PROMISSORY NOTE

$10,000
Principal Amount

June 18, 2002
Redlands, California

Close of Escrow August 21, 2002

THIS NOTE REQUIRES A BALLOON PAYMENT AT MATURITY

FOR VALUE RECEIVED, The Redlands Conservancy, whose address is P.O. Box 855, Redlands, California 92373, ("Borrower") hereby promises to pay to the order of the CITY OF REDLANDS, whose address is 35 Cajon Street, Redlands, California, 92373 ("Lender") at Lender's address or at such other place as the holder thereof may from time to time designate, the principal amount of Ten Thousand Dollars ($10,000.00) together with interest as set forth below on the unpaid principal amount from time to time outstanding from the date hereof, plus any costs of suit and attorney's fees incurred by the holder hereof in collecting any amounts due under this Note.

INTEREST

This Note shall bear, and Borrower promises to pay, interest (computed on the basis of a three hundred sixty five (365) day year but with any interest payment for a partial month based upon a thirty (30) day month) on the unpaid principal amount from time to time outstanding commencing on the date that is the date endorsed hereon by Escrow Holder (the "Commencement Date") until that date when the Note is paid in full at the annual rate of four and seventy three hundredths percent (4.73%).

INSTALLMENTS OF INTEREST AND PRINCIPAL

The principal amount and accrued interest thereon under this Note shall be due and payable as follows:

(a) The outstanding principal balance of the Note and any and all accrued and unpaid interest thereon shall be due and payable on the date which is twelve (12) months from the Commencement Date.

PREPAYMENT

Borrower may prepay all or any portion of this Note without penalty at any time. All payments on this Note, including but not limited to prepayments, shall be credited first to accrued and unpaid interest and then to the unpaid principal amount. Except as set forth herein, Borrower, endorsers, and guarantors of this Note hereby severally waive presentment for payment, demand, notice of non-payment protest.

EVENTS OF DEFAULT

An "event of default" shall occur if any installment of principal, interest, or both, on the obligation represented by this Note shall not be paid when and as the same shall become due and payable, and such default shall have continued for a period of ten (10) days after written notice is delivered or mailed to Borrower at the last address of Borrower furnished to the holder of this Note in writing at the place for payment; provided, however, such notice of default need not be given and an event of default shall exist without any requirement for notice five (5) days after a failure to make when due any payment as aforesaid if no such address is furnished.

DUE ON SALE PROVISION

Should Borrower agree to or actually sell, convey, transfer or otherwise dispose of the property located at 1247 Alta Street, Redlands, or any part of it, or any interest in it, without first obtaining the written consent of the Lender of this Note, then all obligations secured by this Note may be declared due and payable, at the option of the Lender. Consent to one transaction of this type shall not constitute a waiver of the right to require consent to future or successive transactions.

REMEDIES

Upon the occurrence of an "event of default" as defined above, the whole of the unpaid principal amount of this Note and all accrued and unpaid interest shall be immediately due and payable without further notice to or demand of the Borrower. No remedy herein conferred upon Lender or any holder of this Note is intended to be exclusive of any other remedy, and each and every such remedy given hereunder provided in any mortgage, deed of trust or agreement securing or relating to Borrower's obligations hereunder or are hereafter existing at law or in equity, by statute or otherwise.

LATE CHARGE

Borrower acknowledges that in the event any payment of any amount required hereby is note made when due, the Lender will incur additional costs and expenses. The exact amount of these additional costs and expenses (which include, but are not limited to, processing and accounting charges as well as loss of use of money due) is difficult and impractical to assess. Therefore, Borrower acknowledges that the sum of ten percent (10%) of the amount overdue is, under the circumstances existing at the time this Note is made, a reasonable late charge, and Borrower promises to pay such late charge when due. Said late charge shall become immediately due ten (10) days after the giving of notice of such late payment.

GENERAL

No course of dealing between Borrower and Lender or any holder of this Note or any delay on the part of Lender or any holder of this Note in exercising any rights hereunder shall operate as a waiver of any right of Lender or any holder of this Note.

This Note shall be construed and enforced in accordance with, and governed by, the laws of the State of California.

Should there be an event of default under this Note and should this Note be placed in the hands of attorneys for collection, Borrower shall pay, in addition to the unpaid principal amount and interest due and payable hereunder, reasonable attorneys' fees, together with all reasonable costs and expenses of any such action or proceeding, whether or not litigation has commenced.

Borrower shall have no personal liability for any deficiency on this note, and the only remedy available to Lender shall be foreclosure pursuant to law as provided in the deed of trust securing this note.

BORROWER:

________________________________ 24 JUNE 02
President, The Redlands Conservancy Date

ATTEST:

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Secretary, The Redlands Conservancy

ENDORSEMENT BY ESCROW HOLDER:

within Note is endorsed
o accrue from
August 21, 2002
in accordance with instructions on file
in Escrow No. 19568-JB of
GUARDIAN ESCROW, INC., REDLANDS, CA

________________________________ ________________________
Date