

AGREEMENT FOR PURCHASE AND SALE OF AN EASEMENT

This agreement for purchase and sale of an easement ("Agreement") is made and entered into this 5th day of December, 2006 ("Effective Date") by and between PW BOULDER, LLC, a California limited liability company ("Grantor") and the City of Redlands, a municipal corporation ("Grantee"). Grantor and Grantee are each sometimes individually referred to herein as a "Party" and collectively as the "Parties."

RECITALS

A. Grantor owns certain real property located at 614 Alabama Street, Redlands, California, bearing County of San Bernardino Assessor's Parcel No. 0292-182-30 (the "Property").

B. Grantee desires to purchase a permanent easement in a portion of the Property and Grantor desires to sell and convey an easement in a portion of the Property as described in Exhibit "A" and depicted in Exhibit "B," both of which are attached hereto (the "Easement").

C. The Parties desire by this Agreement to provide the terms and conditions for the purchase and sale of the Easement.

In consideration of the mutual promises contained herein, the Parties agree as follows:

AGREEMENT

1. PURCHASE.

Grantee shall buy and Grantor shall sell and convey the Easement, for the purchase price and upon the terms and conditions hereinafter set forth.

2. ESCROW.

Within ten (10) days of the Effective Date of this Agreement, Grantee shall open an escrow (the "Escrow") with First American Title Company (the "Escrow Holder") for the purpose of consummating the purchase and sale of the Easement. The Parties shall execute and deliver to Escrow Holder such escrow instructions prepared by Escrow Holder as may be required to consummate this transaction. Any such instructions shall not conflict with, amend or supersede any provision of this Agreement. If there is any inconsistency between such instructions and this Agreement, this Agreement shall control unless the Parties agree in writing otherwise. The Escrow Instructions shall include the following terms and conditions of sale:

2.1 Purchase Price.

The total purchase price for the Easement shall be the sum of Four Thousand Four Hundred Dollars (\$4,400) (the "Purchase Price"), which shall be paid by Grantee to Grantor through Escrow Holder in cash at Close of Escrow.

2.2 Close of Escrow.

Escrow shall close on or before ninety (90) days following the Effective Date of this Agreement (the "Close of Escrow"). If the Escrow is not in a condition to close by the Close of Escrow, any Party who is not then in default may, in writing, demand the return of its money and/or documents. Thereupon, subject to the provisions of Section 3 hereof, all obligations and liabilities of the Parties under this Agreement shall cease and terminate. If no such demand is made, the City Manager of Grantee may, by written instrument to Escrow, authorize an extension of the Escrow. Escrow shall be closed as soon as possible.

2.3 Condition of Title to the Easement.

Grantor shall convey title to the Easement to Grantee as evidenced by a CLTA Standard Form Policy or Binder of Title Insurance ("Title Policy") issued by a title insurance company to be selected by Grantee in an amount equal to the Purchase Price. The Title Policy shall show as exceptions with respect to the Easement only matters approved in writing by Grantee. Any exceptions to title representing monetary liens or encumbrances are hereby disapproved by Grantee, and Escrow Holder is hereby authorized and instructed to cause the reconveyance, partial reconveyance or subordination, as the case may be, of any such monetary exceptions to Grantee's title to the Easement at or prior to the Close of Escrow.

2.4 Escrow and Closing Costs.

Grantee shall pay the cost of the Title Policy, all Escrow fees (including reconveyance fees, trustee's fees or forwarding fees for any partial reconveyance or subordination of a deed of trust or mortgage), and all recording costs incurred herein. All Parties acknowledge that Grantee is exempt from payment of documentary transfer taxes.

2.5 Investigations.

Prior to the Close of Escrow, Grantee may, at its option, conduct, at Grantee's expense, any and all investigations, inspections, surveys and tests of the Property including, without limitation, soils, groundwater, wells, percolation, geology, environmental, drainage, engineering and utilities investigations, inspections, surveys and tests, which Grantee determines, in its sole discretion, are required to ascertain the suitability of the Easement for Grantee's intended use. If Grantee determines that the Easement is not suitable for its intended use, Grantee may terminate this Agreement as provided in Section 2.2 hereof. Grantor hereby grants to Grantee, and Grantee's employees, representatives, agents and independent contractors, a license to enter the Property for purposes of conducting such investigations, inspections, surveys and tests. Grantee shall repair any damage to the Property resulting from such investigations, inspections, surveys and tests conducted by Grantee or Grantee's employees, representatives, agents or independent contractors. Grantee's approval of any of such investigations, inspections, surveys or tests shall not alter or diminish Grantor's representations or warranties under this Agreement, and Grantor acknowledges and agrees that Grantee is relying upon Grantor's representations and warranties made herein, unless such representation or warranty is specifically waived in whole or in part by Grantor.

2.6 Deposit of Funds and Documents.

A. Prior to Close of Escrow, Grantee shall deposit into Escrow (i) all Escrow and Closing Costs as described above; (ii) the Purchase Price to be paid to Grantor through Escrow; and (iii) such other documentation as is necessary to close Escrow in conformance herewith.

B. Prior to the Close of Escrow, Grantor shall deposit into Escrow (i) the properly executed Grant of Easement Deed conveying the Easement, a copy of which is attached to this Agreement as Exhibit "C," and (ii) such other documents and sums, if any, as are necessary to close Escrow in conformance herewith.

2.7 Grantee's Conditions Precedent to Close of Escrow.

The Close of Escrow is subject to the following conditions:

(a) All representations and warranties of Grantor set forth in this Agreement shall be true and correct as of the Close of Escrow; and

(b) Grantor shall timely perform all obligations required by the terms of this Agreement to be performed by it.

2.8 Grantor's Conditions Precedent to Close of Escrow.

For the benefit of Grantor, the Close of Escrow shall be conditioned upon the timely performance by Grantee of all obligations required of Grantee by the terms of this Agreement.

3. POSSESSION OF EASEMENT.

Grantee may take possession of the Easement and begin construction of the works of improvement thereon as of the Effective Date of this Agreement, prior to the Close of Escrow; if Escrow should not close for any reason, or under the conditions specified in Section 2.2 or in Section 7 hereof, Grantee shall have the right to continue in possession and construct the works of improvement, and the purchase price and terms shall be determined by agreement of the Parties, or absent an agreement, by a form of arbitration agreed to by the Parties, or if they cannot so agree, then Grantee may in its sole discretion, initiate an action in eminent domain in which the issue will be to determine the amount of compensation to be paid.

4. REPRESENTATIONS AND WARRANTIES OF GRANTOR.

Grantor makes the following representations and warranties, each of which shall survive the Close of Escrow:

(a) Grantor holds title to an indefeasible estate in fee simple in the Property. Grantor is the sole owner of the Property and has good, absolute and marketable title to the Property and has full power and authority to own and sell and convey the Easement over, under and/or through the Property to Grantee and to enter into and perform its obligations pursuant to this Agreement;

(b) The execution and delivery of this Agreement by Grantor, Grantor's performance hereunder, and the consummation of this transaction will not constitute a violation of any order or decree or result in the breach of any contract or agreement to which Grantor is a Party, or by which Grantor is bound;

(c) Grantor shall not enter into any agreements or undertake any new obligations prior to Close of Escrow which will in any way burden, encumber or otherwise affect the Property without the prior written consent of Grantee;

(d) To Grantor's knowledge, no litigation and no governmental, administrative or regulatory act or proceeding regarding the environmental, health and safety aspects of the Property is pending, proposed or threatened;

(e) According to Grantor's knowledge, the Property is not in violation of any federal, state or local statute, regulation or ordinance relating to industrial hygiene or to environmental conditions on, under or about the Property, including, but not limited to, soil and groundwater conditions underlying the Property which could affect the Easement or its use, and neither Grantor nor any other person or predecessor in interest has used, generated, manufactured, stored or disposed of on, under or about the Property, or transported to or from the Property, any flammable materials, explosives, radioactive materials, hazardous or contaminated materials or substances, toxic or noxious materials, substances or related materials or substances ("Hazardous Materials"). For the purpose of this Section, Hazardous Materials shall include, without limitation, substances defined as "hazardous substances," "hazardous materials," "toxic substances," "hazardous wastes," "extremely hazardous wastes," or "restricted hazardous wastes," or stated to be known to cause cancer or reproductive toxicity, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. sections 9601, et seq; the Hazardous Materials Transportation Act, 49 U.S.C. sections 1801, et seq; the Resource Conservation and Recovery Act, 42 U.S.C. sections 6901, et seq; the Federal Water Pollution Control Act, 33 U.S.C. sections 1317, et seq; sections 25115, 25117, 25122.7, 25140, 25249.5, 25249.8, 25281, 25316 or 25501 of the California Health and Safety Code; or any substances so defined or stated in any of the regulations adopted and publications promulgated pursuant to said laws as they may be amended from time to time;

(f) In the event Grantee discovers Hazardous Materials, contaminated soil and/or water in, on or under the Property, Grantor shall be solely responsible for the removal and disposal of any and all such Hazardous Materials, contaminated soil and/or water;

(g) In the event Grantor fails to remove said Hazardous Materials, contaminated soil and/or water, Grantee or its designee shall have the right to remove and dispose of said Hazardous Materials, contaminated soil and/or water at Grantor's sole cost and expense. Grantor shall immediately reimburse Grantee for costs and expenses incurred by Grantee for the removal and disposal of any Hazardous Materials, contaminated soil and/or water upon receipt of a bill or invoices therefor. Grantor shall defend, indemnify and hold Grantee, its elected officials, officers, employees, consultants and agents, harmless from any and all liability, costs, fines, penalties, charges and/or claims of any kind whatsoever related to the existence and removal of any Hazardous Materials, contaminated soil and/or water; and

(h) Grantor has and shall have paid before Close of Escrow any and all current and past due taxes, assessments, penalties and interest levied and assessed against the Property. If not paid

prior to Close of Escrow, Grantor hereby authorizes Escrow Holder to disburse to the taxing authority from funds otherwise due to Grantor an amount sufficient to discharge said taxes, assessments, penalties and interest. Unless the Easement is assessed separately, Grantor shall also keep current, year-by-year, all taxes, assessments, penalties and interest levied and assessed against the Easement and the larger Property of which it is a part.

These representations and warranties shall survive the Close of Escrow.

5. REPRESENTATIONS AND WARRANTIES OF GRANTEE.

A. Grantee shall repair and restore any improvements or land (other than the Easement and any improvements located thereon) belonging to Grantor that may be damaged by Grantee or Grantee's contractor during construction of the works of improvement for which the Easement is conveyed, or, at Grantee's option, pay to Grantor the market value of such improvements, provided that this Section shall not be construed to require Grantee to pay for the use for which the Easement is intended.

B. Grantee shall save harmless and indemnify Grantor against any and all claims, demands, suits, judgments, expenses and costs on account of injury to, or death of, persons, or loss of, or damage to, property of others incurred during or proximately caused by acts or omissions of Grantee or Grantee's contractor in the performance of any work by Grantee or Grantee's contractor to construct the works of improvement for which the Easement is conveyed.

6. ACKNOWLEDGMENT OF FULL BENEFITS AND RELEASE.

A. By execution of this Agreement, Grantor, on behalf of itself and its respective successors and assigns, hereby acknowledges that this Agreement provides full payment for the acquisition of the Easement by Grantee, and Grantor hereby expressly and unconditionally waives any and all claims for damages, relocation assistance benefits, severance damages, interest, loss of goodwill, claims for inverse condemnation or unreasonable pre-condemnation conduct, or any other compensation or benefits, other than as already expressly provided for in this Agreement, it being understood that this is a complete and full settlement of all acquisition claims, liabilities or benefits of any type or nature whatsoever relating to or in connection with Grantee's acquisition of the Easement.

B. This Agreement arose out of Grantee's efforts to acquire the Easement through its municipal authority. The Parties agree that this Agreement is a settlement of claims in order to avoid litigation and shall not in any manner be construed as an admission of the fair market value of the Easement or of the Property or of liability by any Party to this Agreement. Grantor, on behalf of itself and its successors and assigns, hereby fully releases Grantee, its successors, agents, representatives, and assigns, and all other persons and associations, known or unknown, from all claims and causes of action by reason of any damage which has been sustained, or may be sustained, as a result of Grantee's efforts to acquire the Easement or to construct works of improvement thereon, or any preliminary steps thereto, except as set forth in Section 5 above. Grantor further releases and agrees to hold Grantee harmless from any and all claims by reason of any leasehold interest in the Property. This release shall survive the Close of Escrow.

C. Grantor expressly waives the rights afforded to Grantor under Civil Code section 1542 which provides that:

A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.

7. REMEDIES

If Grantor defaults under this Agreement, then Grantee may, at Grantee's option, terminate the Escrow or initiate an action for specific performance of this Agreement, or pursue any other rights or remedies that Grantee may have at law or in equity. If Grantee defaults under this Agreement, then Grantor may, at Grantor's option, terminate the Escrow or pursue any rights or remedies that Grantor may have at law or in equity.

8. MISCELLANEOUS

A. Notice. Any notice to be given or other document or documents to be delivered to either Party by the other hereunder may be delivered in person or may be deposited in the United States Mail in the State of California, duly registered or certified, with postage prepaid, and addressed as follows:

Grantor:	Dr. Jeffrey Phillips PW Boulder, LLC 614 Alabama Street Redlands, CA 92373
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Grantee:	City of Redlands PO Box 3005 Redlands, CA 92373 Attn: City Manager
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Any Party hereto may, from time to time, by written notice to the other Party, designate a different address, which shall be substituted for the one specified above. Any notice or other documents sent by registered or certified mail as aforesaid shall be deemed to have been effectively served or delivered at the expiration of twenty-four (24) hours following the deposit of said notice or other documents in the United States mail.

B. Time of Essence. Time is of the essence with respect to each and every provision hereof.

C. Assignment. Neither this Agreement, nor any interest herein, shall be assignable by any Party without prior written consent of the other Party.

D. Governing Law. All questions with respect to this Agreement, and the rights and liabilities of the Parties hereto, shall be governed by and construed in accordance with the laws of the State of California.

E. Inurement. This Agreement shall inure to the benefit of, and shall be binding upon, the assigns, successors in interest, personal representatives, estates, heirs and legatees of each of the Parties.

F. Attorneys' Fees. If any action, arbitration or other proceeding is brought for the interpretation or enforcement of this Agreement, or because of any alleged dispute, breach, default or misrepresentation in connection with the Agreement, the successful or prevailing Party shall be entitled to recover actual attorneys' fees and other costs it incurs in that action or proceeding, in addition to any other relief to which it may be entitled, including fees for any in-house counsel of the Parties.

G. Entire Agreement. This Agreement contains the entire Agreement of the Parties, and supersedes any prior written or oral agreements between them concerning the subject matter contained herein. There are no representations, agreements, arrangements, or understandings, oral or written, between the Parties relating to the subject matter contained in this Agreement which are not fully expressed herein.

H. Additional Documents. The Parties agree to execute any and all additional documents and instruments necessary to carry out the terms of this Agreement.

I. No Admissions. This Agreement is a compromise and settlement of outstanding claims between the Parties relating to Grantee's acquisition of the Easement and shall never be treated as an admission by either Party to the Agreement for any purpose in any judicial, arbitration or administrative proceeding between the Parties. This paragraph shall not apply to any claim that one may have against the other for breach of any provision or covenant of this Agreement.

J. No Merger. All representations, warranties, acknowledgments, releases, covenants and obligations contained in this Agreement shall survive delivery and recordation of the permanent easement.

K. Broker. Grantor and Grantee each represent and warrant to the other that no broker, agent or finder has been engaged by it in connection with the transaction contemplated by this Agreement and that all negotiations relative to these instructions and this transaction have been carried out by such Party directly with the other Party without the intervention of any person in such a manner as to give rise to any valid claim against either of the Parties for a broker's commission, finder's fee or other like payment. Each of the Parties shall indemnify and defend the other Party and hold it harmless from any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, which the other Party may incur or sustain by reason of or in connection with any misrepresentation or breach of warranty by the indemnifying Party with respect to the foregoing.

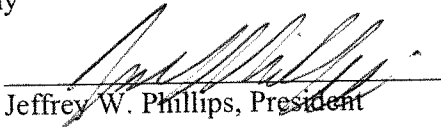
L. Counterparts. This Agreement may be signed in counterpart or duplicate copies, and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.

EXECUTED on the date or dates set forth below.

DATED: 12.8.06

Grantor:

PW BOULDER, LLC, a California limited liability company

By: 
Jeffrey W. Phillips, President

DATED: December 5, 2006

Grantee:

CITY OF REDLANDS

By: 
Jon Harrison, Mayor

Attest: 
City Clerk

EXHIBIT A

LEGAL DESCRIPTION EASEMENT ACQUISITION, PARCEL O

REAL PROPERTY IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

A PORTION OF PARCEL 1 OF PARCEL MAP NO. 3131 IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28, PAGE 58 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY NORTHWEST CORNER OF SAID PARCEL 1; THENCE SOUTH $00^{\circ}58'26''$ EAST ALONG THE WESTERLY LINE OF SAID PARCEL 1, A DISTANCE OF 78.62 FEET; THENCE NORTH $01^{\circ}43'38''$ EAST, A DISTANCE OF 78.67 FEET, TO A NORTHERLY LINE OF SAID PARCEL 1; THENCE SOUTH $89^{\circ}32'10''$ WEST ALONG SAID NORTHERLY LINE, A DISTANCE OF 3.71 FEET, TO THE POINT OF BEGINNING.

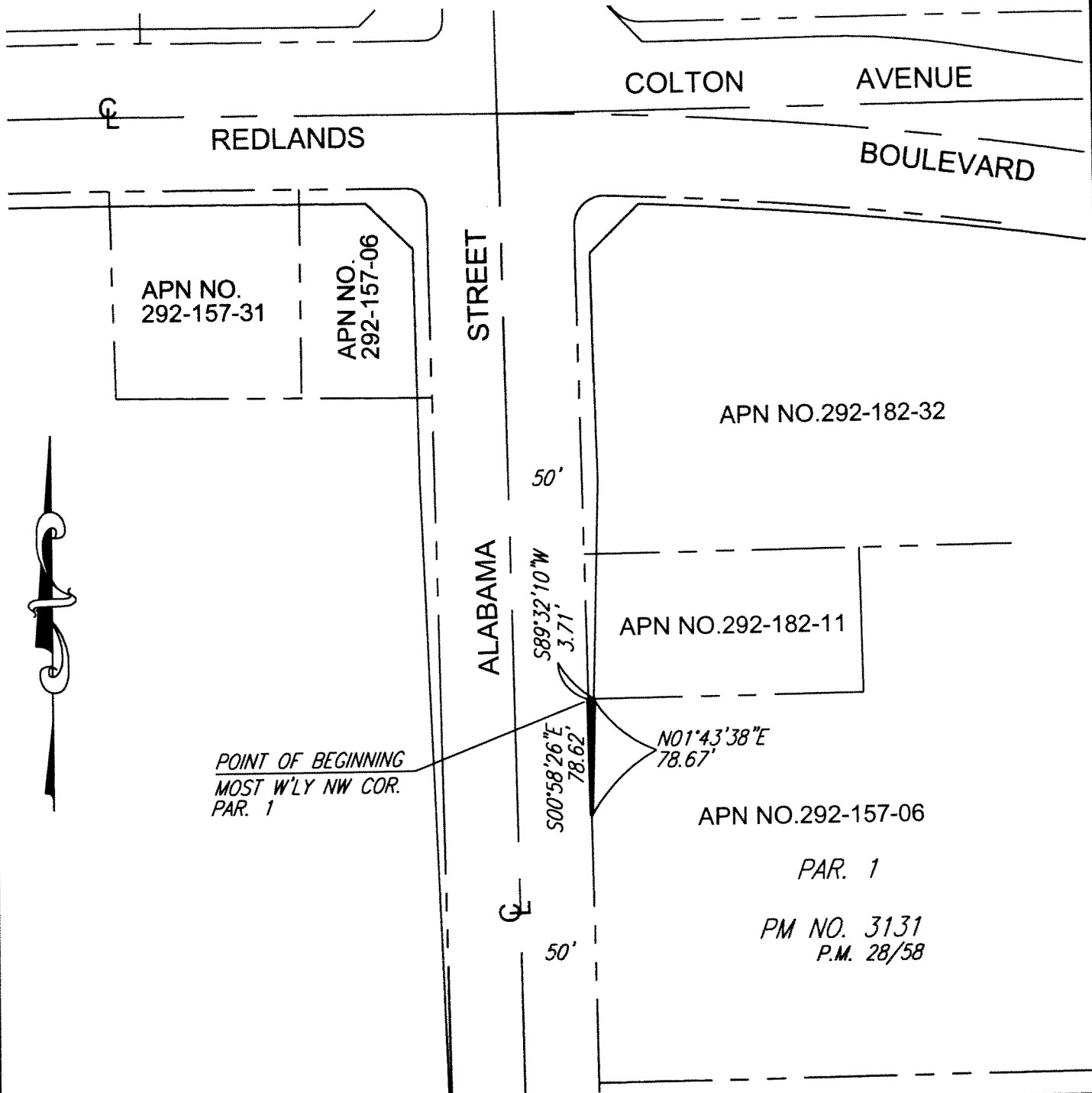
SAID DESCRIPTION CONTAINS 146 SQUARE FEET, MORE OR LESS.

HILLWIG-GOODROW, LLC
PREPARED UNDER THE SUPERVISION OF:


ALAN C. HILLWIG, PLS 5137
DATE: Oct. 17, 2005



EXHIBIT "B"



ACQUISITION O APN NO. 292-182-30

PREPARED FOR PARSONS BRINCKERHOFF

THIS PLAT IS SOLELY AN AID IN LOCATING
THE PARCEL(S) DESCRIBED IN THE
ATTACHED DOCUMENT. IT IS NOT A PART
OF THE WRITTEN DESCRIPTION THEREIN.

PREPARED BY: *Alan C. Hillwig*

DATE: *Oct. 17, 2005*

PAR:

P.N.#317-01

PREPARED BY: H-G, LLC

SCALE: 1"=100'

DATE: SEPTEMBER 2005

SHEET 1 OF 1



First American Title Company

2 First American Way • Santa Ana, CA 92707

Buyer's Estimated Settlement Statement

Property: 614 Alabama Street, Redlands, CA

File No: OSA-2638330

Officer: Robert Benavente/EDR

New Loan No:

Settlement Date:

Disbursement Date: 03/30/2007

Print Date: 4/12/2007, 12:50 PM

Buyer: City of Redlands

Address: Attn: Tom Fujiwara, PO Box 3005, Redlands, CA 92373

Seller: PW Boulder, LLC; PWPG

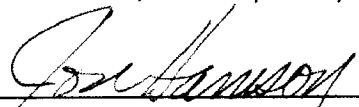
Address: Dr. Jeffrey Phillips, 614 Alabama Street, Redlands, CA 92373

Charge Description	Buyer Charge	Buyer Credit
Consideration:		
Total Consideration	4,400.00	
Title/Escrow Charges to:		
Escrow Fee - First American Title Company	550.00	
Owners Policy - First American Title Company	360.00	
Cash (X From) (To) Borrower		5,310.00
Totals	5,310.00	5,310.00

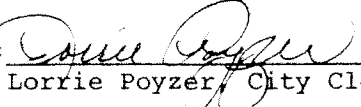
Notice - This Estimated Settlement Statement is subject to changes, corrections or additions at the time of final computation of the Settlement Statement.

BUYER(S):

City of Redlands, a municipal corporation



By: Its, Authorized Signer
Jon Harrison, Mayor

Attest: 
Lorrie Poyzer, City Clerk



First American Title Company
2 First American Way, Santa Ana, CA 92707
Phone - (714)250-4721 Fax - (714)913-6358

AMENDED/SUPPLEMENTAL ESCROW INSTRUCTIONS

To: **First American Title Company**

April 12, 2007

File No: **OSA-2638330 (RCB)**

Re: **614 Alabama Street, Redlands, CA**

The above referenced escrow is hereby modified in the following particulars only:

Seller's vesting is amended as follows:

PWPG

Whatever duties, obligations and/or benefits imposed within this escrow upon **PW Boulder, LLC**, as Seller are assigned to and assumed by **PWPG**

I/We **PW Boulder, LLC** acknowledge that there is no consideration due me/us for this assignment.

I/We, **PWPG** understand that I/we will be bound by all of the terms, conditions and provisions of the original escrow instructions and commission instructions, dated **December 20, 2006**, copies of which are attached hereto, as if I/we was/were the original Seller referenced therein and by my/our signatures hereon do acknowledge receipt of ALL instructions.

ALL OTHER TERMS AND CONDITIONS OF THIS ESCROW WILL REMAIN THE SAME.

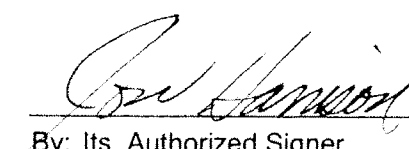
PW Boulder, LLC, a California Limited Liability
Company

PWPG

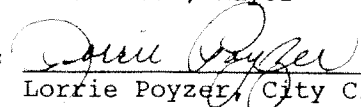
By: Jeffrey W. Phillips, President

By: It's Authorized Signer

City of Redlands, a municipal corporation



By: Its Authorized Signer
Jon Harrison, Mayor

Attest: 

Lorrie Poyzer, City Clerk



First American

2 First American Way,
Santa Ana CA 92707
Tel: 7142503000 Fax:

San Bernardino



Transmittal
Order No: 2638330

Dated: 12/26/2007

Attention:
City Clerks's Office City of Redlands
PO Box 3005
Redlands , CA 92373

Enclosed please find 2 attached documents.

Orange Title

Page Count 10

Policy of Title Insurance



ISSUED BY

First American Title Insurance Company

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

First American Title Insurance Company

BY

PRESIDENT

ATTEST

SECRETARY



SCHEDULE A

Premium: \$360.00

Amount of Insurance: \$4,400.00

Policy Number: OSA-2638330

Date of Policy: December 03, 2007 at 8:00 A.M.

1. Name of insured:

City of Redlands, a Municipal Corporation duly organized in accordance with the laws of the State of California

2. The estate or interest in the land which is covered by this policy is:

An Easement.

3. Title to the estate or interest in the land is vested in:

City of Redlands, a Municipal Corporation duly organized in accordance with the laws of the State of California

4. The land referred to in this policy is described as follows:

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

A PORTION OF PARCEL 1 OF PARCEL MAP NO. 3131 IN THE CITY OF REDLANDS, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 28, PAGE 58 OF PARCEL MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE MOST WESTERLY NORTHWEST CORNER OF SAID PARCEL 1; THENCE SOUTH 00°58'26" EAST ALONG THE WESTERLY LINE OF SAID PARCEL 1, A DISTANCE OF 78.62 FEET; THENCE NORTH 01°43'38" EAST, A DISTANCE OF 78.67 FEET TO A NORTHERLY LINE OF SAID PARCEL 1; THENCE SOUTH 89°32'10" WEST ALONG SAID NORTHERLY LINE, A DISTANCE OF 3.71 FEET, TO THE POINT OF BEGINNING.

SAID DESCRIPTION CONTAINS 146 SQUARE FEET, MORE OR LESS.

APN: 0292-182-30-0-000

SCHEDULE B
EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

PART ONE

SECTION ONE

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easement or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof; water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

SECTION TWO

1. General and special taxes and assessments for the fiscal year 2007-2008, a lien not yet due or payable.
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. Water rights, claims or title to water, whether or not shown by the public records.
4. An easement for pipes, ditches and conduits and incidental purposes, recorded January 7, 1901 in Book 289 of Deeds, Page 90.
In Favor of: John H. Barton, Et Al
Affects: As described therein

5. An easement for pipe lines and incidental purposes, recorded November 4, 1954 as Book 3499, Page 205 of Official Records.

In Favor of: William M. Ferguson Et Al
Affects: As described therein

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to
 - (i) the occupancy, use, or enjoyment of the land;
 - (ii) the character, dimensions or location of any improvement now or hereafter erected on the land;
 - (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or
 - (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS.

The following terms when used in this policy mean:

- (a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company would have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.
- (b) "insured claimant": an insured claiming loss or damage.
- (c) "knowledge" or "known": actual knowledge, not constructive knowledge or notice which may be imputed to an insured by reason of any public records as defined in this policy or any other records which impart constructive notice of matters affecting the land.
- (d) "land": the land described or referred to in Schedule (A), and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule (A), nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which a right of access to and from the land is insured by this policy.
- (e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.
- (f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the Exclusions from Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.
- (g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title.

2. CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force as of Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either

- (i) an estate or interest in the land, or
- (ii) an indebtedness secured by a purchase money mortgage given to an insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing

- (i) in case of any litigation as set forth in Section 4(a) below,
- (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or
- (iii) if title to the estate or interest, an insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by an insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to an insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(b) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(c) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose. Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the Company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay. Upon the exercise by the Company of this option, all liability and obligations to insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant any claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b) (i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

- (a) The liability of the Company under this policy shall not exceed the least of:
- (i) the Amount of Insurance stated in Schedule A; or,
 - (ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy.
- (b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:
- (i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or (ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement. The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.
 - (c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule (A)(C) consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

- (a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.
- (c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

- (a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.
- (b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against Non-insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, guaranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

14. ARBITRATION.

Unless prohibited by applicable law, either the Company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

- (a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.
- (b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this policy.
- (c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT.

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at 1 First American Way, Santa Ana, California 92707, or to the office which issued this policy.



First American

IMPORTANT - PLEASE READ

THIS LETTER CONTAINS INFORMATION ABOUT THE PROPERTY YOU HAVE RECENTLY PURCHASED. READ IT THOROUGHLY AND RETAIN IT WITH YOUR OTHER VALUABLE PAPERS PERTAINING TO THE PROPERTY.

Policy No.: OSA-2638330-08
Property: 614 Alabama Street, Redlands, CA

Title to the above referenced property is protected with a Policy of Title Insurance issued by First American Title Insurance Company. This insures your ownership of the property.

We have assigned the policy number referenced above to assure prompt processing of any future title orders involving the property. **If you sell your home within the next Five (5) years, First American Title Company will reduce the Base Policy Rate by Twenty percent (20 %).**

To take advantage of these savings, instruct your real estate agent, loan agent and/or escrow holder to open the order for title insurance with First American Title Company and reference the policy number above.

We appreciate the opportunity to serve you and will be glad to assist you in any way we can, remembering that protection of your property is your first consideration - and ours.

Sincerely,

Larry Buster
Vice President
County Manager