

INVESTMENT BANKING SERVICES AGREEMENT

September 21, 2010

Mayor Gilbreath and City Council
City of Redlands
35 Cajon Street
Redlands, CA 92373-1505

Chairperson and Board Members
Redlands Financing Authority
35 Cajon Street
Redlands, CA 92373-1505

RE: Investment Banking Services Agreement
City of Redlands
Water and Wastewater Refunding Bonds

Ladies and Gentlemen:

This letter will serve as an agreement between the City of Redlands (the "City") and the Redlands Financing Authority ("Authority"), and Stone & Youngberg LLC (the "Underwriter"), to serve as underwriter to the City and the Authority until the parties enter into a Bond Purchase Agreement (the "Purchase Agreement") regarding the negotiated sale of its 2010 Water and Wastewater Refunding (the "Bonds") to be authorized and sold by the City, in conjunction with the Authority. We understand that the Authority intends to issue the Bonds to refinance the outstanding \$9,145,000 1999 Water Revenue Bonds and the \$8,645,000 1999 Wastewater Revenue Bonds, each secured by net revenues of their respective enterprise fund (the "Water and Wastewater Enterprise"). In addition, we understand the City plans to raise additional cash proceeds for the Water Enterprise in an amount equaling the refunding savings.

For this purpose, the City and the Authority desire the services of the Underwriter to assist in structuring the financing and marketing the Bonds to investors. As the Underwriter for the proposed Bonds, Stone & Youngberg will use its best efforts to bring the Bonds to market at the most favorable interest rates practicable given the structure and credit quality of the Bonds and given the market conditions existing at the time of their sale. The City, the Authority and the Underwriter shall mutually agree upon the date of sale, which shall be scheduled so that proceeds may be delivered to the City and the Authority for the purpose of timely meeting their objectives. Nothing in this agreement shall obligate the City, the Authority or the Underwriter to enter into the Purchase Agreement. As Underwriter, we agree to undertake for the Bonds the below listed services and functions:

A. Structuring the Financing

1. The Underwriter will work with the City and the Authority, their Bond Counsel, Disclosure Counsel and Financial Advisor and other members of the City's and the Authority's financing team in evaluating specific terms and conditions affecting the Bonds with the purposes of meeting the City's and the Authority's financing objectives and assuring appropriate credit quality.
2. The Underwriter will work with the City and the Authority and their Financial Advisor to create a feasible and efficient structure for the Bonds to enhance the Bonds' marketability.

3. The City and the Authority, in conjunction with the Financial Advisor and Disclosure Counsel, will prepare the Official Statements (preliminary and final versions) for sale of the Bonds in accordance with the standards of Rule 15c2-12 of the Securities Exchange Commission and other applicable securities laws. The Official Statement will include a description of the Bonds, the City and the Authority, and pertinent financial and economic data relating to the City, the Authority and the Water and Wastewater Enterprise. The approval, execution and delivery of the Official Statement will be authorized by the City and the Authority for use by the Underwriter in marketing the Bonds.
4. If requested, the Underwriter will assist the City, the Authority and Financial Advisor in identifying a suitable investment vehicle for Bond proceeds, including the refunding escrow.
5. The Underwriter will assist the City, the Authority and Financial Advisor in preparing material for review by credit rating agencies and bond insurer (as applicable) and will participate in any credit presentations to such rating agencies and insurers.

B. Marketing the Bonds

1. At least one day prior to the submission of any formal offer to the City and the Authority for the purchase of the Bonds, the Underwriter will indicate to the City, the Authority and the Financial Advisor the anticipated interest rate or rates on the Bonds, the purchase price from the City and the Authority and the public offering price of the Bonds that the Underwriter then estimates will be included in such offer. The Underwriter will furnish information to the City, the Authority and their Financial Advisor relating to the interest rates for similar municipal bond issues recently sold by other California public agencies.
2. At the designated time for sale of the Bonds, the Underwriter will submit an offer to the City and the Authority to purchase the Bonds by way of the Purchase Agreement. The purchase offer will be executed subject to pertinent resolutions of the City and the Authority, the Official Statement, and all other necessary documents, approvals and proceedings governing such Bonds having been determined by Bond Counsel, City Attorney, the City, the Authority and the Underwriter to be satisfactory in all respects for financing purposes. It is intended that once purchased, the Bonds will be re-offered to the public on the basis of a bona fide public offering.
3. The fee for the Underwriter's services will be taken in the form of a discount purchase of the Bonds and, unless specifically agreed to otherwise, is fully contingent upon the sale of the Bonds. Our final fee will be reasonably agreed to by the City and the Authority taking into consideration the underlying rating of the Bonds and prevailing market conditions, subject to review by the City's and the Authority's Financial Advisor, however not-to-exceed \$41,932 and \$30,976, for the Water and Wastewater Revenue Bonds, respectively.

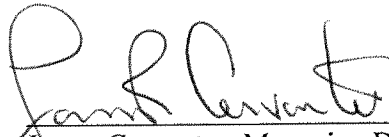
C. General Provisions Relating to the City, the Authority and the Investment Banker

1. The City and the Authority agree to make available to the Underwriter and its counsel without cost, sufficient copies of any applicable reports, agreements, contracts, resolutions and other relevant documents regarding the City and the Authority, the Water and Wastewater Enterprise, and the Bonds as reasonably may be required from time to time for the prompt and efficient performance by the Underwriter of its obligations.
2. The Underwriter will pay its own out-of-pocket and other expenses, including the cost of any legal counsel which may be retained by the Underwriter, Blue Sky and any advertising expenses in connection with the public offering of the Bonds.
3. The City and the Authority will pay from the proceeds of the Bonds, or otherwise, all customary costs and expenses including the cost of preparing, printing and distributing the Official Statement, and any other documents, the fees and expenses of its counsel, Bond Counsel and Disclosure Counsel, fees to rating agencies, fees and expenses of its Financial Advisor, Trustee fees and expenses, and costs of any other experts or consultants retained by the City and the Authority in connection with the financing.
4. The City and the Authority will make their own independent decisions to enter into this transaction and as to whether the transaction is appropriate or proper for them based upon their own judgment and upon advice from such advisors as they have deemed necessary, including their Financial Advisor. They are not relying on any communication (written or oral) of the Underwriter as investment advice or as a recommendation to enter into the transaction.
5. It is understood and agreed that the Underwriter (including the Underwriter's employees) is an independent contractor and that no fiduciary relationship exist between the parties. It is further understood and agreed, that as independent contractors and not employees or agents of the City or the Authority, neither the Underwriter nor Underwriter's assigned personnel shall have any entitlement as any City or Authority employee, right to act on behalf of the City or the Authority in any capacity whatsoever as agent, nor to bind the City or the Authority to any obligation whatsoever.
6. Upon 30 days written notice to the Underwriter, the City or the Authority may terminate this Agreement with cause and, in the event the termination for cause is the result of the Underwriter failing to perform adequately the services outlined in Sections A or B above, the City or the Authority may continue to pursue the sale of the Bonds without any further obligation or compensation for Stone & Youngberg.

Upon your acceptance set forth below, this letter will constitute an agreement between the City and the Authority and the undersigned.

Very truly yours,

STONE & YOUNGBERG LLC



James Cervantes, Managing Director
Dated: September 21, 2010

This Agreement is executed on this 21st day of September 2010, at Redlands, California and effective as of this 21st day of September, 2010.

REDLANDS FINANCING AUTHORITY



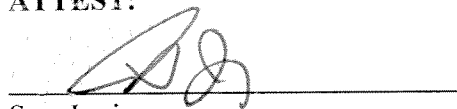
Chairperson, Pat Gilbreath

CITY OF REDLANDS



Mayor, Pat Gilbreath

ATTEST:



Sam Irwin
Agency Secretary

ATTEST



Sam Irwin
City Clerk