

SECOND PARTIAL RELEASE OF CLAIM

This Second Partial Release of Claim is being presented to the City of Redlands (hereinafter "City") by Charles E. Holcombe, Jr., Sandra Gillam, James Gillam, Amy Holcombe and Timothy R. Holcombe (hereinafter the "Holcombes") in consideration for the partial payment of their claim against the City as set forth in detail below:

RECITALS

Whereas, the Holcombes represent that they own certain developed real property having the address of 624 West State Street in the city of Redlands (the "Property"); and

Whereas, on February 7, 2011 the Holcombes filed a claim (the "Claim") against the City of Redlands (the "City") for damages to the Property allegedly caused by the failure of the City's storm drain which underlies the Property; and

Whereas, the Holcombes previously provided to the City a Partial Release of Claim dated February 21, 2012 based upon as set of circumstances as set forth in the Recitals of that Partial Release of Claim and in exchange for a partial payment of the Holcombes' Claim; and

Whereas, the Holcombes have obtained a building permit from the City allowing for the commencement of work to renovate the Holcombe Property; and

Whereas, the Holcombes do not have the readily available funds to commence such renovation work without incurring additional expense and delay associated with obtaining financing for the work; and

Whereas, during a closed session discussion at the July 26, 2012 Redlands City Council meeting, staff apprised the Redlands City Council of the facts and circumstances relative to the Holcombes' Claim and their plans and financial circumstances associated with a partial settlement proposal; and

Whereas, the City and the Holcombes wish to make provision for the commencement of the work to foster continued discussions toward reaching a settlement of the Holcombes' Claim before additional legal action is taken and to foster performance of the renovation work as expeditiously and inexpensively as possible; and

Whereas, without acknowledging any liability on the Claim filed by the Holcombes, the City wishes to further exhibit its good faith in the process by making a payment toward the commencement of the needed renovation work, to allow that work to reach a point where any contingency in the extent of the needed work can be eliminated and to minimize ongoing losses by allowing for the immediate commencement of works.

RELEASE

Section 1. In consideration of payment by the City to the Holcombes in the amount of One Hundred Ten Thousand Dollars (\$110,000), receipt of which is hereby acknowledged, the Holcombes, and each of them and for their agents, successors and assigns, do hereby release the City, and its elected officials, officers and employees, from that portion of the Claim asserting renovation expenses up to the amount of the payment set forth herein, but not to the extend such expenses exceed said amount.

Section 2. In all other respects, the Holcombes do hereby release the City from the cost of renovation work for the premises commonly known as 624 West State Street to the extent of the payment made to the Holcombes set forth herein.

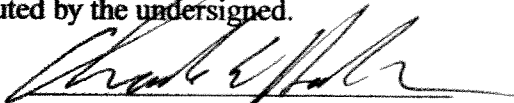
Section 3. It is further understood and agreed by the Holcombes that all rights the Holcombes may have under Section 1542 of the California Civil Code with respect to the Holcombes' Claim for damages to their Property are hereby released up to the amount of the payment set forth herein. Said section reads as follows:

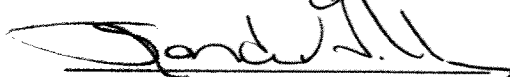
"1542: Certain claims not affected by general release. A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

Section 4. The Holcombes, in executing this Second Partial Release of Claim, warrant that no part of their Claim for damage to their Property has been assigned or transferred in any manner to anyone, and the Holcombes shall defend, indemnify and hold the City harmless for any demand, claims, damages, costs and liabilities incurred by the City as a result of any person or entity asserting such assignment or transfer.

Section 5. This Second Partial Release of Claim may be executed in counterparts, and a facsimile transmitted copy of a signature may be relied upon by the City as if it were an original as to Timothy R. Holcombe in order to expedite this partial resolution of matters, due to his current residence in the State of Hawaii.

The Second Partial Release of Claim is dated this 15th day of August 2012, and executed by the undersigned.


Charles E. Holcombe, Jr.


Sandra Gillam


Amy Holcombe


James Gillam

Timothy R. Holcombe

RELEASE

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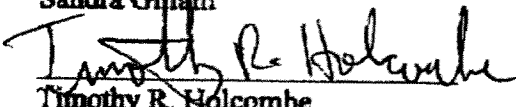
The Second Partial Release of Claim is dated this 1st day of August 2012, and executed by the undersigned.

Charles E. Holcombe, Jr.

Amy Holcombe

Sandra Gillam

James Gillam


Timothy R. Holcombe