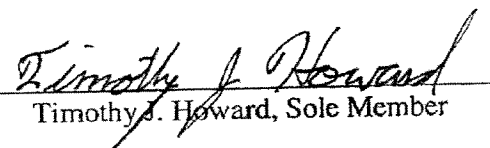
By:


N. Enrique Martinez, City Manager

HIP

HOWARD INDUSTRIAL PARTNERS LLC, a
California limited liability company

By:


Timothy J. Howard, Sole Member

ATTEST:

By:


Sam Irwin, City Clerk

SCHEDULE 1
Agreement and Amendments

1. The Agreement is hereby amended to read as follows:

2. The Agreement is hereby amended to read as follows:

3. The Agreement is hereby amended to read as follows:

4. The Agreement is hereby amended to read as follows:

5. The Agreement is hereby amended to read as follows:

6. The Agreement is hereby amended to read as follows:

7. The Agreement is hereby amended to read as follows:

8. The Agreement is hereby amended to read as follows:

9. The Agreement is hereby amended to read as follows:

10. The Agreement is hereby amended to read as follows:

CONDITIONAL PROPERTY DISPOSITION AGREEMENT

by and between the

CITY OF REDLANDS

and

HOWARD INDUSTRIAL PARTNERS

Dated: October 18, 2011

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EXHIBIT "A" – Form of Memorandum of Agreement

EXHIBIT "B" – Form of Grant Deed

EXHIBIT "C" – Schedule of Performance

CONDITIONAL PROPERTY DISPOSITION AGREEMENT

This Conditional Property Disposition Agreement (this "Agreement") is made this 18th day of October, 2011 ("Effective Date"), by and between the City of Redlands, a municipal corporation and general law city ("City"), and Howard Industrial Partners LLC, a California limited liability company ("HIP"). The City and HIP are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

RECITALS

A. The purpose of this Agreement is to establish a framework for the submittal and processing of a yet to be identified development project by HIP on four (4) parcels of real property consisting of approximately Thirty Six and Eight Tenths (36.8) acres presently owned by the City, which is designated as County of San Bernardino Assessor's Parcel Nos. 0292-044-09, 10, 11, and 12 (the "Site"), and the subsequent disposition of the Site.

B. HIP is willing to purchase the Site from the City on the terms and conditions set forth in this Agreement, and HIP is willing to propose a development project to the City for the Site. HIP is exploring the viability of the construction of a logistics facility on the Site (the "Project").

C. The City and HIP desire to enter into this Agreement to set forth a general framework relating to: (i) the development review process for the Project that will be proposed by HIP and (ii) the possible subsequent disposition of the Site to HIP. This Agreement memorializes the preliminary terms that have negotiated between the Parties, and is not intended to create any binding contractual obligations with respect to the Project on any Party, or to commit any Party to a particular course of action with respect to the Project.

NOW, THEREFORE, in consideration of the mutual promises contained herein, the City and HIP hereby agree as follows:

AGREEMENT

100. REPRESENTATIONS AND WARRANTIES

101. HIP's Representations. HIP represents and warrants to its actual knowledge to the City as follows:

a. Authority. HIP is a limited liability company duly organized and in good standing under the laws of the State of California. HIP has full right, power and lawful authority to undertake all obligations as provided herein and the execution of this Agreement by HIP has been fully authorized by all requisite actions on the part of HIP.

b. No Conflict. HIP's performance of its obligations under this Agreement will not constitute a default or a breach under any contract, agreement or order to which HIP is a party or by which it is bound.

c. No Litigation or Other Proceeding. No litigation or other proceeding (whether administrative or otherwise) is outstanding or has been threatened which would prevent or delay the ability of HIP to perform its obligations under this Agreement.

Until the expiration or earlier termination of this Agreement, HIP shall, upon learning of any fact or condition which would cause any of the foregoing warranties and representations not to be true, immediately give written notice of such fact or condition to the City.

d. Consent Required. HIP shall not, except as hereinafter provided, assign or transfer this Agreement or any rights hereunder with respect to the Project without the prior written approval of the City. The City's City Manager shall approve or disapprove any requested transfer or assignment within ten (10) business days after receipt of a written request for approval from HIP, together with such documentation as may be reasonably required by the City's City Manager to evaluate the proposed transaction and the proposed assignee's/transferee's experience and qualifications, including the proposed assignment and assumption agreement by which the assignee expressly agrees to assume all rights and obligations of HIP under this Agreement arising after the effective date of the assignment, and in which the assignee agrees to assume, or HIP expressly remains responsible for, all performance and obligations of HIP arising prior to the effective date of the assignment. The assignment and assumption agreement shall be in a form reasonably acceptable to the City's legal counsel. The City's City Manager shall not unreasonably withhold approval of a transfer or assignment to a proposed transferee/assignee who in the reasonable opinion of the City's City Manager is financially capable and has the development qualifications and experience to perform the duties and obligations of HIP. No later than the date the assignment becomes effective, HIP shall deliver to the City a fully executed counterpart of the assignment and assumption agreement.

e. Permitted Transfers. Notwithstanding any other provision of this Agreement to the contrary, the City's approval of a transfer or assignment of this Agreement, the Project or any interest therein, shall not be required in connection with any of the following ("Permitted Transfer"), but HIP shall give the City prior written notice of any Permitted Transfer together with evidence reasonably supporting the fact that such transfer is a Permitted Transfer:

(i) Any transfer or assignment to an Affiliate of HIP in connection with which such transferee or assignee assumes the rights and obligations of HIP under this Agreement pursuant to an assignment and assumption agreement reasonably acceptable to the City's legal counsel. "Affiliate" means an entity in which HIP retains a direct beneficial economic interest and in which HIP retains effective direct management and control of the transferee entity, subject only to major events requiring the consent or approval of the other owners of such entity;

(ii) Transfers in connection with the sale of all or substantially all of the assets of any Affiliate of HIP; or

(iii) Any transfer to a nationally recognized real estate investment company that regularly provides capital to developers of industrial real estate projects. It is HIP's intent to seek an institutional investor to fund a significant amount of the equity necessary for the acquisition and development of the Project.

f. Termination. If HIP acquires the Site from the City, the general restrictions of this Section 101 shall thereafter terminate with respect to the Project, except as expressly otherwise provided for in Section 406.

102. Limitation on Change in Ownership, Management and Control of HIP. The qualifications and identity of HIP are of particular concern to the City. It is because of those unique qualifications and identity that the City has entered into this Agreement with HIP. No voluntary or involuntary successor in interest of HIP shall acquire any interest in the Project or any rights or powers under this Agreement, except as expressly set forth herein.

200. DISPOSITION OF THE SITE TO HIP

201. Purchase and Sale of the Site. The City currently owns the Site in fee title. In the event Escrow is opened pursuant to this Agreement, and all conditions precedent for Closing of Escrow have been satisfied, HIP shall purchase from the City the fee interest in the Site for the total purchase price of Twelve Million Three Hundred Forty-Five Thousand Nine Hundred Eleven Dollars (\$12,345,911) (the "Purchase Price"), and in accordance with and subject to all of the terms, covenants and conditions of this Agreement. The sale of such interest by the City to HIP shall be in consideration of HIP's performance of all of its obligations hereunder. HIP shall, at least one (1) day prior to the Closing of Escrow (as those terms are later defined herein), deposit into Escrow cash or by wire transfer of funds, an amount equal to the Purchase Price.

202. Escrow. If the City approves of all discretionary entitlements necessary to construct the Project, within ten (10) days thereafter, the City shall open an escrow ("Escrow") with Redlands Escrow at 306 E. Citrus Ave., Redlands, CA 92373, or another escrow company mutually acceptable to the City and HIP (the "Escrow Agent") and negotiate mutually agreed upon escrow instructions for the conveyance of the Site to HIP.

202.1 Costs of Escrow. All usual fees, charges and costs chargeable by the Escrow Agent for Escrow services, including the costs of the Title Policy and the documentary transfer taxes, if any, due with respect to conveyance of the Site ("Costs") shall be paid by HIP.

202.2 Escrow Instructions. Prior to any conveyance of the Site to HIP, the Parties shall in good faith negotiate and submit appropriate escrow instructions to the Escrow Agent for the closing of Escrow in accordance with the terms and conditions of this Agreement. The Parties shall use reasonable good faith efforts to close Escrow in the shortest possible time. All funds received in the Escrow shall be deposited in interest-bearing accounts for the benefit of the

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depositing Party in any national bank doing business in the State of California. All disbursements shall be made by check or wire transfer from such account. The Closing shall take place when both the City's and HIP's Conditions Precedent to Closing as set forth in Section 205 hereof have been satisfied. The Escrow Agent is instructed to release the City's Escrow closing and HIP's Escrow closing statements to the respective Parties.

202.3 Funding of Escrow. The Purchase Price and all Costs required to be funded into Escrow in order to consummate any conveyance of the Site to HIP shall be deposited and funded by HIP in accordance with HIP's obligations relating to the Purchase Price and such Costs pursuant to this Agreement.

202.4 Authority of Escrow Agent. Escrow Agent is authorized to, and shall:

a. Pay and charge HIP for the premium of the Title Policy and any amount necessary to place title in the condition necessary to satisfy Section 203; any endorsements to the Title Policy that are requested by HIP; and any escrow fees, charges and Costs payable under Section 202.1.

b. Record a memorandum of this Agreement ("Memorandum of Agreement"), in the form attached to this Agreement as Exhibit "A," against the Site prior to transferring the Site fee interest to HIP.

c. Disburse funds and deliver and record the grant deed conveying the Site to HIP in the form attached to this Agreement as Exhibit "B" (the "Grant Deed") when both HIP's and the City's Conditions Precedent to Closing have been fulfilled or waived in writing by HIP and/or the City, as applicable.

d. Do such other actions as necessary, including obtaining the Title Policy, to fulfill its obligations under this Agreement.

202.5 Closing. The Escrow for the Site shall close within ten (10) days after the satisfaction, or waiver by the appropriate Party, of all of the City's and HIP's Conditions Precedent to Closing. "Closing" shall mean the time and day the Grant Deed is filed for record with the San Bernardino County Recorder. The "Closing Date" shall mean the day on which the Closing occurs.

202.6 Closing Procedure. Escrow Agent shall close the Escrow for the Site as follows:

a. Memorandum of Agreement. Record the Memorandum of Agreement against the Site prior to transferring the Site to HIP.

b. Grant Deed. Record the Grant Deed with instructions for the Recorder of San Bernardino County, California to deliver the Grant Deed to HIP.

c. Title Policy. Instruct the Title Company to deliver the Title Policy to HIP.

d. Accounting. Forward to both HIP and the City a separate accounting of all funds received from and disbursed to each Party and conformed copies of all executed and recorded or filed documents deposited into each Escrow, with such recording and filing date and information endorsed thereon.

203. Review of Title. HIP shall cause the Title Company to deliver to HIP and to the City a standard preliminary title report (the "Report") with respect to the title to the Site, together with legible copies of the documents underlying the exceptions ("Exceptions") set forth in the Report, within the time set forth in the schedule of performance attached hereto as Exhibit "C" (the "Schedule of Performance"). HIP shall have the right to approve or disapprove the Exceptions in its sole and absolute discretion; provided, however, HIP hereby approves the following Exceptions which shall be referred to herein as the "Pre-Approved Exceptions:"

a. Tax Liens. The lien of any non-delinquent property taxes and assessments (to be prorated at Closing);

b. Incidental Easements. Any incidental public utility and public road easements which do not preclude, hinder, delay or impede HIP's intended use of the Site;

c. Grant Deed. The conditions set forth in the Grant Deed;

d. Memorandum of Agreement. The Memorandum of Agreement;

e. HIP Matters. Matters created by, through or under HIP;

f. Other Exceptions. Such other exceptions to title as may hereafter be approved by HIP, in its sole discretion.

Within the time set forth in the Schedule of Performance, HIP shall give written notice to the City and the Escrow Agent of HIP's approval or disapproval of any of the Exceptions (except the Pre-Approved Exceptions). HIP's failure to give written disapproval of the Exceptions within such time limit shall be deemed disapproval of the Exceptions. If HIP notifies the City of its disapproval of any Exceptions, the City shall have the right, but not the obligation, to cause any disapproved Exceptions to be removed within seven (7) days after receiving written notice of HIP's disapproval, or provide assurances satisfactory to HIP that such Exceptions will be removed on or before the Closing. The City's failure to notify HIP within such seven (7) day period shall be deemed an election not to remove the disapproved Exceptions. The City's election not to remove any disapproved Exceptions shall not be a Default under the provisions of this Agreement. If the City cannot or does not elect to remove any of the disapproved Exceptions within such seven (7) day period, HIP shall have five (5) days after the expiration of such seven (7) day period to either give the City written notice that HIP elects, in its sole discretion, to proceed with the purchase of the Site subject to the disapproved Exceptions or to give the City written notice that HIP elects to terminate its obligation to acquire the Site. The Exceptions to title approved by HIP as provided herein shall hereinafter be referred to as the "Condition of Title." If any Exceptions other than Pre-Approved Exceptions are reported by the

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Title Company after HIP has approved the Condition of Title for the Site pursuant to the foregoing procedures, then any such new Exception shall be subject to the same procedures for review and approval set forth above for Exceptions constituting the Condition of Title.

204. Title Insurance. Concurrently with recordation of the Grant Deed conveying to HIP title to the Site, the Title Company shall issue to HIP a form ALTA owner's policy of title insurance (the "Title Policy"), together with such endorsements as are reasonably requested by HIP, insuring that title to HIP's interest in the Site acquired as of the date of issuance of the Title Policy is vested in HIP. The Title Company shall provide the City with a copy of the Title Policy. The premium for the Title Policy plus any additional costs, including the cost of surveys, any endorsements requested by HIP, and the additional premium and/or other charges imposed by the Title Company, if any shall be paid by HIP.

205. Conditions of Closing. The Closing is conditioned upon the satisfaction of the following terms and conditions within the times designated below:

205.1 The City's Conditions of Closing. The City's obligation to proceed with the Closing of Escrow and the conveyance of the Site is subject to the fulfillment or waiver by the City of each and all of the conditions precedent described below ("the City's Conditions Precedent to Closing"), which are solely for the benefit of the City, and which shall be fulfilled or waived within the time periods provided for herein:

a. No Default. Prior to the Closing, HIP shall not be in Default under the terms of this Agreement, and all representations and warranties of HIP contained herein shall be true and correct in all material respects.

b. Execution of Documents. HIP shall have executed and acknowledged the Memorandum of Agreement and any other documents required hereunder and delivered such documents into Escrow.

c. Evidence of Financing. HIP shall have provided to the City reasonable evidence of financing or ability to self-finance the Project.

d. Title. HIP shall have notified the City of HIP's approval of the condition of title to the Site.

e. Physical Condition. HIP shall have notified the City of HIP's approval of the physical condition of the Site.

f. Litigation. There shall be no proceedings or litigation pending which would adversely affect conveyance of, or the use or development of, the Site.

g. Entitlements. HIP shall have obtained each of the discretionary entitlements and ministerial permits including, but not limited to, grading and building permits, required by the

City for the construction of the Project, and the applicable limitation periods for legal challenges to the Project shall have expired.

205.2 HIP's Conditions of Closing. HIP's obligation to proceed with the conveyance of the Site is subject to the fulfillment or waiver by HIP of each and all of the conditions precedent described below ("HIP's Conditions Precedent to Closing"), which are solely for the benefit of HIP, and which shall be fulfilled or waived within the time periods provided for herein:

a. No Default. The City shall not be in Default of any of its obligations under the terms of this Agreement.

b. Execution of Documents. The City shall have executed and acknowledged the Grant Deed and any other documents required hereunder, and delivered such documents into Escrow.

c. Review and Approval of Title. HIP shall have reviewed and approved the Condition of Title, as provided in Section 203 hereof.

d. Title Policy. The Title Company shall, upon payment of Title Company's regularly scheduled premium, be ready to issue the Title Policy upon recordation of the Grant Deed in accordance with Section 204, and endorsements to the Title Policy thereafter in accordance with Section 204.

e. Condition of the Site. HIP shall have provided notice to the City within the time set forth in the Schedule of Performance that all physical aspects of the Site (including the presence of Hazardous Materials contamination, if any, on, under or above the Site, or any portion thereof and the soils condition of the Site) are acceptable to HIP.

f. Entitlements. HIP shall have obtained each of the discretionary entitlements and ministerial permits including, but not limited to, grading and building permits, required by the City for the construction of the Project, and the applicable limitations period for legal challenges to the Project shall have expired.

206. No Warranties; Release of the City. Notwithstanding any provision of this Agreement to the contrary, but subject to any covenants of the City or conditions for the benefit of HIP in this Agreement, the Site shall be conveyed by the City to HIP in its "AS-IS" condition, "WITH ALL FAULTS," with no warranty expressed or implied by the City regarding the presence of Hazardous Materials or the condition of the soil, its geology, the presence of known or unknown seismic faults, title to the Site or the suitability of the Site for the development purposes intended hereunder. "Hazardous Materials" means any substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government, including any material or substance which is: (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law); (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter

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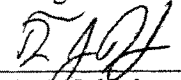
6.8 (Carpenter Presley-Tanner Hazardous Substance Account Act); (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory); (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances); (v) petroleum; (vi) friable asbestos; (vii) polychlorinated biphenyls; (viii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, Division 4, Chapter 20; (ix) designated as "hazardous substances" pursuant to Section 311 of the Clean Water Act (33 U.S.C. §1317); (x) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq. (42 U.S.C. §6903); or (xi) defined as "hazardous substances" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §9601, et seq., as the foregoing statutes and regulations now exist or may hereafter be amended. To the extent authorized by contract or law, the City shall assign to HIP all warranties and guaranties with respect to the Site, if any, that the City may receive from the prior owners of the Site, and all reports and other work product and rights under any agreements related to the environmental assessment and remediation of the Site.

HIP and the City each hereby waives, releases and discharges forever the other, and their respective elected officials, officers, directors, shareholders, members, partners, employees, agents and representatives, from all present and future claims, demands, suits, legal and administrative proceedings and from all liability for damages, losses, costs, liabilities, fees and expenses, present and future, arising out of or in any way connected with the condition of the Site, any Hazardous Materials on, under or about the Site, or the existence of Hazardous Materials contamination due to the generation of Hazardous Materials from the Site, however they came to be placed there, except that arising out of the active negligence or willful misconduct of the indemnified party or their respective elected officials, officers, partners, directors, shareholders, members, employees, agents or representatives.

HIP and the City are aware of and familiar with the provisions of Section 1542 of the California Civil Code which provides as follows:

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

As such relates to this Section 206, HIP and the City each hereby waives and relinquishes all rights and benefits which it may have under Section 1542 of the California Civil Code.



HIP's Initials



City's Initials

300. DEVELOPMENT REVIEW

301. Development Review Process. HIP shall submit applications to the City for the development of the Project in accordance with the Schedule of Performance. Compliance with the requirements of the California Environmental Quality Act ("CEQA") shall occur prior to, and as a condition of, any approval by the City of the Project, and prior to, and as a condition of, any disposition of the Site to HIP. The City shall not undertake any actions concerning the Project that would have a significant effect on the environment or limit the choice of alternatives or mitigation measures before completion of CEQA compliance. If approved by the City, HIP shall develop and construct the Project substantially in accordance with and any drawings, plans and documents submitted to and approved by the City.

302. Right of Entry. HIP, or its designees, shall, upon at least one (1) business day prior written notice to the City, have access to the Site at any time for the purpose of making topographical and engineering studies, environmental studies and tests, and for any and all acts reasonably necessary to ascertain the fitness of the Site for the purpose of HIP. HIP shall defend, indemnify and hold the City harmless against and from any and all liability, loss, cost, damage and expense to any person or entity arising out of or in connection with any negligent or wrongful acts or omissions of HIP or its agents, employees and invitees occurring as a result of such access and actions.

303. Permits and Approvals. Before commencement of construction of the Project upon the Site, HIP at its sole expense shall secure or cause to be secured any and all land use and other entitlements, permits and approvals which may be required by the City and any other governmental agency having jurisdiction over the Project, including all required environmental review pursuant to CEQA, and shall construct the Project in accordance with all applicable federal, state and local laws and requirements (the "Governmental Requirements"). The City's staff will work cooperatively with HIP to assist in coordinating the expeditious processing and consideration of all necessary permits, entitlements and approvals. However, the execution of this Agreement does not constitute the granting of, or a commitment by the City to provide, any funding associated with development of the Project or a commitment by the City to issue any land use permits, entitlements or approvals to HIP. HIP and the City expressly acknowledge and agree that HIP is at an exploratory stage in the development process, and that at the time of execution of this Agreement HIP has not prepared and submitted to the City any development plans or drawings for the Project which would serve as a basis for environmental analysis of the Project. This Agreement does not preclude the City from considering development alternatives to the Project, and nothing in this Agreement prevents the City, in its absolute discretion, to disapprove the Project. The City retains the absolute sole discretion to (i) modify the Project as necessary to comply with CEQA; (ii) select other feasible alternatives to avoid significant impacts; (iii) balance the benefits of the Project against any significant impacts prior to taking final action on the Project if such significant impacts cannot be avoided; and/or (iv) determine not to proceed with the Project, or if conditions precedent to Closing of Escrow are not satisfied, with disposition of the Site to HIP.

304. Obligation to Commence Construction. Subject to satisfaction of the conditions set forth in Section 205.2, HIP shall commence construction of the Project, subject to any Enforced Delay, within the latter of (i) forty-five (45) days from the Closing of Escrow or (ii) twelve (12) months from the Effective Date of this Agreement. "Commencement of Construction," for purposes of this Section 304, shall mean the commencement of physical construction of any building on the Site, pursuant to a building permit issued by the City.

305. Schedule of Performance. HIP shall satisfy all obligations and conditions of this Agreement within the time established therefor in the Schedule of Performance.

306. Cost of Construction. The cost of acquiring the Site and developing the Project, including but not limited to any Site preparation and mitigation, conditions of development, utility relocation, and development impact fees and permits, shall be borne solely by HIP. In addition, HIP will be responsible for all costs and fees associated with preparing, filing, processing, and obtaining approval of any subdivision or parcel map, City and/or other governmental entitlement, permit or approval required to develop the Project. The City shall not have any responsibility whatsoever for the costs associated with the development of the Site, nor shall the City have any proprietary interest in the Project. This Section 306 shall survive any termination of this Agreement.

307. Compliance With Laws; Indemnity; Waiver. HIP shall construct the Project in conformity with all applicable Governmental Requirements, including all applicable state labor laws and standards, all applicable Public Contract Code requirements, the City's applicable zoning and development standards, building, plumbing, mechanical and electrical codes, all other applicable provisions of the City's Municipal Code; and all applicable disabled and handicapped access requirements, including the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., and the Unruh Civil Rights Act, Civil Code Section 51, et seq. HIP warrants and represents in connection with the foregoing that HIP is a sophisticated, experienced developer of projects similar to the Project and is fully conversant with, and informed, concerning the Governmental Requirements with which HIP must comply pursuant to this Section.

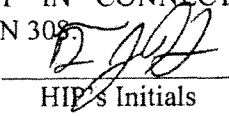
HIP shall defend, indemnify and hold harmless the City and its elected officials, officers, employees, agents and representatives from and against any and all present and future liabilities, obligations, orders, claims, damages, fines, penalties and expenses (including attorneys' fees and costs) (collectively, "Claims"), arising out of or in any way connected with HIP's obligation to comply with all Governmental Requirements with respect to the work for the Project, including all applicable state labor laws and standards and the Public Contract Code, except to the extent such Claims result from actions of the City, or its elected officials, officers, employees, agents or representatives, which prevent HIP from complying with Governmental Requirements. If, at any time, HIP believes that the City, or its elected officials, officers, employees, agents or representatives, are preventing HIP from complying with Governmental Requirements, then HIP shall provide notice to the City of the basis of such conclusion by HIP to enable the City to take such actions as may be necessary or appropriate to enable HIP to comply with Governmental Requirements. This Section 307 shall survive any termination of this Agreement.

308. HIP Acknowledgement. (a) HIP ACKNOWLEDGES THAT THE CITY HAS MADE NO REPRESENTATION, EXPRESS OR IMPLIED, TO HIP OR ANY PERSON ASSOCIATED WITH HIP REGARDING WHETHER OR NOT LABORERS EMPLOYED RELATIVE TO THE CONSTRUCTION, INSTALLATION OR OPERATION OF THE PRIVATE WORKS OF IMPROVEMENT CONSTITUTING THE PROJECT MUST BE PAID THE PREVAILING PER DIEM WAGE RATE FOR THEIR LABOR CLASSIFICATION, AS DETERMINED BY THE STATE OF CALIFORNIA, PURSUANT TO LABOR CODE SECTIONS 1720, ET SEQ. HIP AGREES WITH THE CITY THAT HIP SHALL ASSUME THE RESPONSIBILITY AND BE SOLELY RESPONSIBLE FOR DETERMINING WHETHER OR NOT LABORERS EMPLOYED RELATIVE TO THE CONSTRUCTION, INSTALLATION OR OPERATION OF THE PRIVATE WORKS OF IMPROVEMENT CONSTITUTING THE PROJECT MUST BE PAID THE PREVAILING PER DIEM WAGE RATE FOR THEIR LABOR CLASSIFICATION, AS DETERMINED BY THE STATE OF CALIFORNIA, PURSUANT TO LABOR CODE SECTIONS 1720, ET SEQ. HIP SHALL USE ALL REASONABLE EFFORTS AND EXERCISE DUE DILIGENCE TO MAKE A DETERMINATION IF SUCH PREVAILING WAGES ARE REQUIRED TO BE PAID PURSUANT TO APPLICABLE LAW, AND SHALL PAY SUCH PREVAILING WAGES IF THE APPLICABLE LAW SO REQUIRES.

(b) HIP, ON BEHALF OF ITSELF, ITS SUCCESSORS, AND ASSIGNS, WAIVES AND RELEASES THE CITY FROM ANY RIGHT OF ACTION THAT MAY BE AVAILABLE TO ANY OF THEM PURSUANT TO LABOR CODE SECTIONS 1726 OR 1781. HIP ACKNOWLEDGES THE PROTECTIONS OF CIVIL CODE SECTION 1542 RELATIVE TO THE WAIVER AND RELEASE CONTAINED IN THIS SECTION 309, WHICH READS AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

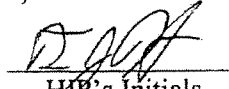
BY INITIALING BELOW, HIP KNOWINGLY AND VOLUNTARILY WAIVES THE PROVISIONS OF SECTION 1542 SOLELY IN CONNECTION WITH THE WAIVERS AND RELEASES OF THIS SECTION 309.


HIP's Initials

(c) ADDITIONALLY, HIP SHALL INDEMNIFY, DEFEND AND HOLD HARMLESS THE CITY, PURSUANT TO THIS SECTION 309, AGAINST ANY CLAIMS PURSUANT TO LABOR CODE SECTIONS 1726 AND 1781 ARISING FROM THIS AGREEMENT OR THE CONSTRUCTION, INSTALLATION OR OPERATION OF ALL OR

ANY PORTION OF THE PRIVATE WORKS OF IMPROVEMENT CONSTITUTING THE PROJECT.

(d) ANYTHING IN THIS AGREEMENT TO THE CONTRARY NOTWITHSTANDING, HIP SHALL ENSURE THAT ALL LABORERS EMPLOYED RELATIVE TO THE CONSTRUCTION OR INSTALLATION OF ANY PUBLIC IMPROVEMENTS CONSTRUCTED BY HIP SHALL BE PAID NO LESS THAN THE PREVAILING PER DIEM WAGE RATE FOR THEIR LABOR CLASSIFICATION, AS DETERMINED BY THE STATE OF CALIFORNIA, PURSUANT TO LABOR CODE SECTIONS 1720, ET SEQ.


HIP's Initials

309. Mortgage, Deed of Trust, Sale and Lease-Back Financing.

309.1 Holder Not Obligated to Construct Project. The holder of any mortgage or deed of trust on any portion of the Site shall not be obligated by the provisions of this Agreement to construct or complete the Project, or to guarantee such construction or completion. Nothing in this Agreement shall be deemed to or be construed to permit or authorize any such holder to devote the Site to any uses or to construct any improvements or project thereon, other than the Project provided for by this Agreement.

309.2 Notice of Default to Mortgagee or Deed of Trust Holders; Right to Cure. With respect to any mortgage or deed of trust granted by HIP as provided herein, whenever the City shall deliver any notice to HIP with respect to any Default by HIP hereunder, the City shall at the same time deliver to each holder of record of any mortgage or deed of trust authorized by this Agreement a copy of such notice. No Notice of Default shall be effective as to the holder unless such notice is given. Each such holder shall (insofar as the rights of the City are concerned) have the right, at its option, within ninety (90) days after the receipt of the copy of the notice, to cure or remedy or commence to cure or remedy any such Default. In the event possession of the Site is required to effectuate such cure or remedy, the holder shall be deemed to have timely cured or remedied if it commences the proceedings necessary to obtain possession thereof within ninety (90) days after receipt of the copy of the notice, diligently pursues such proceedings to completion, and, after obtaining possession, diligently completes such cure or remedy.

400. DEFAULTS AND REMEDIES

401. Default Remedies. Failure by any Party to perform any action or covenant required by this Agreement within the time periods provided herein following notice shall constitute a "Default" under this Agreement. A Party claiming a Default shall give written Notice of Default to the other Party specifying the Default complained of. Except as otherwise expressly provided in this Agreement, the claimant shall not institute any proceeding against the other Party if such Party within thirty (30) days after the date of such Notice of Default immediately cures, corrects or remedies such failure or delay.

402. Institution of Legal Actions. Except as otherwise specifically provided herein, upon the occurrence of a Default, and the expiration of the applicable cure period pursuant to Section 401 above, the non-defaulting Party shall have the right, in addition to any other rights or remedies, to institute any action at law or in equity to cure, correct, prevent or remedy any Default, or to recover damages for any Default, or to obtain any other remedy consistent with the purpose of this Agreement. Such legal actions must be instituted in the Superior Court of the County of San Bernardino, State of California, or in the Federal District Court for the Central District of the State of California. Notwithstanding anything herein to the contrary, a Party's right to recover damages in the event of a Default by the other Party shall be limited to recovery of actual damages and shall exclude consequential damages.

403. Termination. This Agreement may be terminated: (i) if there is an uncured Default, by written notice from the Party not in Default, or (ii) if there is a failure of an express condition (which is not waived by the Party whom the condition benefits) by notice from the Party whom the condition benefits.

404. Rights and Remedies Are Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by any Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party, except as otherwise expressly provided herein.

405. Inaction Not a Waiver of Default. Any failures or delays by any Party in asserting any of its rights and remedies as to any Default shall not operate as a waiver of any Default or of any such rights or remedies, or deprive such Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

406. Option to Repurchase. The City shall have the additional right at its option, following expiration of the notice and cure period described in Section 401, to repurchase the Site (the "Repurchase Option") if, after Closing of Escrow, HIP (i) fails to commence construction of the Project within the time specified in Section 304, and as such date may be extended pursuant to Section 502, or (ii) voluntarily or involuntarily transfers or conveys the Site or this Agreement in violation of Section 100. The Repurchase Option period will be for sixty (60) days following HIP's failure to commence construction of the Project, and the expiration of the notice and cure period described in Section 401. The Repurchase Option period will be computed by excluding the first day and including until 5:00 p.m. on the last day or, if the last day is a holiday, the next business day.

406.1 Repurchase Option Price. To exercise the Repurchase Option, the City shall pay to HIP cash in the amount of Ten Million Dollars (\$10,000,000), which is equal to the purchase price paid to the City by HIP for the Site, less twenty percent (20%) of such purchase price.

406.2 Notice of Exercise of Option. Exercise of the Repurchase Option shall be as follows:

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a. If all conditions to the exercise of the Repurchase Option are satisfied by the City, the City may exercise the Repurchase Option for the Site by (i) executing and delivering to HIP, before expiration of the Repurchase Option period, a written notice of the same; and (ii) executing and depositing escrow instructions and documents necessary to open escrow for repurchase of the Site, at the price specified in Section 406.1, with the Escrow Agent. Escrow shall close thirty (30) days after the opening of escrow, unless agreed otherwise by the Parties.

b. While the Repurchase Option period is in effect, HIP shall not sell, convey or otherwise transfer title to the Site to any party other than the City.

c. If the City fails to exercise the Repurchase Option for the Site in accordance with Section 4.06 within the Repurchase Option period, the Repurchase Option shall terminate. In the event of such termination, within five days after request by HIP, the City will execute, acknowledge and deliver to HIP a quitclaim deed, release and/or any other document reasonably required to verify termination of the Repurchase Option for the Site.

406.3 Memorandum of Option to Purchase. The Parties shall cause a memorandum of the rights granted the City in Section 406 to be recorded in the Official Records of the County of San Bernardino at the time of the Closing of Escrow for conveyance of the Site to HIP. In lieu of such memorandum, in the City's discretion, the rights afforded the City pursuant to this Section 406 may be described in the Grant Deed. The City will not withhold consent to reasonable requests for subordination of the Repurchase Option to deeds of trust provided for the benefit of construction lenders provided that the instruments effecting such subordination include reasonable protections to the City in the event of default, including without limitation, extended notice and cure rights.

406.4 Rights of Mortgagees. Any rights of the City under this Section 406 shall not defeat, limit or render invalid any mortgage or deed of trust permitted by this Agreement, or any rights provided for in this Agreement for the protection of holders of such instruments.

500. GENERAL PROVISIONS

501. Notices, Demands and Communications Between the Parties. Any approval, disapproval, demand, document or other notice ("Notice") which either Party may desire to give to the other Party under this Agreement must be in writing and shall be given by certified mail, return receipt requested and postage prepaid, personal delivery, or reputable overnight courier (but not by facsimile or email), to the Party to whom the Notice is directed at the address of the Party as set forth below, or at any other address as that Party may later designate by Notice.

To City:

City Manager
35 Cajon Street, Suite 200
P.O. Box 3005 (mailing)
Redlands, California 92373
Telephone No. (909) 798-7510
Facsimile No. (909) 798-7503

With a copy to:

City Attorney
City of Redlands
35 Cajon Street, Suite 200
P.O. Box 3005 (mailing)
Redlands, CA 92373
Telephone No. (909) 798-7595
Facsimile No. (909) 798-7503

To HIP:

Howard Industrial Partners
Attention: Tim Howard
155 N. Riverview Drive
Anaheim Hills, California 92808
Telephone No. (714) 769-9155
Facsimile No. (714) 685-1500

With a copy to:

Lewis and Roca LLP
Attention: Andy Carper
40 North Central Avenue
Phoenix, Arizona 85004
Telephone No. (602) 262-0227
Facsimile No. (602) 734-3820

Any Notice shall be deemed received on the date of delivery is delivered by personal service, on the date of delivery or refused delivery as shown by the return receipt if sent certified mail, and on the date of delivery or refused delivery as shown by the records of the overnight courier if sent via nationally recognized overnight courier.

502. Enforced Delay; Extension of Times of Performance. Subject to the limitations set forth below, performance by any Party hereunder shall not be deemed to be in Default, and all performance and other dates specified in this Agreement shall be extended, where delays are due to: war; insurrection; strikes; lockouts; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; governmental restrictions or priority; litigation, including court delays; unusually severe weather; acts or omissions of the other Party; acts or failures to act of the City or any other public or governmental agency or entity (other than the acts or failures to act of the City which shall not excuse performance by the City); or any other cause beyond the affected Parties' reasonable control. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the Party claiming such extension is sent to the other Party within thirty (30) days of the commencement of the cause. Times of performance under this Agreement may also be extended in writing by the mutual agreement of the City and HIP. The City and HIP acknowledge that adverse changes in economic conditions, either of the affected Party specifically or the economy generally, changes in market conditions or demand, and/or inability to obtain financing or other lack of funding to pay all Costs, or to complete the Project shall not constitute grounds of enforced delay pursuant to this Section. Each Party expressly assumes the risk of such adverse economic or market changes and/or financial inability, whether or not foreseeable as of the Effective Date of this Agreement.

503. Successors and Assigns. Subject to the restrictions on HIP transfers set forth in Section 101, all of the terms, covenants and conditions of this Agreement shall be binding upon HIP, the City, and their respective permitted successors and assigns. Whenever the term "HIP" is used in this Agreement, such term shall include any permitted successors and assigns as herein provided. Upon any permitted assignment hereunder, the term "HIP" as used herein shall mean only the then current owner of the Site, and each prior "HIP" shall be released of any liability arising under this Agreement, except for breaches occurring prior to such conveyance or indemnity obligations founded upon circumstances occurring in whole or in part prior to such conveyance.

504. Relationship Between the City and HIP. It is hereby acknowledged that the relationship between the City and HIP is not that of a partnership or joint venture and that the City and HIP shall not be deemed or construed for any purpose to be the agent of the other. Accordingly, except as expressly provided herein, the City shall have no rights, powers, duties or obligations with respect to the development, operation, maintenance or management of the Site or the Project. HIP shall indemnify, protect, hold harmless and defend the City from any claim made against the City by HIP or HIP's lenders, creditors, contractors, subcontractors, tenants, agents, employees, representatives, partners, shareholders, members, officers or directors arising from a claimed relationship of partnership or joint venture between the City and HIP with respect to the development, operation, maintenance or management of the Site or the Project.

505. Integration. This Agreement contains the entire understanding among the Parties relating to the transactions contemplated by this Agreement. All prior or contemporaneous agreements, understandings, representations and statements, oral or written, are merged in this Agreement and shall be of no further force or effect. Each Party is entering this Agreement based solely upon the representations set forth herein and upon each Party's own independent investigation of any and all facts such Party deems material.

506. Brokerage. HIP shall be liable for any real estate commissions and broker's fees which may accrue by means of HIP's acquisition of the Site. HIP shall indemnify, defend, protect and hold the City harmless from any and all liabilities, losses, causes of action, claims, costs and expenses (including reasonable attorneys' fees) in connection with any claim asserted by any person or entity that such commissions or fees are alleged to be due from the City except as to such claims arising out of the acts of the City or its elected officials, officers, employees, agents or representatives.

507. Titles and Captions. Titles and captions are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or of any of its terms. Reference to section numbers are to sections in this Agreement, unless expressly stated otherwise.

508. Interpretation. As used in this Agreement, masculine, feminine or neuter gender and the singular or plural number shall each be deemed to include the others where and when the context so dictates. The word "including" shall be construed as if followed by the words

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"without limitation." This Agreement shall be interpreted as though prepared jointly by the Parties.

509. No Waiver. A waiver by any Party of a breach of any of the covenants, conditions or agreements under this Agreement to be performed by any other Party shall not be construed as a waiver of any succeeding breach of the same or other covenants, agreements, restrictions or conditions of this Agreement.

510. Modifications. Any alteration, change or modification of or to this Agreement, in order to become effective, shall be made in writing and in each instance signed in behalf of the Parties.

511. Severability. If any term, provision, condition or covenant of this Agreement or its application to any Party or circumstances shall be held, to any extent, invalid or unenforceable, the remainder of this Agreement, or the application of the term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected, and shall be valid and enforceable to the fullest extent permitted by law, unless the enforcement of this Agreement or such term, provision, condition or covenant would be grossly inequitable under all the circumstances, or would frustrate the purpose of this Agreement.

512. Computation of Time. The time in which any act is to be done under this Agreement is computed by excluding the first day, and including the last day, unless the last day is a holiday or Saturday or Sunday, and then that day is also excluded. The term "holiday" shall mean all holidays as specified in Sections 6700 and 6701 of the California Government Code.

513. Legal Advice. Each Party represents and warrants to the other the following: they have carefully read this Agreement, and in signing this Agreement, they do so with full knowledge of any right which they may have; they have received independent legal advice from their respective legal counsel as to the matters set forth in this Agreement, or have knowingly chosen not to consult legal counsel as to the matters set forth in this Agreement; and, they have freely signed this Agreement without any reliance upon any agreement, promise, statement or representation by or in behalf of the other Party, or their respective agents, employees, or attorneys, except as specifically set forth in this Agreement, and without duress or coercion, whether economic or otherwise.

514. Time of Essence. Time is expressly made of the essence with respect to the performance by the City and HIP of each and every obligation and condition of this Agreement.

515. Cooperation. Each Party agrees to cooperate with the other in this transaction and, in that regard, shall execute any and all documents which may be reasonably necessary, helpful or appropriate to carry out the purposes of this Agreement.

516. Conflicts of Interest. No member, official or employee of the City shall have any personal interest, direct or indirect, in this Agreement, nor shall any such member, official or

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employee participate in any decision relating to the Agreement which affects his personal interests or the interests of any corporation, partnership or association in which he is directly or indirectly interested.

517. HIP's Indemnity.

517.1 Third Party Claims. HIP shall indemnify, defend (with counsel reasonably acceptable to the City), protect and hold the City and its elected officials, officers, employees, agents and representatives, harmless from, all third-party claims, demands, damages, defense costs or liability of any kind or nature relating to the development of the Project, including damages to property or injuries to persons, accidental death, and reasonable attorneys' fees and costs, which may be caused by any of HIP's activities under this Agreement, whether such activities or performance thereof be by HIP or by anyone directly or indirectly employed or contracted with by HIP and whether such damage shall accrue or be discovered before or after termination of this Agreement. HIP's indemnity obligations under this Section shall not extend to claims, demands, damages, defense costs or liability for property damage, bodily injury or death to the extent occasioned by the active negligence or willful misconduct of the City or its officers, employees, agents or representatives. The provisions of this Section shall survive any termination of this Agreement.

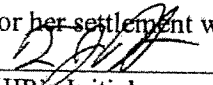
517.2 Proceedings to Challenge Approvals. HIP, and its successors and assigns, shall defend, indemnify and hold harmless the City and its elected officials, officers, agents and employees, from and against any and all claims, actions, and proceedings to attack, set aside, void or annul any approval of this Agreement or the Project by the City, or brought against the City due to the City's acts or omissions in any way associated with the processing of, and any possible approval of the Project. This indemnification shall include, but not be limited to, damages, fees, costs, liabilities, and expenses incurred in such actions or proceedings, including damages for the injury to property or persons, including death of a person, and any award of attorneys' fees. In the event any such action is commenced to attack, set aside, void or annul all, or any, provisions of this Agreement, or is commenced for any other reason against the City for acts or omissions relating to this Agreement or the Project, within fourteen (14) City business days of the same, HIP shall file with the City a performance bond or irrevocable letter of credit (together, the "Security") in a form and in an amount satisfactory to the City to ensure HIP's performance of its defense and indemnity obligations under this section 517.2. The failure of HIP to provide the Security shall be deemed an express acknowledgement and agreement by HIP that the City shall have the authority and right, without objection by HIP, to rescind this Agreement and revoke any and all entitlements granted for the Project pursuant to this Agreement. The City shall have no liability to HIP for the exercise of the City's right to rescind this Agreement or revoke any entitlements for the Project.

518. Nonliability of Officials and Employees of the City. No elected official, officer or employee of the City shall be personally liable to HIP, or any successor in interest, in the event of any Default or breach by the City or for any amount which may become due to HIP or its successors, or on any obligations under the terms of this Agreement. HIP hereby waives and releases any claim it may have against the elected officials, officers or employees of the City

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with respect to any Default or breach by the City or for any amount which may become due to HIP or its successors, or on any obligations under the terms of this Agreement. HIP makes such release with full knowledge of Civil Code Section 1542 and hereby waives any and all rights thereunder to the extent of this release, if such Section 1542 is applicable. Section 1542 of the Civil Code provides as follows:

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


HIP's Initials

519. Estoppel Certificates. Upon request of HIP, the City shall deliver to HIP, or its lenders, partners, tenants, and any of their respective successors and assigns, in form and substance reasonably acceptable to HIP, an estoppel certificate confirming the continued existence of this Agreement, that there are no defaults under this Agreement or if any such defaults are claimed to exist, listing same with particularity, describing the remaining items to be completed by HIP pursuant to this Agreement, certifying as to the completeness of this Agreement and any amendments, that the addressee may rely upon this certificate, and such other matters as may reasonably be requested by HIP. HIP shall draft or cause to be drafted any estoppel certificate in a form that is reasonably acceptable to the City. The City's approval of an estoppel certificate shall not be unreasonably withheld; provided, however, that as a precondition of the issuance of any estoppel certification, HIP shall pay to the City the costs reasonably incurred by the City's staff in the review and preparation of the estoppel certificate. The City Manager of the City may execute any such estoppel certificate without further authorization from the City.

520. Memorandum of Agreement. HIP and the City shall execute, and the City shall cause to be recorded concurrently with HIP's acquisition of the Site, the Memorandum of Agreement referencing this Agreement and serving as notice of its existence and contents.

521. Governing Law. This Agreement shall be governed by, and construed in accordance with the laws of the State of California, without regard to principles of conflict of laws.

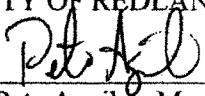
522. No Third Party Beneficiaries. Nothing in this Agreement shall confer upon any person or entity, other than the Parties and their respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

[Signatures on the Following Page]

By signing below, the Parties evidence their agreement with the provisions of this Agreement and agree to use this Agreement as a framework for the processing of entitlement applications for any Project, or Substituted Project, that may be submitted by HIP to the City.

THE CITY OF REDLANDS

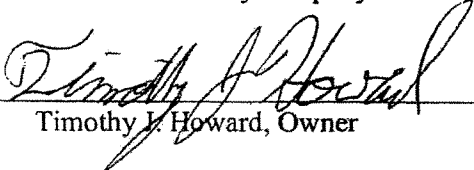
By: _____


Pete Aguilar, Mayor

HIP

HOWARD INDUSTRIAL PARTNERS LLC, a
California limited liability company

By: _____


Timothy J. Howard, Owner

ATTEST:

By: _____


Sam Irwin, City Clerk

EXHIBIT "A"

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City of the City of Redlands)
Attn: City Clerk)
35 Cajon Street, Ste 2)
P.O. BOX 3005)
Redlands, CA 92373)

(SPACE ABOVE LINE FOR RECORDER'S USE)

**MEMORANDUM OF CONDITIONAL
PROPERTY DISPOSITION AGREEMENT**

(i) Parties to Memorandum. This Memorandum of Conditional Property Disposition Agreement ("Memorandum") is dated for identification purposes only as of October 18, 2011, and is entered into by and between the City of Redlands, a general law city ("City") and Howard Industrial Partners ("HIP").

(ii) Parties to Conditional Property Disposition Agreement. City and HIP have entered into that certain Conditional Property Disposition Agreement ("CPDA") dated as of October 18, 2011, for the real property described on Exhibit "A" attached hereto and incorporated herein by this reference. All of the terms, provisions and covenants of the CPDA are incorporated herein by reference, and the CPDA and this Memorandum shall be deemed to constitute a single instrument or document.

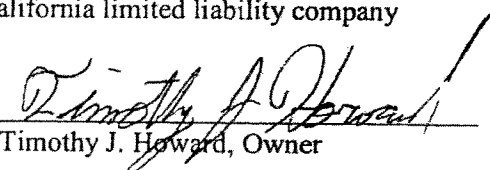
(iii) Purpose of Memorandum. This Memorandum is prepared for recordation purposes only, and it in no way modifies the terms, conditions, provisions and covenants of the CPDA. In the event of any inconsistency between the terms, conditions, provisions and covenants of this Memorandum and the CPDA, the terms, conditions and covenants of the CPDA shall prevail.

CITY

HIP

HOWARD INDUSTRIAL PARTNERS LLC,
a California limited liability company

By: _____
Pete Aguilar, Mayor

By: 
Timothy J. Howard, Owner

ATTEST:

Sam Irwin, City Clerk

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EXHIBIT "B"

Recording Requested by and)
When Recorded Mail to:)
)
City Clerk of the City of Redlands)
PO Box 3005)
Redlands, CA 92373)

GRANT DEED

For valuable consideration, the receipt of which is hereby acknowledged,
THE CITY OF REDLANDS, a municipal corporation and general law city of the
State of California (the "Grantor"), hereby grants to Howard Industrial Partners LLC, a California
limited liability company (the "Grantee") the real property (the "Property") legally described in the
document attached hereto and labeled Attachment "A," and which is incorporated herein by this
reference.

IN WITNESS WHEREOF, the Grantor and Grantee have caused this instrument to
be executed on their behalf by their respective duly authorized officers, this ____ day
of _____, 201__.

Grantor:

THE CITY OF REDLANDS

By: _____
Mayor

Attest: _____
City Clerk

EXHIBIT "C"
Schedule of Performance

Summary of selected obligations - this schedule does not include all obligations which the Parties are required to perform in accordance with this Agreement; in addition, because this Schedule of Performance contains summarized information, the body of this Agreement should be referred to for the particular terms and conditions pertaining to each action

1.	Developer performs voluntary due diligence with regulatory agencies, which include the Regional Water Quality Control Board, San Bernardino County Local Enforcement Agency, and Cal Recycle.	Within 45 days from the Effective Date of this Agreement.
2.	A. Developer submits a completed application, which includes those items listed in the City's Submittal Requirement Matrix (basic concept drawings, applications and fees, etc); and environmental technical studies as required by staff to comply with CEQA (the "Application Package"). B. City shall initiate a lot line adjustment to parcels affected by landfill encroachment.	A. Within 75 days from the Effective Date of this Agreement. B. Commence concurrently with submittal of Application Package.
3.	City's Development Review Committee (DRC) meets and reviews the Application Package and City staff forwards any deficiencies/questions to Developer.	Within 14 days of Developer's submittal of the Application Package.
4.	Developer to resubmit Application Package, if necessary, to address deficiencies/questions identified during the DRC meeting.	Within 45 days of City's written request for deficiencies/questions.
5.	City to prepare Initial Study and Socio-Economic Cost/Benefit Study and submit for review to Environmental Review Committee (ERC) for CEQA recommendation and Measure "U" compliance. ERC to recommend on Socio-Economic Cost/Benefit Study and determine if a Mitigated Negative Declaration or EIR will be required.	Within 30 days of Developer's submittal of the Application Package (if the project is deemed complete). Process is subject to Appendix "A" of the CEQA Guidelines.

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6.	A. Staff report prepared for the Planning Commission to review the Project and make a recommendation to the City Council on the General Plan Amendment, Specific Plan Amendment, CEQA Initial Study, Socio-Economic Cost Benefit Study and other entitlements for the Project. Planning Commission also makes Government Code Sections 65402 and 65566 determinations. B. Staff report prepared for the City Council to review the Project and make a determination on the General Plan Amendment, Specific Plan Amendment, CEQA Initial Study, Socio-Economic Cost Benefit Study and other entitlements for the Project.	A. At the next available meeting, in accordance with Appendix "A" of the CEQA Guidelines. B. At the next available meeting
7.	A. Developer to submit construction drawings. Drawings shall be submitted in accordance with all applicable Code requirements B. City review of construction drawings. C. Developer's corrections/response to City's review of construction drawings. D. City's review of revised construction drawings.	A. Within 75 days of the City's approval of all discretionary entitlements for the Project, and the expiration of the limitation period for legal challenges to the entitlements. B. Within 2 weeks of request of Developer's submittal of the construction drawings. C. Within 3 weeks from date of City's comments to Developer. D. Within 2 weeks of City's receipt of revised construction drawings.
8.	Opening of Escrow and execution of escrow instructions.	Within 10 days after the City's approval of the discretionary entitlements for the Project.
9.	Developer to cause Title Company to deliver Preliminary Title Report to Developer and City.	Prior to the close of escrow.
10.	Developer notifies Escrow and City of title and survey exceptions.	Within 30 days after receipt of the Preliminary Title Report and underlying documents.

11.	City notifies Developer of removal or commitment to remove disapproved exceptions prior to Close of Escrow.	Within 7 days of Developer's notice of disapproval above.
12.	Developer notifies City of decision to waive objection or conditions.	Within 5 days of City's notice above.
13.	Developer notifies City of approval or disapproval of CEC.	Prior to close of escrow.
14.	Close of Escrow.	Within 10 days after satisfaction of conditions precedent.
15.	If all discretionary and ministerial permits approved, and if escrow has closed, Developer commences construction of the Project.	Within the term of one (1) year from the Effective Date of this Agreement, or 45 days from the Closing of Escrow.

**FIRST AMENDMENT TO CONDITIONAL PROPERTY DISPOSITION
AGREEMENT BY AND BETWEEN THE CITY OF REDLANDS
AND HOWARD INDUSTRIAL PARTNERS, LLC**

This first amendment ("First Amendment") to the agreement dated October 18, 2011 (the "Agreement") entered into by the City of Redlands ("City") and Howard Industrial Partners LLC ("HIP"), is made this 7th day of February, 2012.

RECITALS

WHEREAS, it is the desire of the City and HIP to amend Exhibit "C," of their existing Agreement to provide for an additional thirty (30) days for City to perform certain obligations under the "Schedule of Performance;"

NOW, THEREFORE, City and HIP agree as follows:

AGREEMENT

Section 1. Item No. 5 of Exhibit "C" of the Agreement, entitled "Schedule of Performance," is hereby amended to read as follows:

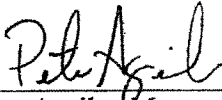
"5. City to prepare Initial Study and Socio-Economic Cost/Benefit Study and submit for review to Environmental Review Committee (ERC) for CEQA recommendation and Measure "U" compliance. ERC to recommend on Socio-Economic Cost/Benefit Study and determine if a Mitigated Negative Declaration or EIR will be required.	Within 60 days of Developer's submittal of the Application Package (if the project is deemed complete). Process is subject to Appendix "A" of the CEQA Guidelines."
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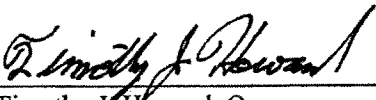
Section 2. All other provisions of the Agreement shall remain unchanged by this First Amendment, and in effect.

IN WITNESS WHEREOF, Consultant and City have executed this First Amendment to be effective as of February 7, 2011.

CITY OF REDLANDS

Howard Industrial Partners LLC

By: 
Pete Aguilar, Mayor

By: 
Timothy J. Howard, Owner

ATTEST:


Sam Irwin, City Clerk

SCHEDULE 2

Items to be Completed by HIP

1. Sign the Second Amendment after the September 18, 2012 City Council meeting (if approved by the City Council);
2. Close the acquisition under the Agreement per its terms;
3. Enter into the Grove License Agreement (as defined in the Second Amendment) at Closing and perform its obligations thereunder;
4. Enter into the Landfill License Agreement (as defined in the Second Amendment) at closing and perform its obligations thereunder;
5. Submit and obtain approval of construction drawings from the City;
6. Obtain building permits from the City; and
7. Commence Construction in accordance with the Agreement as modified by the Second Amendment.

SCHEDULE 3

Second Agreement to Conditional Property Disposition Agreement

SECOND AMENDMENT TO CONDITIONAL PROPERTY DISPOSITION AGREEMENT

This Second Amendment to Conditional Property Disposition Agreement (this "Second Amendment") is made by and between the City of Redlands, a municipal corporation and general law city ("City"), and Howard Industrial Partners LLC, a California limited liability company ("HIP") this ____ day of September, 2012 (the "Effective Date").

RECITALS

WHEREAS, the City and HIP have previously entered into that certain Conditional Property Disposition Agreement dated as of October 18, 2011 (as previously amended, the "Agreement"). Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Agreement; and

WHEREAS, the City and HIP desire to amend the Agreement as provided herein;

NOW, THEREFORE, in consideration of the mutual promises contained in this Second Amendment, and for such other good and valuable consideration, the receipt of which is hereby acknowledged, the City and HIP agree as follows:

AGREEMENT

Section 1. Section 205.1(g) is amended and restated to read in its entirety as follows:

"g. **Entitlements.** HIP shall have obtained each of the discretionary entitlements required by the City for the construction of the Project, and the applicable limitation periods for legal challenges to the Project shall have expired."

Section 2. Section 205.2(f) is amended and restated to read in its entirety as follows:

"f. **Entitlements.** HIP shall have obtained each of the discretionary entitlements required by the City for the construction of the Project, and the applicable limitations period for legal challenges to the Project shall have expired."

Section 3. A new Section 205.3 is hereby added to the CPDA, which states in its entirety as follows:

"Both the City's Conditions Precedent to Close and HIP's Conditions Precedent to Close include the following:

a. The Parties shall enter into a license agreement (the "Grove License Agreement") to be effective as of Closing pursuant to which the City can continue to operate the Property as a grove in the same manner and using the same improvements as presently exist. The Grove License Agreement shall include, among other things, the City's right to non-exclusive possession of the Property, its right to irrigate the Property, its right to harvest the grove on the

Property, and its right to operate the Property as the grove as it currently is being operated in all other respects. The Grove License Agreement will include a customary indemnification and insurance coverage in favor of HIP and its assignee for any and all liability, loss, cost or damage to property or persons arising from the City's activities on the Property and the operation of the Property as a grove. All costs, liabilities and expenses of operating the grove shall be the obligation of the City. The Grove License Agreement will terminate upon either (a) a sixty (60) day notice of Licensor's intent to terminate or (b) a sixty (60) day notice from Licensor that the Commencement of Construction as provided in Section 304 shall begin in not more than six (6) months. The Grove License Agreement shall also specify that HIP or its assignee shall have the right to commence construction (subject to obtaining proper permits) at any time without regard to the status of the grove operations, even for example, commencing construction right before harvest time.

b. The Parties shall enter into another license agreement (the "Landfill License Agreement") to be effective as of Closing pursuant to which the City agrees to cause the relocation of all of the gas probes and groundwater monitoring wells currently located on the Property to the adjacent landfill property through the solicitation of competitive bids and the award of a contract for the same (the "Relocation Contract") pursuant to the provisions of the California Public Contract Code. The Landfill License Agreement shall include, among other things, the right of the City and its agents to have temporary, non-exclusive access to the Property for relocation of the gas probes and groundwater monitoring wells, the obligation to cause the removal to be accomplished in accordance with applicable law and sound engineering practices and standards, and without harming the Property or allowing the release of any Hazardous Materials. The Landfill License Agreement will include a customary indemnification and insurance coverage in favor of HIP and its assignee for any and all liability, loss, cost or damage to property, including the Property, or persons arising from the relocation of the gas probes and monitoring wells or the City's access to the Property in connection with the Landfill License Agreement. The Landfill License Agreement will require HIP or its assignee to pay all actual costs and expenses incurred by the City in causing the relocation of the gas probes and monitoring wells, including the City's costs incurred for the preparation of plans, specifications and design for such relocation work (the "Relocation Costs"), provided such costs are approved in writing in advance by HIP or its assigns. In the event the costs are not approved, then the City's obligation to relocate the gas probes and monitoring wells shall cease and HIP or its assigns shall remain obligated to reimburse the City for the preparation of plans, specifications and design for such relocation work and HIP or its assigns shall be solely responsible for the relocation of the gas probes and monitoring wells. If the costs are approved, the Landfill License Agreement will also require HIP or its assignee to deposit with the City the amount of the Relocation Contract within ten (10) days of the City's award of the Relocation Contract. Payment of the Relocation Costs will be subject to the City submitting to HIP or its assignee copies of contracts, work orders, invoices associated with the relocation of the gas probes and monitoring wells. The Landfill License Agreement shall terminate upon completion of the relocation of the gas probes and monitoring wells, which in any event must be completed by May 31, 2013."

Section 4. A new Section 206.1 is hereby added to the CPDA, which states in its entirety:

"Notwithstanding any language in any indemnity or release in favor of the City in the CPDA, all indemnities and releases in the CPDA in favor of the City shall not extend to and shall exclude the City's liability in connection with its negligent acts or omissions, willful misconduct, associated with the operation of the City's adjacent landfill."

Section 5. A new Section 301.1 is hereby added to the CPDA, which states in its entirety:

"The City's approval process for the Project shall be consistent with the City's approval process for all other projects within its jurisdiction and no obligations will be imposed on the Project which are not consistently imposed on other similarly located and developed projects in the City. HIP acknowledges that there will be imposed certain Property-specific requirements dealing with the methane membrane to be installed under the office portions of the proposed improvements (as identified in the mitigation measure/condition of approval imposed by the City upon the Project, as same may be modified in the future) and other related requirements due to the Property being adjacent to the Landfill Property.

With respect to any payment or reimbursement obligations related to infrastructure or other improvements that have been constructed as of the Closing date and which benefit the Property, neither HIP or its assignee shall be obligated for such payment or reimbursement obligations, as such obligations shall remain with the City or other third parties."

Section 6. Section 304 is amended and restated to read in its entirety as follows:

"Subject to satisfaction of the conditions set forth in Section 205.2, HIP shall commence construction of the Project, subject to any Enforced Delay, no later than January 1, 2014. HIP shall have the right to extend Commencement of Construction for up to an additional eighteen (18) months from January 1, 2014 by giving written notice to the City by November 1, 2013 and paying \$100,000 to the City to be applied by the City towards permits and fees. "Commencement of Construction," for purposes of this Section 304, shall mean the commencement of physical construction of any building on the Site pursuant to a grading permit issued by the City, provided a building permit for the Project is also issued by the City within ninety (90) days of issuance of the grading permit."

Section 7. Section 503 is amended by adding the following sentence to the end of that Section:

"Upon any permitted assignment hereunder, HIP shall provide contemporaneous notice of the Assignment to the City, and the permitted assignee shall send the City its notice address and the other notice information as set forth in Section 501, and such notice information will be deemed to replace the notice information for HIP under this Agreement."

Section 8. Items 7 and 15 of the existing Exhibit C are hereby amended as shown on the revised Exhibit C attached to this Second Amendment to indicate that the deadline for commencement of construction on the Project is January 1, 2014, as the same may be extended as provided in Section 304, and that shall not be a condition to the Closing under the Agreement that HIP submit and have approved construction drawings for the Project. The existing Exhibit C is hereby superseded by the attached revised Exhibit C.

Section 9. Except as described in this Second Amendment, all other provisions of the Agreement remain unchanged and are in full force and effect.

Section 10. In approving this Second Amendment, the City Council determines that such action does not require further environmental processing or review pursuant to Section 15162 of the state Guidelines implementing the California Environmental Quality Act based on the following findings:

a. The Second Amendment does not propose any substantial changes to the Conditional Property Disposition Agreement or the project that is the subject of that agreement which will require major revisions of the previously adopted Negative Declaration for the project due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified effects, because the circumstances under which the proposed development of the project will occur have not substantially changed and the project remains within the scope of the environmental analysis of such Negative Declaration;

b. No substantial changes have occurred with respect to the circumstances under which the Conditional Property Disposition Agreement or the project that is the subject of that agreement will be undertaken which will require major revisions of the previously adopted Negative Declaration for the project due to the involvement of new significant environmental effects or a substantial increase in the severity of previously identified significant effects, because the proposed project will be constructed in accordance with the Mitigation Monitoring and Reporting Program and conditions of approval adopted for the project; and,

c. There is no new information of substantial importance with respect to the Conditional Property Disposition Agreement or the project that is the subject of that agreement that was not known and could have been known with the exercise of reasonable diligence at the time the Negative Declaration was adopted for the project which demonstrates that the project will have new or more significantly severe effects not identified in the Negative Declaration for the project, or that new mitigation measures are now feasible to reduce project effects.

THE CITY

By: _____
Pete Aguilar, Mayor

HIP

HOWARD INDUSTRIAL PARTNERS LLC, a
California limited liability company

By: _____
Timothy J. Howard, Owner

ATTEST:

By: _____
Sam Irwin, City Clerk

EXHIBIT "C"
Schedule of Performance

Summary of selected obligations - this schedule does not include all obligations which the Parties are required to perform in accordance with this Agreement; in addition, because this Schedule of Performance contains summarized information, the body of this Agreement should be referred to for the particular terms and conditions pertaining to each action

1.	Developer performs voluntary due diligence with regulatory agencies, which include the Regional Water Quality Control Board, San Bernardino County Local Enforcement Agency, and Cal Recycle.	Within 45 days from the Effective Date of this Agreement.
2.	A. Developer submits a completed application, which includes those items listed in the City's Submittal Requirement Matrix (basic concept drawings, applications and fees, etc); and environmental technical studies as required by staff to comply with CEQA (the "Application Package"). B. City shall initiate a lot line adjustment to parcels affected by landfill encroachment.	A. Within 75 days from the Effective Date of this Agreement. B. Commence concurrently with submittal of Application Package.
3.	City's Development Review Committee (DRC) meets and reviews the Application Package and City staff forwards any deficiencies/questions to Developer.	Within 14 days of Developer's submittal of the Application Package.
4.	Developer to resubmit Application Package, if necessary, to address deficiencies/questions identified during the DRC meeting.	Within 45 days of City's written request for deficiencies/questions.
5.	City to prepare Initial Study and Socio-Economic Cost/Benefit Study and submit for review to Environmental Review Committee (ERC) for CEQA recommendation and Measure "U" compliance. ERC to recommend on Socio-Economic Cost/Benefit Study and determine if a Mitigated Negative Declaration or EIR will be required.	Within 30 days of Developer's submittal of the Application Package (if the project is deemed complete). Process is subject to Appendix "A" of the CEQA Guidelines.

6.	A. Staff report prepared for the Planning Commission to review the Project and make a recommendation to the City Council on the General Plan Amendment, Specific Plan Amendment, CEQA Initial Study, Socio-Economic Cost Benefit Study and other entitlements for the Project. Planning Commission also makes Government Code Sections 65402 and 65566 determinations. B. Staff report prepared for the City Council to review the Project and make a determination on the General Plan Amendment, Specific Plan Amendment, CEQA Initial Study, Socio-Economic Cost Benefit Study and other entitlements for the Project.	A. At the next available meeting, in accordance with Appendix "A" of the CEQA Guidelines. B. At the next available meeting
7.	Opening of Escrow and execution of escrow instructions.	Within 10 days after the City's approval of the discretionary entitlements for the Project.
8.	Developer to cause Title Company to deliver Preliminary Title Report to Developer and City.	Prior to the close of escrow.
9.	Developer notifies Escrow and City of title and survey exceptions.	Within 30 days after receipt of the Preliminary Title Report and underlying documents.
10.	City notifies Developer of removal or commitment to remove disapproved exceptions prior to Close of Escrow.	Within 7 days of Developer's notice of disapproval above.
11.	Developer notifies City of election to waive objection or terminate.	Within 5 days of City's notice above.
12.	Developer notifies City of approval or disapproval of Site.	Prior to close of escrow.
13.	Close of Escrow.	Within 10 days after satisfaction of conditions precedent.
14.	If all discretionary and ministerial permits approved, and if escrow has closed, Developer commences construction of the Project.	By January 1, 2014, or as the date may be extended pursuant to Section 304.