

PURCHASE AND SALE AGREEMENT AND ESCROW INSTRUCTIONS

This Purchase and Sale Agreement and Escrow Instructions ("Agreement") is made and entered into by and between GH Redlands, LLC ("Buyer") and the City of Redlands ("Seller") this 20th day of February, 2007 ("Effective Date"). Buyer and Seller are sometimes individually referred to herein as a "Party," and together, as the "Parties."

WHEREAS, Buyer is developing certain residential real property in the City of Redlands identified in tentative Tract Map 16586 (the "Tract"); and

WHEREAS, Seller desires to sell the Property (as defined in this Agreement) to Buyer, and Buyer desires to purchase the Property from Seller, so that the Property will be included in the Tract; and

WHEREAS, upon recordation of the final Tract Map and as described therein, all of the Property (with the exception of a portion of Parcel C) will be dedicated to Seller for use, in part, for the public roadway commonly known as "Wabash Avenue" and the remainder as perpetual open space to be maintained by Seller (the "Dedication Property");

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

ARTICLE I PURCHASE AND SALE

Section 1.1 Purchase and Sale. Seller is the owner of certain real property located in the City of Redlands and more particularly described in Exhibit A to this Agreement (the "Property"). On all of the terms, covenants and conditions contained in this Agreement, Seller agrees to sell the Property to Buyer, and Buyer agrees to buy the Property from Seller.

Section 1.2 Purchase Price. The purchase price for the Property ("Purchase Price") is One Hundred Seventy Seven Thousand Dollars (\$177,000).

Section 1.3 Payment of the Purchase Price. Buyer shall deposit the Purchase Price in Escrow as set forth in Section 2.6. The entire Purchase Price, less any amounts, if any, to be borne or paid by Seller pursuant to this Agreement, shall be paid to Seller upon "Close of Escrow" as defined in Section 2.2.

ARTICLE II ESCROW

Section 2.1 Escrow, Escrow Holder, and Opening of Escrow. Within ten (10) days of the Effective Date of this Agreement, Buyer shall open an escrow to facilitate the transaction contemplated by this Agreement ("Escrow") with Chicago Title Company ("Escrow Holder") at the address specified in Section 8.8. Delivery by Buyer to the Escrow Holder of a fully-executed original or counterpart original of this Agreement shall constitute the opening of Escrow ("Opening of Escrow"). This Agreement shall constitute escrow instructions ("Escrow Instructions") to Escrow Holder. The Parties shall execute such additional Escrow Instructions consistent with the provisions of this Agreement that are mutually acceptable to the Parties or that may be required by Escrow Holder. Escrow Holder's general provisions ("Standard Escrow Instructions") shall also constitute Escrow Instructions for purposes of this Agreement. As between the Parties, Buyer and Seller agree that if there is any conflict between the terms of this Agreement and the Standard Escrow Instructions, this Agreement shall control.

Section 2.2 Close of Escrow. Subject to the conditions set forth in Section 2.8, Escrow shall close on the date that fee title to the Property is conveyed from Seller to Buyer as contemplated by this Agreement and evidenced by the recording of a grant deed for the Property ("Close of Escrow"). Close of Escrow shall occur immediately prior to recordation of the final Tract Map, subject to satisfaction or waiver of all conditions precedent to Close of Escrow.

Section 2.3 Preliminary and Supplemental Title Reports. Within ten (10) business days after the Opening of Escrow, Buyer shall obtain a Preliminary Title Report covering the Property issued by Chicago Title Company ("Title Insurer"). The Preliminary Title Report shall be accompanied by complete copies of all underlying documents referred to in the Preliminary Title Report as evidencing exceptions to title (collectively the "PTR").

Section 2.4 Review of Title Documents. Buyer shall have ten (10) business days following receipt of the PTR within which to notify Seller, in writing, of Buyer's disapproval of any exception to title disclosed in the PTR. In the event the PTR is supplemented ("Supplemental PTR") by the Title Insurer, Buyer shall have five (5) business days after its receipt by Buyer of such Supplemental PTR, within which to approve or disapprove any new matters disclosed in the Supplemental PTR. In the event Buyer disapproves a matter disclosed in the Title Documents that Seller declines to cure and that Buyer declines to waive, the Escrow shall be cancelled with respect to the Property upon written notice by either Party to the Escrow Holder and the other Party. Upon any such cancellation of Escrow, each Party shall pay one-half of the Escrow cancellation charges.

Section 2.5 Condition of Title. All matters contained in the PTR that are not disapproved by Buyer prior to the end of the period referred to in Section 2.4 shall be deemed to be permitted exceptions ("Permitted Exceptions"). Seller shall convey the Property to Buyer in fee simple title, which shall be, except for the Permitted Exceptions, free and clear of all leases, tenancies, rentals, mortgages, liens, charges, encumbrances, encroachments, easements, conditions, exceptions, assessments, taxes and other defects in title.

Section 2.6 Obligations of Buyer. In addition to performance by Buyer of all obligations of Buyer contained in this Agreement, Buyer shall:

- (a) Within three (3) business days following the Effective Date, deposit the sum of \$10,000 into Escrow, which amount shall be applied towards the Purchase Price;
- (b) Within three (3) days following approval of the final Tract Map by Seller's City Council, deposit the sum of \$90,000 into Escrow, which amount shall be applied towards the Purchase Price; and
- (c) On or before one (1) business day prior to Close of Escrow, deposit into Escrow the balance of the Purchase Price and all other sums and documents reasonably required of Buyer by Escrow Holder for Close of Escrow.

Section 2.7 Obligations of Seller. In addition to fulfilling any other obligations of Seller contained in this Agreement, on or before one (1) business day prior to Close of Escrow, Seller shall deposit into Escrow a grant deed to the Property in the form attached to this Agreement as Exhibit B, properly executed by Seller and recordable, and any documents reasonably required of Seller by Escrow Holder to carry out Close of Escrow.

Section 2.8 Conditions Precedent to Close of Escrow. Seller's obligation to convey the Property and Buyer's obligation to purchase the Property are subject to the satisfaction (or written waiver by the benefiting Party) of the following conditions precedent:

- (a) Escrow has not been canceled and/or this Agreement has not been terminated pursuant to Section 2.4 or 2.9; and
- (b) Title Insurer is prepared to issue the policy of title insurance described in Section 2.13.

Section 2.9 Failure of Conditions Precedent. In the event that either condition precedent to Close of Escrow referred to in Section 2.8 is neither satisfied nor waived in writing by the Party

benefiting from the condition, such condition shall be deemed to have failed and Escrow shall terminate with respect to the Property.

Section 2.10 Taxes and Assessments. Prior to or concurrent with Close of Escrow, Seller shall pay, cancel or terminate all prior current taxes, including special taxes assessments and improvement fees or charges levied on or against the Property or any part thereof.

Section 2.11 Payment of Costs. The costs associated with this transaction shall be paid as follows:

- (a) Buyer shall pay the cost of the title policy described in Section 2.13;
- (b) Buyer shall pay all costs of Escrow, including the Escrow Holder's escrow fee; and
- (c) Buyer shall pay the cost of documentary transfer taxes, if any, in connection with the recordation of the grant deed.

Section 2.12 Broker Fees. Each Party represents to the other that no broker or finder has been engaged by such Party in connection with any of the transactions contemplated by this Agreement, and that no broker or finder is in any way connected with any such transactions. In the event any claim for broker's or finder's fees or commissions or other payment is made by any person or entity in connection with the negotiation, execution, or consummation of this Agreement or the transactions contemplated hereby, Buyer shall indemnify, hold harmless, and defend Seller from and against such claim if it shall be based upon any statement or representation or agreement made by Buyer, and Seller shall indemnify, hold harmless, and defend Seller from and against such claim if it shall be based upon any statement or representation or agreement made by Seller.

Section 2.13 Title Policy. Escrow Holder shall deliver to Buyer, through Escrow, a CLTA owner's policy of title insurance insuring Buyer's fee ownership of the Property, subject only to the usual printed title company exceptions and the Permitted Exceptions, in amounts equal to the Purchase Price, issued by Title Insurer and dated as of Close of Escrow.

Section 2.14 Execution of Other Documents; Compliance with Regulations. The Parties shall do such other things and shall execute all documents which are reasonably necessary for Close of Escrow to occur. Furthermore, each Party shall comply at its own expense with all obligations imposed on such Party by all applicable laws required for Close of Escrow to occur, including, but not limited to, any required filings with governmental authorities.

Section 2.15 Recording of Documents and Delivery of Funds. Upon receipt of the funds and instruments described in this Article, and upon the satisfaction or waiver of the conditions precedent to Close of Escrow referred to in this Article, Escrow Holder shall cause the grant deed and other documents specified in this Agreement to be recorded in the official records of the County of San Bernardino. Upon Close of Escrow, Escrow Holder shall deliver conformed copies of the grant deed and all other appropriate documents to Buyer.

Section 2.16 Escrow Cancellation Charges. Notwithstanding any other provision of this Agreement to the contrary, in the event that Close of Escrow fails to occur as result of the default of a Party, the defaulting party ("Defaulting Party") shall be liable for all Escrow cancellation charges. In the event that Close of Escrow fails to occur for any other reason, Buyer and Seller shall each be responsible for and shall pay one-half of all Escrow cancellation charges unless specified otherwise in this Agreement. Except for amounts due under this Section 2.16, if Escrow is cancelled or otherwise fails to close for any reason, including, but not limited to, Buyer's default, all amounts deposited by Buyer into Escrow shall be returned to Buyer without further notice to or instruction from Seller.

ARTICLE III BUYER'S LICENSE

Seller agrees that Buyer may, and hereby grants Buyer a license ("Buyer's License") to, perform certain work on the Property prior to the Close of Escrow, including, but not limited to, clearing, grubbing, grading, installation of drainage facilities, erosion control measures and relocation of any utilities necessary to perform such these activities (the "Work"). As a condition to the grant of Buyer's License, Buyer agrees, at its sole cost and expense, to:

- (a) obtain all necessary governmental approvals, permits, and licenses required in connection with the Work;
- (b) be responsible for inspecting, maintaining, and repairing the Property as necessary to ensure that the Property is in a safe condition while performing the Work;
- (c) not suffer or permit to be enforced against the Property, or any part thereof, any liens or claims for damages relating to or arising out of the Work;
- (d) comply with all laws, regulations, and ordinances of Seller and any other governmental agency having jurisdiction over the Work and the Property; and

- (e) purchase and keep in force commercial liability insurance, in an amount of not less than Two Million Dollars (\$2,000,000) insuring Seller against any liability for death or injury to persons and/or damage to property arising from or otherwise relating to the Work (such insurance may be provided by adding Seller as an additional insured to Buyer's general liability policy).

ARTICLE IV

SELLER'S REPRESENTATIONS AND WARRANTIES

Section 4.1 "As-Is" Purchase. Seller is selling the Property in "As-Is" condition. Except as otherwise expressly provided in this Agreement, Seller hereby disclaims all warranties of any kind or nature whatsoever, whether expressed or implied, including but not limited to warranties with respect to either the Property or its condition or suitability for Buyer's intended use.

Section 4.2 Dedication Property. Subject to Buyer's compliance with Article III and any conditions of approval of the final Tract Map, Seller agrees to accept the Dedication Property in "As-Is" condition, and without warranty from Buyer of any kind or nature whatsoever, whether expressed or implied, including but not limited to warranties with respect to either the Property or its condition or suitability for Seller's intended use

ARTICLE V

BUYER'S REPRESENTATIONS AND WARRANTIES

In addition to any other representations and warranties made by Buyer pursuant to this Agreement, Buyer warrants and represents that the following facts are true and correct as of the date Buyer executes this Agreement, and the truth and accuracy of such representations and warranties shall constitute a condition to Close of Escrow. As used in this Agreement, the phrase "to Buyer's knowledge" shall be limited to the actual knowledge of the signatories to this Agreement on behalf of Buyer and any constructive knowledge imparted to it as a result of any report, study or other documentation in Buyer's possession.

- (a) To Buyer's knowledge, neither this Agreement, nor any action required hereunder, violates or shall violate any contract, agreement or instrument to which Buyer is a party. No other person or entity is required to consent to, acknowledge, or execute this Agreement in order to validate its execution by Buyer or to permit the consummation of the transactions contemplated herein.
- (b) To Buyer's knowledge, Buyer, subject to the provisions of this Agreement, has the full right and authority to enter into this Agreement and consummate the transactions

contemplated herein, and each person signing this Agreement on behalf of Buyer is authorized to do so.

- (c) To Buyer's knowledge, except as set forth in this Agreement, there is no existing state of facts or circumstances, or any condition or event, that would preclude Buyer from fulfilling its obligations under this Agreement.

ARTICLE VI INDEMNIFICATION

Buyer shall indemnify, defend and hold harmless Seller from any loss of or damage to the Property, or injury or death of any person whomsoever, including attorneys' fees and costs, caused in whole or in part by any intentional or negligent act of Buyer or its agents, or by any act or omission of Buyer or its agents in the exercise of rights pursuant to the Buyer's License.

ARTICLE VII MISCELLANEOUS PROVISIONS

Section 7.1 Entire Agreement and Amendment. This Agreement fully and completely expresses the entire agreement between the Parties hereto with respect to the subject matter hereof. Any amendment to this Agreement shall be in writing and approved by the City Council of Seller; provided, however, that an amendment to this Agreement solely for the purpose of extending the Close of Escrow may be approved in writing by the City Manager of Seller.

Section 7.2 Governing Law. This Agreement shall be governed by and construed in accordance with California law.

Section 7.3 Interpretation of Agreement. The headings set forth in this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions contained herein.

Section 7.4 Waiver. The failure of either Party at any time to require a performance by the other Party of any provision hereof shall not affect in any way the full right to require such performance at any time thereafter. The waiver of any breach of any provision of this Agreement by Buyer or Seller shall not be deemed to be a waiver of any preceding or subsequent breach of the same or any other provision of this Agreement.

Section 7.5 Representation by Independent Counsel. Buyer and Seller agree and acknowledge that they have been represented by independent legal counsel of their own choice

throughout all negotiations preceding the execution of this Agreement, and that they have executed this Agreement with the consent of, and upon the advice of, their own legal counsel.

Section 7.6 Not for Benefit of Third Parties. This Agreement and every provision hereof are for the exclusive benefit of the Parties to this Agreement and not for the benefit of any third party.

Section 7.7 Assignment. This Agreement shall be binding upon the Parties hereto and their respective heirs, successors, representatives and assigns.

Section 7.8 Notices. All notices, demands and other communications given or required to be given pursuant to this Agreement shall be in writing, duly addressed as indicated below, and given by personal delivery, registered or certified mail (postage prepaid and return receipt requested), Federal Express or other reliable private express delivery, or by facsimile transmission (with original to follow via first-class U.S. Mail). Such notices, demands or other communications shall be deemed received: (i) immediately upon delivery if personally delivered or sent by facsimile transmission; or (ii) after three business days if given or sent by any other approved method specified above. A Party or the Escrow Holder may, for purposes of this Agreement, change its name, address, facsimile number or person to whom attention should be directed by giving notice in the manner specified in this Section. Notices, demands and communications shall be duly addressed as follows:

To Buyer:

Attention: BJ Delzer
GH Redlands, LLC
17891 Cartwright Road, 2nd floor
Irvine, CA 92614-5909

To Seller:

Attention: City Manager
City of Redlands
P.O. Box 3005
Redlands, CA 92373
(909) 798-7510

To Escrow Company:

Attention: Karen Price
Chicago Title Company
16969 Von Karman
Irvine, CA 92606

Section 7.9 Attorneys' Fees. In any action between Buyer and Seller seeking enforcement or interpretation of any provision of this Agreement or in connection with the purchase of the Property, the prevailing Party in such action shall be awarded its reasonable costs and expenses, including, but not limited to, reasonable attorneys' fees, (including in-house counsel fees of the Parties) disbursements, and court costs, in addition to any damages, injunctive, or other relief awarded, and, without limitation, attorneys' fees, disbursements, and court costs, incurred in any post judgment proceedings to collect or enforce any judgment.

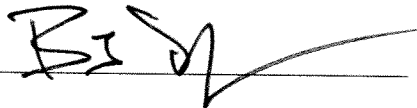
Section 7.10 Severability. If any article, section, subsection, paragraph, sentence, clause or phrase contained in this Agreement shall become illegal, null or void or against public policy, for any reason, or shall be held by a court of competent jurisdiction to be illegal, null or void or against public policy, the remaining articles, sections, subsections, paragraphs, sentences, clauses or phrases contained in this Agreement shall not be affected thereby.

Section 7.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

IN WITNESS OF THE FOREGOING, the undersigned execute this Agreement on behalf of Buyer and Seller.

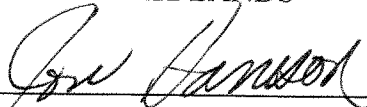
GH REDLANDS, LLC

By: Granite Homes, Inc., Its Manager

By: 

Date: 2/6, 2007

CITY OF REDLANDS


Mayor Jon Harrison

Date: February 20, 2007

ATTEST:

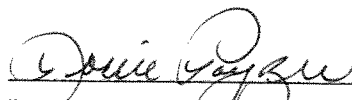

Lorrie Poyzer, City Clerk

EXHIBIT A

PROPERTY DESCRIPTION

PARCEL A:

PARCEL 1 OF PARCEL MAP 13102, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 158, PAGES 19 AND 20 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, THEREON WITH THAT PORTION OF THE WESTERLY HALF OF WASBASH AVENUE TITLE TO WHICH WOULD PASS WITH A CONVEYANCE DESCRIBED IN SAID PARCEL 1.

PARCEL B:

BEING A SUBDIVISION OF A PORTION OF EAST HALF OF THE SOUTHEAST 1/4 OF SECTION 36, TOWNSHIP 1 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, ACCORDING TO THE OFFICIAL PLAT THEREOF, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHWEST CORNER OF PARCEL 1 OF PARCEL MAP NO. 13102 AS RECORDED IN BOOK 158 OF PARCEL MAPS, PAGES 19 AND 20, IN THE COUNTY RECORDERS OFFICE, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA;
THENCE SOUTH $00^{\circ} 23' 39''$ WEST, 264.55 FEET;
THENCE SOUTH $69^{\circ} 36' 21''$ EAST, 56.21 FEET TO THE BEGINNING OF A CURVE CONCAVE EASTERLY AND HAVING A RADIUS OF 617.00 FEET, SAID CURVE HAVING A RADIAL WHICH BEARS SOUTH $87^{\circ} 11' 11''$ EAST;
THENCE NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF $23^{\circ} 15' 56''$ AN ARC DISTANCE OF 250.54 FEET TO A POINT ON A CURVE SAID POINT HAVING A RADIAL WHICH BEARS SOUTH $63^{\circ} 54' 14''$ EAST;
THENCE NORTH $69^{\circ} 04' 45''$ WEST, 120.91 FEET TO THE POINT OF BEGINNING.

PARCEL C:

THAT PORTION OF THE SOUTHEAST 1/4 OF SECTION 36, TOWNSHIP 1 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, ACCORDING TO GOVERNMENT SURVEY, IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF THAT CERTAIN PARCEL OF LAND CONVEYED BY GEORGE E. GRAY AND LUCY B. GRAY, HUSBAND AND WIFE, TO RICHARD S. ROBERTS AND VIRGINIA B. ROBERTS, HUSBAND AND WIFE, AS JOINT TENANTS, BY DEED RECORDED NOVEMBER 20, 1947 IN BOOK 2162, PAGE 484, OFFICIAL RECORDS OF SAID COUNTY;
THENCE NORTH $89^{\circ} 59' 35''$ WEST ALONG THE SOUTH LINE OF SAID PARCEL (RECORDED NORTH $89^{\circ} 59' 30''$ WEST PER THE AFORESAID DEED) 25.46 FEET TO THE POINT OF BEGINNING;
THENCE CONTINUING ALONG SAID SOUTH LINE NORTH $89^{\circ} 59' 35''$ WEST 113.85 FEET TO THE SOUTHWEST CORNER OF THE AFORESAID PARCEL;
THENCE NORTH $00^{\circ} 00' 30''$ EAST ALONG THE WEST LINE OF THE AFORESAID PARCEL, 314.00 FEET TO THE NORTHWEST CORNER OF THE AFORESAID PARCEL;
THENCE SOUTH $69^{\circ} 59' 30''$ EAST ALONG THE NORTH LINE OF THE AFORESAID PARCEL, 56.21 FEET TO A POINT ON A CURVE, SAID CURVE BEING CONCAVE TO THE NORTHEAST AND HAVING A RADIUS OF 617.00 FEET;
THENCE CURVING TO THE LEFT FROM AN INITIAL TANGENT THAT BEARS SOUTH $2^{\circ} 25' 37''$ WEST THROUGH A CENTRAL ANGLE OF $27^{\circ} 47' 17''$, AN ARC DISTANCE OF 299.24 FEET TO A POINT WHICH IS NORTH $25^{\circ} 21' 40''$ WEST, 4.85 FEET FROM THE POINT OF BEGINNING;
THENCE SOUTH $25^{\circ} 21' 40''$ EAST 4.85 FEET TO THE POINT OF BEGINNING.

**EXHIBIT B
GRANT DEED**

Recording Requested By
and When Recorded Mail to:

GRANT DEED

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the City of Redlands ("Grantor"), a municipal corporation organized and existing pursuant to California law, hereby grants to GH Redlands, LLC ("Grantee"), that certain real property located in the County of San Bernardino, State of California, and more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

IN WITNESS WHEREOF, this instrument is executed as of this ____ day of _____, 2007 by:

GRANTOR:
CITY OF REDLANDS

By: _____
Jon Harrison, Mayor

ATTEST

Lorrie Poyzer, City Clerk

[illegible]

On _____, before me, personally appeared, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

[illegible]

On _____, before me, personally appeared, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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Signature of Notary Public

Exhibit "A"
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