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**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 18th 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 Licensors' intent to terminate or (b) a sixty (60) day notice from Licensors 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
Pete Aguilar, Mayor

HIP

HOWARD INDUSTRIAL PARTNERS LLC, a
California limited liability company

By: Timothy J. Howard
Timothy J. Howard, Owner

ATTEST:

By: Sam Irwin
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.