

RECORDING REQUESTED BY:

WHEN RECORDED RETURN TO:

Mark A. Ostoich, Esq.
Gresham, Varner, Savage,
Nolan & Tilden
600 North Arrowhead Avenue
Suite 300
San Bernardino, CA 92401

LEASE SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR LEASEHOLD ESTATE IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

THIS LEASE SUBORDINATION AGREEMENT ("Agreement") is entered into by and among WELLS FARGO BANK, a National Association ("Beneficiary"), THE CITY OF REDLANDS, a municipal corporation ("Lessee"), REDLANDS PUBLIC IMPROVEMENT CORPORATION, a California nonprofit benefit corporation ("Sublessee"), THE PAVILION AT REDLANDS, a California limited partnership ("Pavilion"), and WAL-MART STORES, INC., a Delaware corporation ("Wal-Mart") [Pavilion and Wal-Mart may be collectively referred to herein as "Lessor"].

Recitals

A. Lessor and Lessee, or their respective predecessors in interest, have entered into that certain Lease Agreement dated as of March 20, 1990, as amended (collectively the "Lease") covering certain real property (the "Premises"), more particularly described on Exhibit "A", attached hereto and incorporated herein by reference. Lessee and Sublessee have entered into that certain Sublease dated as of June 1, 1994 (the "Sublease"), pursuant to which Lessee leased to Sublessee the Premises.

B. Beneficiary is willing to make to one or more of Lessor a \$7,720,000 loan (the "Loan") to be evidenced by that certain Promissory Note Secured By Deed of Trust (the "Note"), which Note is to be secured by that certain Deed of Trust and Absolute Assignment of Rent and Leases and Security Agreement (and Fixture Filing) (the "Deed of Trust"), which Deed of Trust is recorded concurrently herewith, covering certain real property (the "Property"), more particularly described on Exhibit "B", attached hereto and incorporated herein by reference, of which the Premises (or a portion thereof) constitute a part, provided that the Deed of Trust is a lien or charge upon the Property prior and superior to the Lease and to the leasehold estate created thereby, provided that the Deed of Trust is a lien or charge upon the Property prior and superior to the Sublease and to the leasehold estate created thereby, and

provided that Lessee and Sublessee will specifically and unconditionally subordinate and subject the Lease and the Sublease and the leasehold estates created thereby, together with all rights and privileges of Lessee and Sublessee thereunder, to the lien or charge of the Deed of Trust.

C. Pursuant to that certain Second Amendment to Lease Agreement dated as of June 15, 1994, Lessee and Sublessee agreed to subordinate their respective interests in the Lease and the Sublease to a secured loan, on the terms and conditions contained herein.

D. It is to the mutual benefit of the parties hereto that Beneficiary makes the Loan to Lessor and that the lien or charge of the Deed of Trust be unconditionally prior and superior to the Lease and the Sublease and the leasehold estates created thereby.

Operative Provisions

NOW, THEREFORE, in light of the foregoing Recitals, which are incorporated herein by reference, and in consideration of the mutual benefits accruing to the parties hereto, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. The Deed of Trust securing the Note and any renewals and extensions thereof shall unconditionally be and remain at all times a lien or charge on the Property, prior and superior to the Lease and the Sublease, to the leasehold estates created thereby and to all rights and privileges of Lessee thereunder, and the Lease and the Sublease and the leasehold estates created thereby, together with all rights and privileges of Lessee and Sublessee thereunder, are hereby subjected and made subordinate to the lien or charge of the Deed of Trust.

2. The parties hereto acknowledge that Beneficiary would not make the Loan without the agreement of Lessee and Sublessee to subordinate the Lease and the Sublease to the Deed of Trust.

3. The parties hereto agree that this Subordination Agreement contains the entire understanding and agreement of the parties hereto with regard to the subjection and subordination of the Lease and the Sublease and the leasehold estates created thereby, together with all rights and privileges of Lessee and Sublessee thereunder, to the lien or charge of the Deed of Trust, and this Subordination Agreement shall supersede and cancel, but only insofar as would affect the priority between the Lease and the Sublease and the Deed of Trust, any prior agreements as to such subjection or subordination, including without limitation, those provisions contained in the Lease and/or the Sublease which provide for the subjection or subordination of the Lease and the Sublease and the leasehold estates created thereby to a deed or deeds of trust or to a mortgage or mortgages.

4. Lessee and Sublessee hereby acknowledge and agree that:

a. Lessee and Sublessee consent to and approve each and every term and condition of the Note, the Deed of Trust, and any and all agreements and instruments related thereto; and

b. Lessee and Sublessee unconditionally subject and subordinate the Lease and the Sublease and the leasehold estates created thereby, together with all rights and privileges of Lessee and Sublessee thereunder, in favor of the lien or charge upon the Property of the Deed of Trust, and acknowledges that, in reliance upon and in consideration of this subjection and subordination, the Loan has been or is being and will be made by Beneficiary, and such Loan would not otherwise be made but for such reliance upon this subjection and subordination.

5. Notwithstanding any provision hereof to the contrary, Beneficiary shall not disturb Lessee's or Sublessee's possession of the Premises throughout the term of the Lease by terminating the Lease or the Sublease, whether prior to or following any foreclosure or transfer by which Beneficiary becomes owner of the Property or the Premises. Beneficiary's agreement not to terminate the Lease or the Sublease will not, however, limit any other remedy Beneficiary may have under the Lease, at law or equity, upon any default in the performance of the terms and conditions of the Lease by Lessee. Lessee and Sublessee shall look only to Lessor to fulfill the terms, covenants and conditions of the Lease and Sublease. Lessee and Sublessee agree that should Beneficiary acquire ownership of the Property or the Premises, by foreclosure or otherwise (including acquisition of ownership by a deed in lieu of foreclosure), at Beneficiary's option and in Beneficiary's sole discretion, Lessee and Sublessee will attorn to and recognize Beneficiary as landlord. Except as set forth herein, Lessee and Sublessee have not relied upon any representation (either oral or in writing) of Beneficiary in executing the Lease, the Sublease, or this Agreement.

IN WITNESS WHEREOF, the undersigned have executed this Subordination Agreement as of December 19, 1996.

SIGNATURES FOLLOW

THE PAVILION AT REDLANDS, LIMITED,
a California limited partnership

By: The Pavilion at Redlands Corporation,
a California corporation
Its: General Partner

By: _____
Its: _____

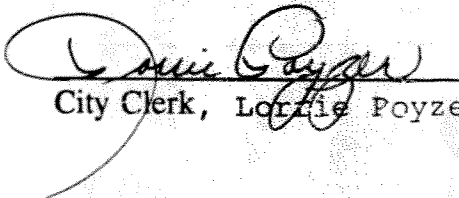
WAL-MART STORES, INC., a Delaware
corporation

By: _____
Its: _____

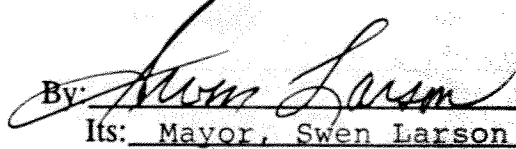
"Lessor"

Attest:

CITY OF REDLANDS, a municipal corporation



City Clerk, Lorraine Poyzer

By: 

Its: Mayor, Swen Larson

"Lessee"

Approved as to Form and Substance:

City Attorney

(SIGNATURES CONTINUE ON FOLLOWING PAGE)

REDLANDS PUBLIC IMPROVEMENT
CORPORATION, a California nonprofit benefit
corporation

By: Carole A. King
Its: President, Carole A. King

"Sublessee"

ALL-PURPOSE ACKNOWLEDGMENT 1-9-97

Advised City Attorney about "title" mistake. He said there should be no problem.

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

By the authority granted under Chapter 4, Article 3, Section 1181, of the California Civil Code, and Chapter 2, Division 3, Section 40814, of the California Government Code, on December 19, 1996, before me, Beatrice Sanchez, Deputy City Clerk, on behalf of Lorrie Poyzer, City Clerk of the City of Redlands, California, personally appeared Carole A. King {x} personally known to me - or - { } proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

(SEAL)

WITNESS my hand and official seal.

LORRIE POYZER, CITY CLERK

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

CAPACITY CLAIMED BY SIGNER(S)

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

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

Title or Type of Document: Lease Subordination Agreement
Number of Pages 11 Date of Document December 19, 1996
Signer(s) Other Than Named Above Redlands Public Improvement Corp.,
The Pavilion at Redlands, and Wal-Mart Stores, Inc.

ALL-PURPOSE ACKNOWLEDGMENT 1-9-97

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

Advised City Attorney about
"title" mistake. He said there should
be no problem.

By the authority granted under Chapter 4, Article 3, Section 1181, of the California Civil Code,
and Chapter 2, Division 3, Section 40814, of the California Government Code, on December 19,
1996, before me, Beatrice Sanchez, Deputy City Clerk, on behalf of Lorrie Poyzer, City Clerk of
the City of Redlands, California, personally appeared Swen Larson and Lorrie Poyzer
{ X } personally known to me - or - { } proved to me on the basis of satisfactory evidence to
be the persons whose names) are subscribed to the within instrument and acknowledged to me
that they executed the same in their authorized capacities and that by their signatures on the
instrument the persons, or the entity upon behalf of which the persons acted, executed the
instrument.

(SEAL)

WITNESS my hand and official seal.

LORRIE POYZER, CITY CLERK

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

CAPACITY CLAIMED BY SIGNER(S)

- { } Individual(s) signing for oneself/themselves
{xx} Corporate Officer(s)
Title(s) President
Company Redlands Public Improvement Corporation
{ } Partner(s)
Partnership
{ } Attorney-In-Fact
Principal(s)
{ } Trustee(s)
Trust
{ } Other
Title(s)
Entity Represented

THIS CERTIFICATE MUST BE ATTACHED TO THE DOCUMENT DESCRIBED BELOW:

Title or Type of Document: Lease Subordination Agreement
Number of Pages 11 Date of Document December 19, 1996
Signer(s) Other Than Named Above City of Redlands, The Pavilion at
Redlands, and Wal-Mart Stores, Inc.

DESCRIPTION OF LEASED PROPERTY

94-486053

The real property situated in the City of Redlands, County of San Bernardino, State of California, described as follows:

THAT PORTION OF PARCELS 1 AND 2 OF PARCEL MAP 6611 AS RECORDED IN PARCEL MAP BOOK 81, PAGES 79 AND 80, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF PARCEL 2, THENCE SOUTHERLY ALONG THE EASTERLY LINE OF PARCEL 2 A BEARING OF SOUTH 24'42" EAST A DISTANCE OF 395.00 FEET, THENCE 24.0 FEET MEASURED AT RIGHT ANGLES TO THE TRUE POINT OF BEGINNING.

THENCE FROM THE SAID POINT, PARALLEL TO THE EASTERLY LINE OF PARCEL 2 WITH A BEARING OF SOUTH 24'42" EAST A DISTANCE OF 307.00 FEET; THENCE SOUTH 89°35'18" WEST A DISTANCE OF 108.38 FEET; THENCE SOUTH 18'31" WEST A DISTANCE OF 208.64 FEET; THENCE PARALLEL TO THE SOUTHERLY LINE OF PARCEL 2 WITH A BEARING OF NORTH 89°41'29" WEST A DISTANCE OF 387.03 FEET; THENCE NORTH 18'31" EAST 232.12 FEET; THENCE SOUTH 89°36'12" WEST 595.82 FEET; THENCE NORTH 23'48" WEST 438.17 FEET; THENCE NORTH 89°34'16" EAST 274.03 FEET; THENCE SOUTH 45°25'44" EAST 290.78 FEET; THENCE NORTH 89°34'16" EAST 267.40 FEET; THENCE NORTH 59°34'16" EAST 91.22 FEET; THENCE NORTH 89°34'16" EAST 264.70 FEET TO THE TRUE POINT OF BEGINNING.

PARCEL A:

Parcel 1 of Parcel Map No. 13542, in the City of Redlands, County of San Bernardino, State of California, as per plat recorded in Book 152 of Parcel Maps, Pages 48 and 49, in the office of the County Recorder of said County.

PARCEL B:

That portion of Parcels 2, 3 and 4 of Parcel Map No. 13542, in the City of Redlands, County of San Bernardino, State of California, as per map recorded in Book 152, Pages 48 and 49 of Parcel Maps, in the office of the County Recorder of said County, more particularly described as follows:

Beginning at a point on the North line of said Parcel 4, distant thereon North $89^{\circ} 34' 16''$ East 5.29 feet from the Northwest corner thereof; thence South $0^{\circ} 25' 44''$ East 60.00 feet; thence South $89^{\circ} 34' 16''$ West 53.08 feet; thence South $0^{\circ} 25' 44''$ East 30.69 feet; thence North $89^{\circ} 34' 16''$ East 54.87 feet; thence South $0^{\circ} 25' 44''$ East 314.32 feet to the Southerly line of said Parcel 3; thence along the Southerly, Easterly and Westerly line of said Parcel 2 and 3 South $89^{\circ} 34' 16''$ West 38.18 feet; North $45^{\circ} 25' 44''$ West 33.94 feet; South $89^{\circ} 34' 16''$ West 236.30 feet; South $0^{\circ} 25' 44''$ East 332.66 feet; South $89^{\circ} 34' 16''$ West 137.76 feet; North $0^{\circ} 25' 44''$ West 398.16 feet; South $89^{\circ} 34' 16''$ West 217.72 feet to the Easterly line of California Street, 104.25 feet wide, as shown on said map; thence along said East line North $0^{\circ} 23' 48''$ West 48.50 feet; thence North $89^{\circ} 34' 16''$ East 118.07 feet; thence North $0^{\circ} 25' 44''$ West 136.00 feet; thence South $89^{\circ} 34' 16''$ West 28.00 feet; thence North $0^{\circ} 25' 44''$ West 76.00 feet; thence North $89^{\circ} 34' 16''$ East 4.08 feet; thence North $0^{\circ} 25' 44''$ West 55.00 feet to the North line of said Parcel 3; thence along said North line North $89^{\circ} 34' 16''$ East 558.00 feet to the point of beginning.

Said Parcel B above is also shown on the Amended Certificate of Compliance, recorded June 8, 1992, as Instrument No. 92-238744, Official Records.

PARCEL C:

Those non-exclusive easements as set forth in that certain document entitled "Declaration of Covenants, Conditions, Restrictions and Reciprocal Easements" dated September 20, 1990, between Wal-Mart Stores, Inc., a Delaware Corporation, and the Pavilion at Redlands, Limited, a California Limited Partnership, filed for record on September 21, 1990, as Instrument No. 90-378749, Official Records.