

EXCLUSIVE NEGOTIATION AGREEMENT

THIS EXCLUSIVE NEGOTIATION AGREEMENT (the "Agreement") is entered into this 5th day of February, 2008 ("Effective Date"), by and between the City of Redlands, a California municipal corporation, (the "City"), and ProLogis, a Maryland Real Estate Investment Trust ("ProLogis"), on the terms and provisions set forth below. The City and ProLogis are sometimes individually referred to herein as a "Party" and, together, as the "Parties."

WITNESSETH THAT:

WHEREAS, ProLogis owns approximately 53-acres within the unincorporated area of the County of San Bernardino (the "County") located along the western boundary of the SR 210 Freeway between Pioneer Avenue and a future extension of Palmetto Avenue (APNs 0292-071-10, 15, 18, 29, 35, 39, 39, 40 & 43)(the "ProLogis Property"); and

WHEREAS, pursuant to its 2006 application for land use approvals to the County (the "Project No. P200601233/CUP"), ProLogis sought the necessary authorizations to develop the ProLogis Property with distribution center commercial facilities (the "Redlands Pioneer Business Center"); and

WHEREAS, in its letter to the County dated February 7, 2007, the City expressed its opposition to the Redlands Pioneer Business Center as originally envisioned and requested assistance from the County to facilitate a meeting with ProLogis and other affected parties to discuss a development scenario for the Redlands Pioneer Business Center that would be responsive to the City's concerns; and

WHEREAS, in its letters to the County of April 30, 2007 and July 10, 2007, the City indicated its acknowledgement and appreciation to the County for its efforts to host a meeting between ProLogis, the City and neighboring property owners with respect to the potential of pursuing an alternate development scenario for the Redlands Pioneer Business Center; and

WHEREAS, in recent months the Parties have endeavored to reach compromise with respect to a mutually acceptable revised development plan for the Redlands Pioneer Business Center; and

WHEREAS, in its January 8, 2008 letter to the County, the City recommended that the County approve certain amendments to the development plan for the Redlands Pioneer Business Center that represent an acceptable compromise between the Parties (the "Alternate ProLogis Project"); and

WHEREAS, the City's letter to the County of January 8, 2008 is attached hereto as Exhibit "A"; and

WHEREAS, as a prerequisite to amending Project No. P200601233/CUP to comport with the Alternate ProLogis Project, ProLogis has requested the City to enter into this Agreement with respect to the potential sale by the City to ProLogis of the approximately 36-acre City-owned property located on the north side of Palmetto Avenue between California and Nevada Streets, identified as Assessor's Parcel Numbers 0292-044-09 Through 12 and depicted on the attached site map (Exhibit "B")(the "City Site"); and

WHEREAS, the purpose of this Agreement is to describe the process and parameters for the negotiation of the terms of a prospective purchase and sale agreement between the Parties for the purchase, sale and development of the City Site; and

WHEREAS, if the City Council ultimately decides to sell the City Site, it may do so pursuant to the authority granted to it by California Government Code Section 37350, which states that a city may purchase, lease, receive, hold, and enjoy real and personal property, and control and dispose of it for the common benefit; and

WHEREAS, the City Site is an asset of the Measure "O" Open Space and Park Land Acquisition Fund and any proceeds of sale shall accrue to the Measure "O" Open Space and Park Land Acquisition Fund for reuse in accordance with the provisions of Ordinance No. 2263; and

WHEREAS, the foregoing recitals are a substantive part of this Agreement.

NOW THEREFORE, in consideration of the mutual undertakings herein, the Parties agree as follows:

I. A. (§ 101) Good Faith Negotiations

(1) The City and ProLogis agree for the Negotiation Period set forth below to negotiate diligently and in good faith to prepare a Purchase and Sale Agreement or other appropriate agreement (the "PSA") to be considered for execution between the City and ProLogis, in the manner set forth herein, with respect to the purchase, sale and development of the City Site.

The City agrees, during the Negotiation Period, as hereinafter defined, and provided that this Agreement remains in effect, not to enter into an agreement or negotiations with another party for the use, sale or development of the City Site without the consent of ProLogis; provided that the foregoing shall not be deemed to prevent the City from furnishing to anyone public records pertaining to ProLogis' proposed project on the City Site, hereinafter referred to as the "ProLogis Palmetto Project". Notwithstanding the foregoing, ProLogis acknowledges that its rights hereunder are subject to the City's obligations under State law for the ProLogis Palmetto Project, including, but not limited to the conduct or disposition of any proceedings which require notice and a public hearing, the California Environmental Quality Act, and the requirements for ProLogis and/or the City to obtain certain approvals from other public entities. The obligation to negotiate in good faith

requires that the Parties communicate with each other with respect to those issues for which agreement has not been reached, and in such communication to follow reasonable negotiation procedures including meetings, telephone conversations and correspondence. It is understood by the Parties that final accord on those issues may not be reached. ProLogis may elect during the Negotiation Period, in its sole and absolute discretion, that the City Site is undesirable or otherwise physically or economically unfeasible for construction of its proposed ProLogis Palmetto Project and such determination shall not constitute a breach of ProLogis' obligations herein, including without limitation the obligation to negotiate diligently in good faith. Pursuant to Section 103 of this Agreement, ProLogis shall deliver written notice to the City of such determination prior to the expiration of the Negotiation Period (the "Termination Notice").

(2) ProLogis shall have sixty (60) days from the Effective Date (the "Due Diligence Period") in which to examine, inspect, and investigate the City Site and, in ProLogis' sole and absolute judgment and discretion, to determine whether the City Site is acceptable to ProLogis. In connection with such investigation, the City shall provide all documentation in its possession or control regarding any and all of the following:

- (i) the latest property tax bills and value renditions from all taxing authorities;
- (ii) any wetlands and environmental reports;
- (iii) all existing site plans, specifications, permits, approvals (and any applications for permits or approvals), maps and surveys (including, without limitation, archaeological, boundary, topographic and tree surveys);
- (iv) any soils studies; preliminary and final engineering reports, including without limitation, copies of all existing mitigations investigations, reports and improvement plans for any methane mitigation systems;
- (v) any permits or approvals; development, zoning or entitlement agreements and applications; and other tests, studies and documents relating to the City Site; written notices, citations, orders, decisions, correspondence, or memoranda from any governmental authority;
- (vi) all agreements with or applications to any governmental authority with respect to any zoning modification, variance, exception, platting or other matter relating to the zoning, use, development, subdivision or platting of the City Site;
- (vii) copies of all agreements, studies, reports, correspondence and other documents relating to the presence or absence of any endangered species or environmentally sensitive areas on the City Site;
- (viii) any contracts or agreements relating to the City Site or services being provided or to be provided to the City Site; and
- (ix) any other material written information pertaining to the physical condition of the City Site.

(3) ProLogis and its agents, employees, and representatives shall have a continuing right of reasonable access to the City Site during the pendency of this Agreement for the purpose of conducting surveys, engineering, geotechnical, and environmental inspections and tests, and any other inspections, studies, or tests reasonably required by ProLogis, but in accordance with the requirements of § 107 below. ProLogis shall be

permitted to conduct a methane study of the City Site to determine the necessary mitigation measures required or advisable in connection with the prospective development of the City Site ("Methane Study"). Such Methane Study shall be provided to the Appraiser (defined below) for purposes of preparing a current appraisal of the City Site.

B. (§ 102) Required Actions

(1) Not later than thirty (30) calendar days from the end of the Due Diligence Period and provided this Agreement has not been previously terminated, ProLogis shall submit to the City a "Development Concept Plan" for the City Site for the proposed "ProLogis Palmetto Project". The Development Concept Plan shall consist of a development site plan and development schedule for the proposed ProLogis Palmetto Project. The development site plan shall include proposed uses, approximate square footage of buildings, tentative designation of parking and landscaped areas, and proposed users/tenants (if known).

(2) Not later than thirty (30) calendar days from the end of the Due Diligence Date or such other time as the Parties may agree, the City shall obtain an appraisal of the City Site. The appraisal shall be prepared by an appraiser ("Appraiser") that is a Member of the Appraisal Institute ("MAI") and shall be approved of by both Parties. The actual cost of the appraisal shall be funded by ProLogis from the Implementation Deposit defined in Section 105, below. The Appraiser shall value the City Site without any hypothetical assumptions utilizing the Uniform Standards of Professional Appraisal Practice. The Parties concur that the Appraiser shall be informed and that the appraisal shall reflect that the City Site currently has a General Plan land-use designation of agriculture with a corresponding zoning designation of open space and that any development of the City Site is subject to certain Mitigation Improvements, as defined in Section 300, below.

(3) Promptly upon receipt of the Development Concept Plan, the City shall review the development concept proposed by ProLogis and may either reasonably approve it, request modifications or reject it. If any such items are rejected, the City shall provide a list of deficiencies to ProLogis, and if these deficiencies are not corrected to the satisfaction of the City within thirty (30) days of such rejection, this Agreement shall automatically terminate unless it is extended by the mutual written agreement of the Parties.

(4) If the City approves the Development Concept Plan, then, within thirty (30) days from the date of such approval and receipt of the appraisal of the City Site, whichever is later, the Parties shall conclude the negotiations a PSA with respect to the City Site and either proceed to execution of a PSA or terminate this Agreement. Prior to the City's consideration of a PSA, ProLogis shall prepare and submit an architectural concept of the proposed Development, consisting of architectural elevations consistent with the Development Concept Plan.

(5) If a PSA has not been entered into on or before July 15, 2008, this Agreement shall be automatically terminated unless it has been earlier terminated or is

extended as provided herein by mutual written agreement of the Parties. If the Parties have entered into a PSA, it shall supersede this Agreement.

C. (§ 103) Negotiation Period

The duration of this Agreement (the "Negotiation Period") shall be **February 5, 2008 through July 15, 2008**, unless sooner terminated pursuant to the provisions of this Agreement. The Negotiation Period shall not be extended by periods for cure of defaults. This Agreement shall expire, and all rights and obligations of the Parties under this Agreement shall be terminated, upon the conclusion of the Negotiation Period or shall otherwise terminate upon either Party providing the other a written Termination Notice specifying the occurrence of any of the following circumstances:

- a. The mutual written agreement of the Parties for any reason;
- b. ProLogis' determination of the physical and/or economic infeasibility or undesirability of the ProLogis Palmetto Project;
- c. Upon the occurrence of an uncured material default as identified in a written notice delivered by the non-defaulting party to the defaulting party, in accordance with Sections 104 and/or 710 of this Agreement.
- d. On the date the Parties enter into a PSA.
- e. On the date of City's withdrawal or modification of its letter to the County of January 8, 2008 (Exhibit "A") approving the Alternate ProLogis Project, provided, however, that the City shall not withdraw or modify its approval of the Alternate ProLogis Project so long as ProLogis processes its development plans for same in accordance with the City's parameters outlined in such January 8, 2008 letter.
- f. Pursuant to any other rights of termination provided in this Agreement.

In the event of any termination of this Agreement, other than based upon the mutual execution of a PSA, the City may withdraw or modify its approval of the Alternate ProLogis Project, including the terms in its letter to the County of January 8, 2008, and ProLogis may further modify its development plans for the Redlands Pioneer Business Center, including modifications to the Alternate ProLogis Project.

D. (§ 104) Good Faith Deposit

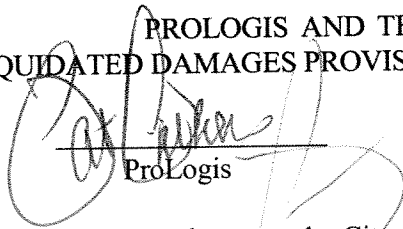
Prior to the execution of this Agreement by the City, ProLogis shall submit to an escrow agent selected by the City and ProLogis a good faith deposit (the "Deposit") in the amount of **Ten Thousand Dollars (\$10,000)** in the form of either cash or an irrevocable letter of credit that is satisfactory to the City's legal counsel to ensure that ProLogis will proceed diligently and in good faith to negotiate and perform all of ProLogis' obligations under this Agreement until the date of termination thereof. If the Deposit is in the form of an irrevocable letter of credit, ProLogis shall maintain such letter of credit in full force and effect for the entire Negotiation Period hereunder, and shall extend the letter of credit to the extent this Agreement or various time periods hereunder are extended. Any interest earned on the Deposit shall be the sole property of ProLogis. The Deposit shall be held and disbursed by the escrow agent in accordance with the terms of the mutually agreed upon escrow instructions.

In the event ProLogis has not continued to negotiate diligently and in good faith, or has failed to timely discharge its responsibilities pursuant to Section 102 of this Agreement, subject however to ProLogis' express rights of termination herein, the City shall give written notice thereof to ProLogis who shall then have ten (10) calendar days to commence negotiating diligently and in good faith or, with respect to a failure pursuant to Section 102 of this Agreement, ten (10) calendar days to cure irrespective of the good faith of ProLogis. Following the receipt of such notice and the failure of ProLogis to thereafter commence negotiating in good faith within such ten (10) calendar days or to cure a failure pursuant to Section 102 within ten (10) calendar days, this Agreement may be terminated by the City. In the event of such termination by the City, the City shall be entitled to retain the Deposit as liquidated damages. In the event of a termination by the City or ProLogis for a reason other than the failure of ProLogis to negotiate in good faith, the Deposit shall be returned to ProLogis and neither Party shall have any further rights against or liability to the other under this Agreement.

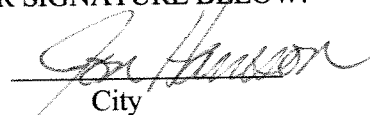
THE PARTIES AGREE THAT IN THE EVENT PROLOGIS FAILS TO NEGOTIATE DILIGENTLY AND IN GOOD FAITH AND THIS AGREEMENT IS TERMINATED ON THAT BASIS, THE CITY WOULD SUSTAIN LOSSES, WHICH WOULD BE DIFFICULT TO ASCERTAIN, AND THAT THE DEPOSIT, AS LIQUIDATED DAMAGES, REPRESENT THE PARTIES' BEST ESTIMATE OF SUCH DAMAGES. SUCH LOSSES WOULD INCLUDE COSTS PAYABLE TO ADVISERS AND STAFF TIME ALLOCATED TO THE PREPARATION OF THIS AGREEMENT AND ITS IMPLEMENTATION, AND SUCH VARIABLE FACTORS AS THE LOSS OF OTHER POTENTIAL DEVELOPMENT OPPORTUNITIES WITH RESPECT TO THE SITE AND THE FRUSTRATION OF OTHER OBJECTIVES THAT ARE BENEFICIAL TO THE CITY. IT IS IMPRACTICABLE AND EXTREMELY DIFFICULT TO FIX THE AMOUNT OF SUCH DAMAGES TO THE CITY, BUT THE PARTIES ARE OF THE OPINION, UPON THE BASIS OF ALL INFORMATION AVAILABLE TO THEM, THAT SUCH DAMAGES WOULD APPROXIMATELY EQUAL THE AMOUNT OF THE DEPOSIT, AND SUCH AMOUNT SHALL BE RETAINED BY THE CITY AS

LIQUIDATED DAMAGES IN THE EVENT THIS AGREEMENT IS TERMINATED BY THE CITY FOR THE CAUSE SET FORTH IN THIS PARAGRAPH. SUCH LIQUIDATED DAMAGES REPRESENT THE PARTIES' BEST ESTIMATE OF SUCH DAMAGES. SUCH RETENTION OF DEPOSIT BY THE CITY IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO THE CITY PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE OR ANY SIMILAR PROVISION.

PROLOGIS AND THE CITY SPECIFICALLY ACKNOWLEDGE THIS LIQUIDATED DAMAGES PROVISION BY THEIR SIGNATURE BELOW:



ProLogis



City

In the event the City fails to negotiate diligently and in good faith, ProLogis shall give written notice thereof to the City, and the City shall then have ten (10) calendar days to commence negotiating in good faith. Following the receipt of such notice and the failure of the City to thereafter commence negotiating diligently and in good faith within such ten (10) calendar days, this Agreement may be terminated by ProLogis. In the event of such termination by ProLogis, the City shall return the full Deposit and the remaining portion of the Implementation Deposit, if any, to ProLogis, and neither Party shall have any further rights against or liability to the other under this Agreement.

Upon automatic termination of this Agreement at the expiration of the Negotiation Period or such extension thereof as may be hereafter approved in writing by the Parties, or upon execution by the Parties of a PSA, then concurrently therewith, the Deposit hereunder shall be returned to ProLogis and neither Party shall have any further rights against or liability to the other under this Agreement. If a PSA has been executed by the Parties, the PSA shall thereafter govern the rights and obligations of the Parties with respect to the sale of the City Site and the requirement for delivery of an earnest money deposit.

E. (§ 105) Implementation Deposit. Within twenty (20) days after the Effective Date of this Agreement, ProLogis shall submit to the City an implementation deposit (the "Implementation Deposit") in the amount of **Twenty Fifty Thousand Dollars (\$25,000)** in the form of either cash or an irrevocable letter of credit, at Prologs' election. The form of the letter of credit shall be satisfactory to the City's legal counsel to ensure that ProLogis pays for all reasonable third party costs incurred by the City in negotiating and preparing the PSA or until termination of this Agreement, as applicable. The Parties agree that ProLogis shall prepare the first draft of the PSA and that the City's outside counsel fees shall be reasonable. The City may withdraw and use funds from the Implementation Deposit only to pay for third party consultants, attorneys, appraisers, engineers and other experts (other than City staff, which shall mean only the staff of the City's Redevelopment Department), the employment of which is reasonably necessary to effect the negotiation and preparation of the PSA, and in furtherance of the negotiations contemplated by this

Agreement (“Permissible Expenses”) in accordance with a mutually agreed upon budget approved in advance by the Parties for the Permissible Expenses. However, ProLogis’ approval of the Permissible Expenses budget shall be ProLogis’ final determination that said Permissible Expenses, including outside counsel fees, are reasonable. In the event that the initial amount of the Implementation Deposit is exhausted through the incurrence and payment of Permissible Expenses by the City during the Term hereof, then ProLogis shall deposit with the City additional amounts in not to exceed **Ten Thousand and No/100 Dollars (\$10,000.00)** increments which may be drawn upon by the City for the same purposes. Furthermore, in connection with the City obtaining an appraisal and/or other studies and/analyses requested by ProLogis, or if ProLogis requests that the City prepare an appraisal, study or analysis, or that the City perform any other service which the City is not already obligated to prepare or perform under this Agreement and the City determines that the Implementation Deposit is insufficient to pay for said other service, then ProLogis shall deposit cash or other good and sufficient security with the City in an amount equal to the reasonable cost, as determined by the City in its sole discretion, of preparing or performing such appraisal, study or analysis, plus a ten percent (10%) contingency.

F. (§ 106) Refund of Implementation Deposit. In the event this Agreement is terminated for any reason, the City shall refund to ProLogis, within thirty (30) days of the date of termination, the full amount of the Implementation Deposit, less the amount of Permissible Expenses incurred by the City as evidenced by an accounting of such actual third party expenses incurred.

G. (§ 107) Right of Entry. ProLogis has requested the right to enter upon and otherwise have access to all portions of the City Site from and after the Effective Date of this Agreement for the purpose of performing tests and inspections, obtaining data, making surveys and other activities in connection with ProLogis’ determination as to the suitability of the City Site for ProLogis’ intended uses and/or the preparation of the Development Concept Plan with respect to the ProLogis Palmetto Project (the “Pre-Development Activities”). The City hereby grants ProLogis a non-exclusive, revocable license to enter upon the City Site to perform the Pre-Development Activities. ProLogis and its agents, consultants, employees, contractors, representatives and other designees (collectively, the “**ProLogis’ Designees**”), shall have the right to enter upon and otherwise have access to the City Site for the purpose of performing the Pre-Development Activities. ProLogis agrees as follows: (i) the Pre-Development Activities shall not alter, disturb or damage the City Site in any manner whatsoever or, in the event the City Site is altered, disturbed or damaged in any manner in connection with the Pre-Development Activities, ProLogis shall immediately return the City Site to the condition existing prior to the Pre-Development Activities, (ii) there shall be no discrimination against, or segregation of, any person, or group of persons, on account of sex, marital status, age, handicap, race, color, religion, creed, national origin or ancestry in connection with the Pre-Development Activities and no such practice or practices of discrimination or segregation with reference to the selection of vendors to perform the Pre-Development Activities shall be established, and (iii) ProLogis shall indemnify, defend and hold the City harmless from and against any and all claims, losses, damages, causes of action, injuries to property and persons (including death) and liability (hereinafter collectively “Claims”) to the extent suffered, incurred or

sustained by the City as a result or by reason of, or in connection with, the Pre-Development Activities or by ProLogis' or ProLogis' Designees' entry upon or access to the City Site, and specifically excluding Claims caused by the gross negligence or willful misconduct of the City or Claims arising from or associated with the existing physical condition of the City Site, such as the existence of methane on or under the City Site. Notwithstanding the forgoing, ProLogis shall not have the right to undertake any invasive activities or tests upon the City Site without the City's prior approval (to be granted or withheld using commercially reasonable discretion). The provisions of this Section 107 shall survive any termination of this Agreement. ProLogis shall maintain, prior to entering the City Site, and cause all of ProLogis' Designees performing the Pre-Development Activities to maintain, a policy of commercial general liability insurance issued by an insurer reasonably satisfactory to the City covering each of the Pre-Development Activities with a single limit of liability (per occurrence and aggregate) of not less than Two Million Dollars (\$2,000,000), and to deliver to the City a certificate of insurance and/or endorsements if required to effectuate such coverage evidencing that such insurance is in force and effect and that the City has been named as an additional insured thereunder. Such insurance shall be primary with respect to the City and non-contributing to any insurance or self-insurance maintained by the City; written on an "occurrence" basis; and shall be maintained in force and effect at all times of access to the City Site.

II. (§ 200) Development Concept

A. (§ 201) Scope of Development

The negotiations hereunder shall be based on a development concept, which shall include the development of the ProLogis Palmetto Project on the City Site. In addition, the PSA shall provide for ProLogis and the City to jointly initiate and process land use approvals for the City Site, which are required for the uses of the City Site, provided for in the approved Development Concept Plan, prior to the conveyance of the City Site to ProLogis. Preliminary design and architecture will be developed following the negotiation and execution of the PSA.

B. (§ 202) ProLogis' Findings, Determinations, Studies and Reports

Upon reasonable notice, as from time-to-time requested by the City, ProLogis agrees to make oral and written progress reports advising the City on all matters and all studies being made by ProLogis. Further, at thirty (30) day intervals from the Effective Date of this Agreement ProLogis shall provide a written report to the City concerning its progress in preparing the Development Concept Plan.

III. (§ 300) Purchase Price, Site Condition and Prerequisite

The purchase price for the City Site shall be the greater of \$11.25 per square foot or the appraised value, as determined pursuant to Section 102 (2) above.. Under this approach, it is estimated that the gross sales price will be approximately \$17.6 million. ProLogis is advised that any development on the City Site will cause the need for the construction of certain mitigation improvements. Such mitigation improvements may include, but are not limited to such things as land fill screening, land fill gas (“LFG”) vapor barriers, LFG monitoring probes and/or LFG extraction wells (collectively, the “Mitigation Improvements”). Notwithstanding the potential for such mitigation improvements, ProLogis is advised that if it acquires the City Site, such acquisition shall be in an “As Is, Where Is” condition and that ProLogis will be required to purchase the City Site and develop the ProLogis Palmetto Project at its sole expense including any Mitigation Improvements that the City may reasonably require. Subsequent to ProLogis providing City with the Development Concept Plan, including providing City with the results of the tests, inspections, surveys, studies and analyses prepared by the ProLogis Designees pursuant to Section 107, above, City shall advise ProLogis of the specific Mitigation Improvements required to develop the ProLogis Palmetto Project, so that ProLogis may determine the approximate development costs associated with the Mitigation Improvements on the City Site. The purchase price will be subject to approval by the City Council of the City of Redlands after a public meeting as required by law. Further, as a prerequisite to the City’s approval of the PSA, ProLogis shall cause the amendment of Project No. P200601233/CUP to comport with the Alternate ProLogis Project.

IV. A. (§ 401) Nature of the ProLogis

ProLogis is a Maryland Real Estate Investment Trust.

B. (§ 402) Office of the ProLogis

For the purposes of the Agreement, the local office of ProLogis is:

2817 East Cedar Street, Suite 200
Ontario, California 91761
Attn: Mr. Michael V. Del Santo

The headquarters of ProLogis is:

4545 Airport Way
Denver, CO 80239.

C. (§ 403) Assignment

This Agreement shall not be assigned by ProLogis, except to a ProLogis affiliate, without prior written approval of the City, which the City shall grant or refuse at its sole discretion provided that assignments proposed with financial institutions for financing purposes shall be subject to reasonable review and approval of the City.

D. (§ 404) Full Disclosure

The City acknowledges that ProLogis is publicly traded and that its financial and other information is publicly available to the City.

V. (§ 500) ProLogis' Financial Capacity

A. (§ 501) Development Concept

Before execution of the PSA, ProLogis shall submit to the City satisfactory evidence of its ability to meet its responsibilities relative to financing and completing the ProLogis Palmetto Project to the extent required by the City Regulations.

VI. (§ 600) City Responsibilities

A. (§ 601) Public Meeting

Any PSA resulting from the negotiations hereunder shall become effective only after and if the PSA has been considered and approved by the City Council of the City of Redlands after a public meeting called for such purpose.

VII. (§ 700) Special Provisions

A. (§ 701) Real Estate Commissions

The City shall not be liable for any real estate commission or brokerage fees that may arise. The City represents that it has engaged no broker, agent or finder in connection with this transaction, and ProLogis shall hold the City harmless from any claim by any broker, agent or finder retained by ProLogis.

B. (§ 702) Press Releases

ProLogis shall discuss any press releases with a designated City representative before disclosure in order to assure accuracy and consistency of the information.

C. (§703) Non-liability of Officials and Employees.

No City Council member, official, consultant, attorney or employee shall be personally liable to ProLogis, or any successor, assign or any person claiming under or through them, in the event of any default or breach by the City or for any amount which may become due to ProLogis or to its successor, or on any obligations arising under this Agreement.

No ProLogis official, consultant, attorney or employee shall be personally liable to the City, or any successor, assign or any person claiming under or through them, in the event of any default or breach by ProLogis or for any amount which may become due to the City or to its successor, or on any obligations arising under this Agreement. In accordance with the Declaration of Trust of ProLogis, notice is hereby given that all persons dealing with ProLogis shall look to the assets of ProLogis for the enforcement of any claim against ProLogis, as none of the trustees, officers, employees or shareholders of ProLogis assume any personal liability for obligations entered into by or on behalf of ProLogis.

D. (§704) Conflicts of Interest. No City Council member, official, consultant, attorney or employee of the City shall have any personal interest, direct or indirect, in this Agreement nor shall any such member, official or employee participate in any decision relating to this Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he or she is, directly or indirectly, interested.

E. (§705) Warranty Against Payment of Consideration for Agreement. ProLogis represents and warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement, other than payments to consultants and legal counsel retained by ProLogis to assist it in the negotiation of this Agreement, excepting however, any payments which this Agreement requires ProLogis to make.

F. (§706) No Third Party Beneficiaries. This Agreement is for the sole and exclusive benefit of the City and ProLogis. No other persons or entities are intended to be, or shall be considered, a beneficiary of the performance of any of the Parties' obligations under this Agreement.

G. (§707) Integration. This Agreement constitutes the entire understanding and agreement of the Parties, and supersede all negotiations or previous agreements between the Parties, with respect to all or any part of the subject matter hereof.

H. (§708) Titles and Captions. Titles and captions of this Agreement are for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or any of its terms. References to section numbers are to sections in this Agreement unless expressly stated otherwise.

I. (§709) Interpretation. This Agreement is the product of mutual arms-length negotiation and drafting and each Party represents and warrants to the other that

it has been represented by legal counsel in the negotiation and drafting of this Agreement. Accordingly, the rule of construction which provides that ambiguities in a document shall be construed against the drafter of that document shall have no application to the interpretation and enforcement of this Agreement. In any action or proceeding to interpret or enforce this Agreement, the finder of fact may refer to such extrinsic evidence not in direct conflict with any specific provision of this Agreement to determine and give effect to the intention of the Parties hereto.

J. (§710) Default. Failure or delay by either Party to perform any material term or provision of this Agreement shall constitute a “Default” under this Agreement. If the Party who is claimed to be in Default by the other Party cures, corrects or remedies the alleged Default within fifteen (15) calendar days after receipt of written notice specifying such Default, such Party shall not be in Default under this Agreement. The Party claiming that a Default has occurred shall give written notice of default to the Party claimed to be in Default, specifying the alleged Default. However, the injured Party shall have no right to exercise any remedy for a Default under this Agreement without first delivering written notice of the Default. Any failure or delay by a Party in asserting any of its rights or remedies as to any Default shall not operate as a waiver of any Default or of any rights or remedies associated with a Default. In the event of a Default of this Agreement that continues, following the applicable notice and cure periods under this Section, the sole and exclusive remedy of the Party who is not in Default shall be to terminate this Agreement by serving written notice of termination on the Party in Default and, in the case of a Default by the City, ProLogis shall also be entitled to receive the amounts specified in Section 106, if any. The failure of ProLogis to timely make any deposit of funds required under this Agreement or to timely submit any item described in Section 102 shall be considered a “material” Default under this Agreement by ProLogis.

K. (§711) Severability. Each provision, term, condition, covenant and/or restriction, in whole and in part, of this Agreement shall be considered severable. In the event any provision, term, condition, covenant and/or restriction, in whole and/or in part, of this Agreement is declared invalid, unconstitutional or void for any reason by a court of competent jurisdiction, such provision or part thereof shall be severed from this Agreement and shall not affect any other provision, term, condition, covenant and/or restriction of this Agreement, and the remainder of this Agreement shall continue in full force and effect unless to do so would deprive one of the Parties of a material benefit of its bargain.

L. (§712) Amendments to Agreement. Any amendment to this Agreement shall be in writing and signed by the appropriate authorities of the City and ProLogis.

M. (§ 713) Nondiscrimination

With respect to ProLogis' obligations and performance hereunder, ProLogis shall not discriminate in any matter on the basis of race, creed, color, religion, gender, material status, national origin or ancestry.

N. (§ 714) Notice

All notices given or required to be given hereunder shall be in writing and addressed to the Parties set out below, or to such other address as may be noticed under and pursuant to this paragraph. Any such notice shall be considered served when actually received by the Party intended, whether personally served or sent postage prepaid by registered or certified mail, return receipt requested.

City: City of Redlands
460 North Euclid Ave.
Redlands, California 91786
Attn: Redevelopment Director

ProLogis: ProLogis
2817 East Cedar Street, Suite 200
Ontario, California 91761
Attn: Mr. Michael V. Del Santo

With copy of notice to:

ProLogis
4545 Airport Way
Denver, CO 80239
Ms. Anne M. LaPlace, Esq.

O. (§ 715) Other Agreements

This Agreement supersedes any previous agreements, discussions and/or understandings between the Parties with respect to the City Site.

(§ 716) Warranty of Signators

The signatories to this Agreement represent and warrant that they have the authority to execute this Agreement on behalf of the principals they represent.

VIII. (§ 800) Limitations of This Agreement

By its execution of this Agreement, the City is not committing itself to or agreeing to undertake: (a) the disposition of land to ProLogis; or (b) any other acts or activities requiring the subsequent independent exercise of discretion by the City, the City Council or any entity or department thereof.

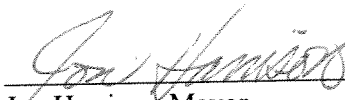
This Agreement does not constitute a disposition of property or exercise of control over property by the City. Execution of this Agreement by the City is merely an agreement to enter into a period of negotiations according to the terms hereof, reserving final discretion and approval by the City as to any PSA and all proceedings and decisions in connection therewith.

IX. (§ 900) Exemption from CEQA

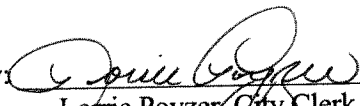
The City Council of the City of Redlands, in connection with its approval of this Agreement, hereby determines that the action of such approval is not a project, and exempt from review, under the California Environmental Quality Act ("CEQA") because such action does not cause either a direct change in the environment, or a reasonably foreseeable indirect change in the environment (Public Resources Code Section 21065).

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth in this Agreement.

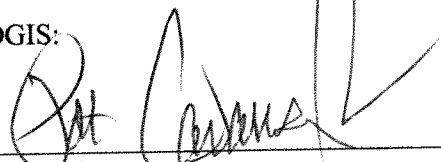
CITY:
City of Redlands,
a California Municipal Corporation

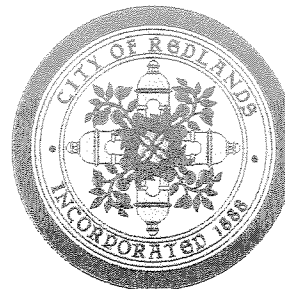
By: 
Jon Harrison, Mayor

ATTEST:

By: 
Lorrie Poyzer, City Clerk

PROLOGIS:

By: 
Its: S.V.P.



January 8, 2008

Honorable Dennis Hansberger
Supervisor, County of San Bernardino
385 North Arrowhead Avenue, Fifth Floor
San Bernardino, California 92415-0110

Re: City of Redlands Support for the ProLogis Project

Dear Supervisor Hansberger:

This letter is of a follow-up to my letter to you of October 11, 2007 with respect to the 53-acre Redlands Pioneer Business Center Project proposed to be developed by ProLogis. As you know, on several occasions prior to October 11th, we had registered our opposition to certain aspects of this Project. However, subsequent to your encouragement that the parties endeavor to resolve their differences and significant efforts by the parties to negotiate resolution of the matter, the City and ProLogis reached a compromise concerning the Project's development plan. Our approval of that compromise was memorialized in my letter of October 11th.

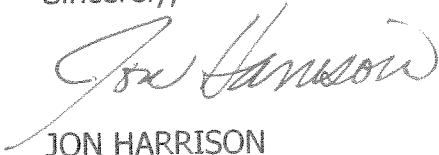
Since October 11th, City and ProLogis representatives have continued to meet and discuss the Project. As a result, ProLogis has proposed additional refinements to their Project that are also acceptable to the City. Specifically, ProLogis proposes to downsize their planned Building No. 7 from 843,000 square feet to approximately 800,000 square feet. This downsizing will provide them sufficient space to significantly enhance their landscaping area along the entire length of their property on Pioneer Avenue. These enhanced landscaping treatments will appropriately screen the southern façade of ProLogis' Building No. 7 from locations along Pioneer Avenue. To promote both vehicular and pedestrian safety, ProLogis will also eliminate ingress and egress along the full length of their Pioneer Avenue property. In addition, ProLogis will include high-quality upgrades to that portion of the exterior building elevations of Building Nos. 7 and 8 that face State Route 210. Among other things, these building exterior enhancements will include the addition of glass features that will give their project more of a

business park appearance. They have also advised us that they are considering the installation of similar enhancements for the buildings that they are planning to develop north of Building No. 8, as a part of a different project approval, that face State Route 210. The City also endorses this approach because it will significantly contribute to one of the City's primary objectives of creating an appealing entry statement to our community from the north along the west side of State Route 210. With this in mind, we will appreciate it if County staff will work closely with ProLogis to effectively and expeditiously accomplish of these goals.

Although the newest ProLogis proposal does not fully comport with the previous adjustments requested by the City of Redlands, we believe that it too represents a reasonable compromise. Therefore, with the spirit of compromise in mind, the City of Redlands recommends that the County approve the most current modifications to the ProLogis Project as described above and depicted on the enclosed graphics.

Once again, we thank you for your personal efforts to encourage the parties to find common ground. Please ensure that the County planning staff keeps us abreast of the amendments to the Prologis Project development entitlements. If you have any questions, please contact me at (909) 798-7533.

Sincerely,

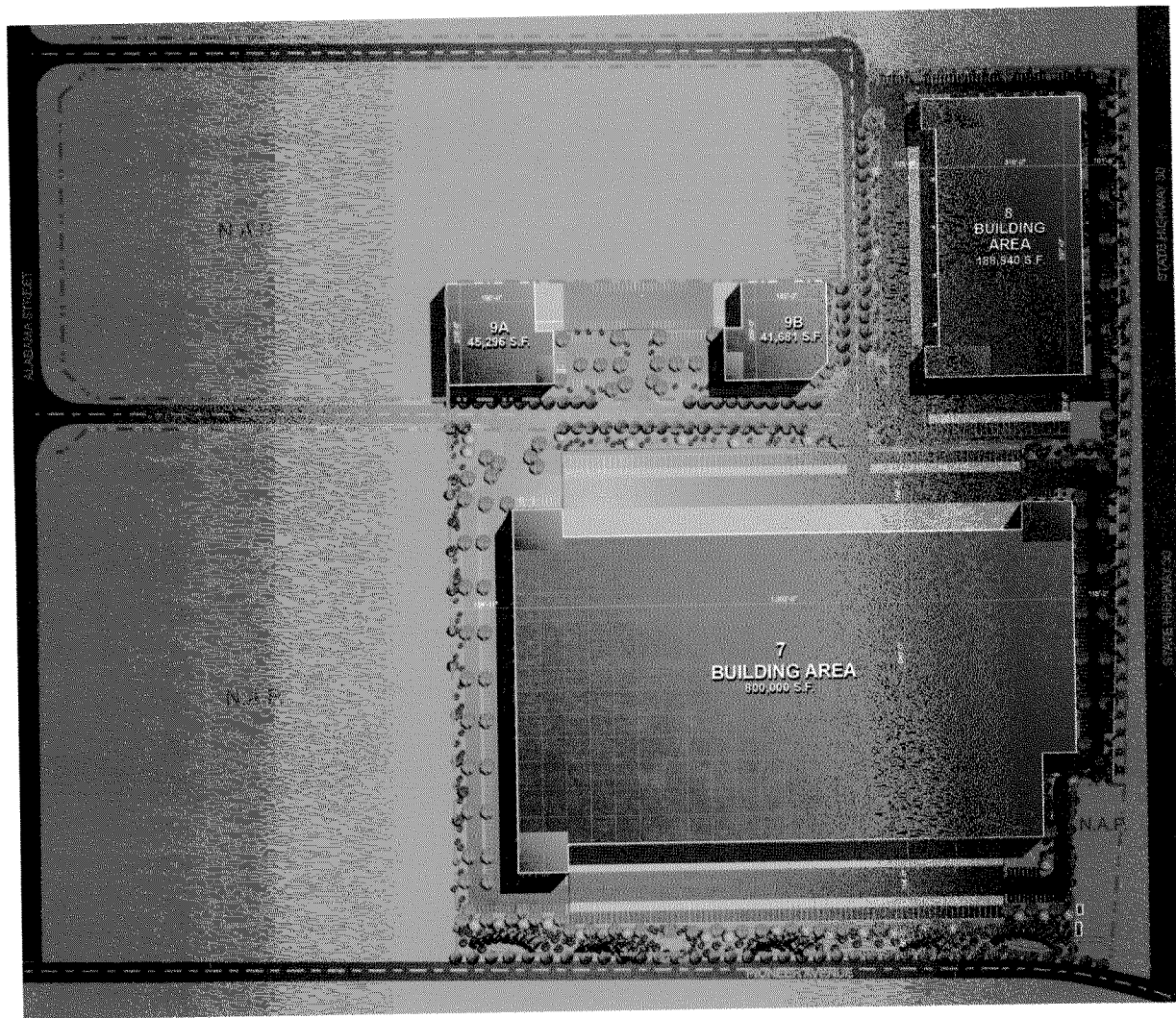


JON HARRISON
Mayor

JH:nts

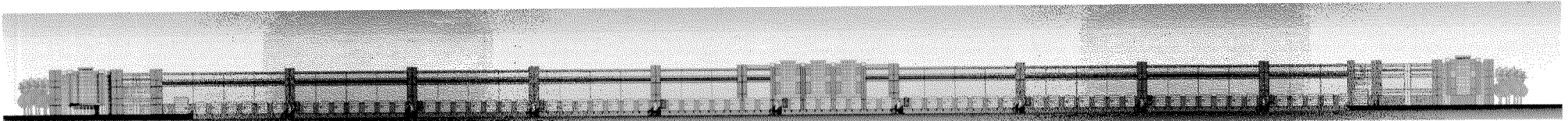
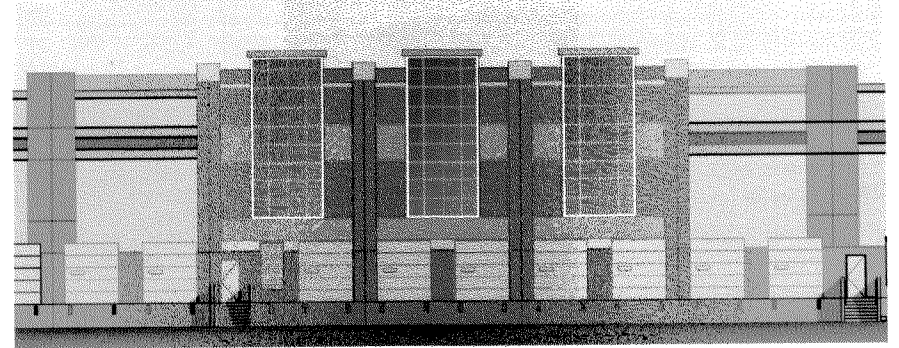
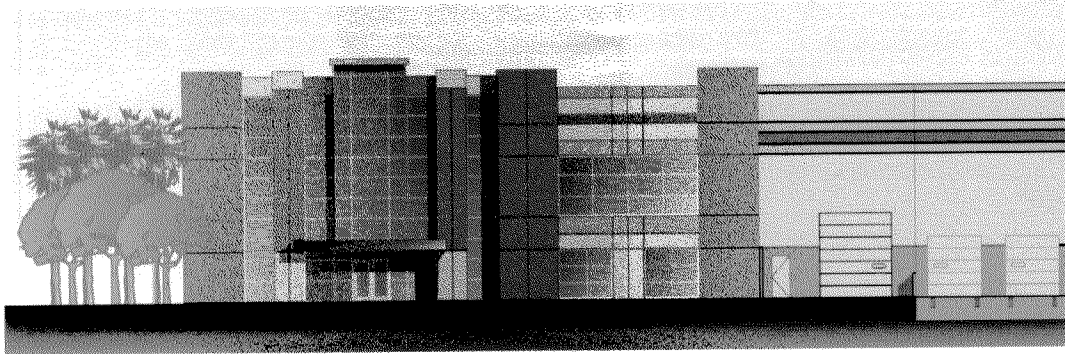
Enclosures

cc: City Council
N. Enrique Martinez, City Manager
Julie Rynerson, County Director of Land Use Services
John McGuckian, County Land Uses Services
Michael V. Del Santo, Prologis
William A. Heim, Lee and Associates
Rev. Paul Granillo, Pastor, The Holy Name of Jesus Catholic Church

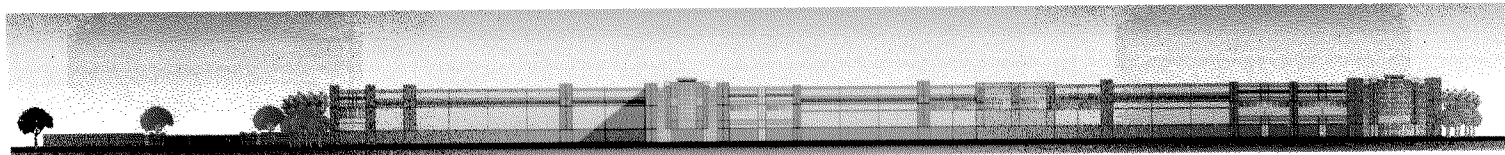


PROLOGIS
 REDLANDS PIONEER BUSINESS CENTER
 SITE PLAN
 COUNTY OF SAN BERNARDINO
 CALIFORNIA





Pioneer Avenue Elevation



Freeway Elevation



Pioneer Avenue Elevation with the Landscape

PROLOGIS
REDLANDS PIONEER BUSINESS CENTER

BUILDING 7
 COUNTY OF SAN BERNARDINO
 CALIFORNIA



The Global Distribution Solution

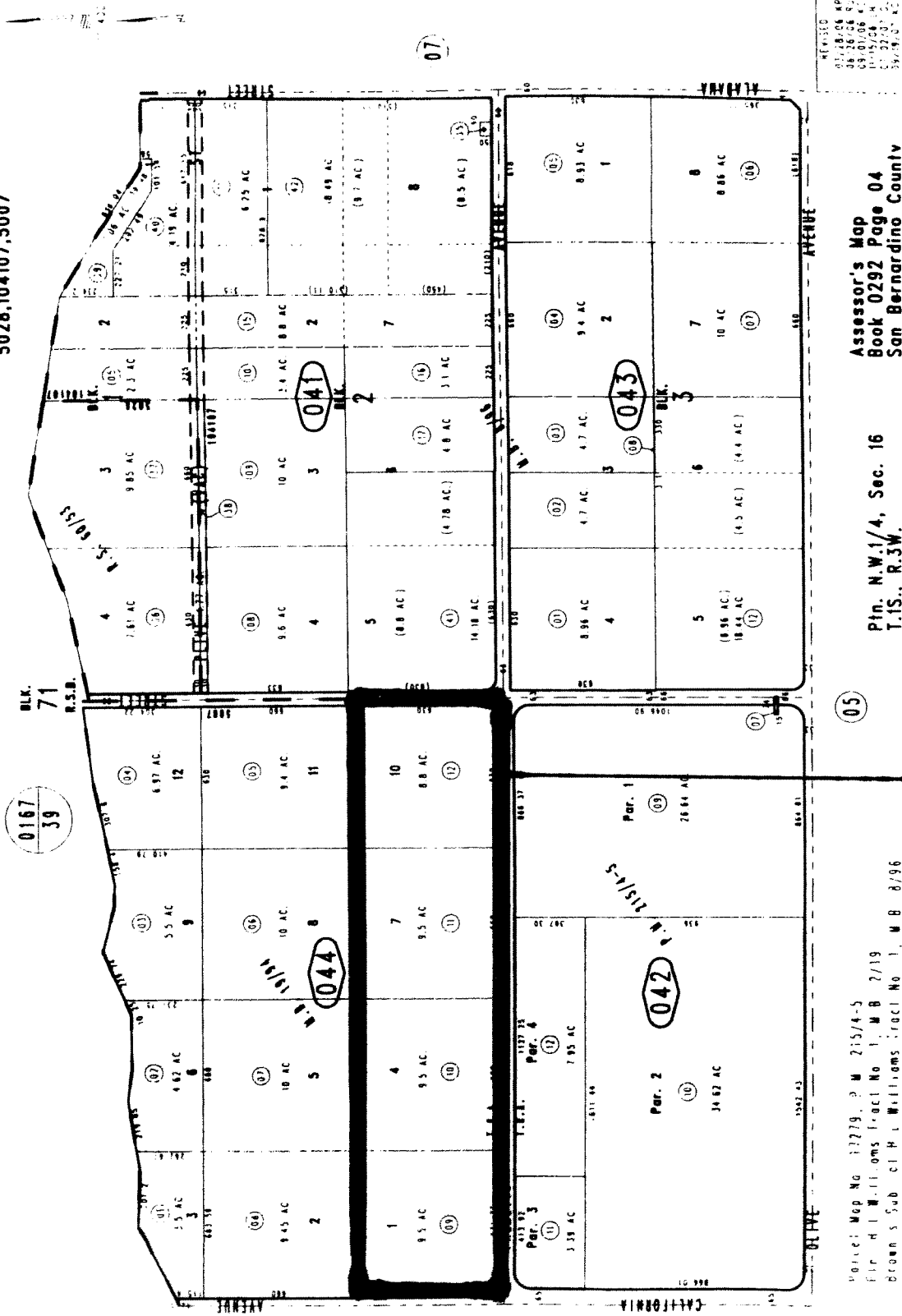
CITY SITE

0292-04

City of Redlands
Redlands Unified
Tax Rate Area
5028,104107,5007

Gregory Tract No. 1
M.B. 19/94

0167
39



Plotted Map No. 12279, P.M. 215/4-5
for H.L. Williams Tract No. 1, M.B. 7/19
Block 5 Sub. C.H.L. Williams Tract No. 1, M.B. 8/96

Assessor's Map
Book 0292 Page 04
San Bernardino County

Ptn. N.W. 1/4, Sec. 16
T.1S., R.3W.

City Site

February 2004



THIS MAP IS FOR THE PURPOSE
OF AD VALOREM ASSESSMENT ONLY

0167
71

0167
69

0167
66

0167
62

REVISIONS
01/28/06 AP
06/26/06 S
08/01/06 K
11/15/06 JH
02/27/07 JC
05/29/07 JC