

RESIDENTIAL LEASE WITH OPTION TO PURCHASE

THIS RESIDENTIAL LEASE WITH OPTION TO PURCHASE ("**Lease**") is made and entered into this 5th day of November, 1992, by and between the CITY OF REDLANDS, a municipal corporation ("**Lessor**"), and TERRY L. VINES, JR., an individual ("**Lessee**").

RECITALS

This Lease is made with reference to the following facts:

A. Lessor is the owner of that certain real property, and the residence located thereon, located at 114 Vine Street, City of Redlands, County of San Bernardino, State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("**Premises**").

B. Lessee desires to lease the Premises for six (6) months, and to acquire the right to purchase the Premises at an agreed price and upon specified terms and conditions. Lessor is willing to lease the Premises to the Lessee and to grant such a right to Lessee.

OPERATIVE PROVISIONS

The parties therefore agree as follows:

1. **TERM:** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor, on the terms and conditions hereinafter set forth, the Premises. The term of this Lease shall be for six (6) months commencing on NOV 9, 1992 and ending on MAY 9, 1993.

2. **CONSIDERATION:**

2.1 Lessee shall pay (i) to Lessor upon the commencement of this Lease the sum of \$1,000, which shall be for the first month's payment under Paragraph 3, and (ii) to Guardian Escrow Inc., 101 E. Redlands Boulevard, Redlands, CA 92374 ("**Escrow Holder**"), \$5,000 which shall be consideration for the Option to Purchase ("**Execution Consideration**"). The Execution Consideration shall be applied to the Purchase Price upon the Close of Escrow. The Execution Consideration will become non-refundable if Lessee has delivered to Lessor (i) the Exercise Notice, as provided below, and (ii) the Lessee delivers written notice ("**Approval Notice**") to Lessor and Escrow Holder that the Lessor shall issue, upon satisfaction of reasonable conditions of approval, a certificate of occupancy for Lessee's dental practice. The Execution Consideration will be released to Lessor on the next business day following (i) deposit of the Purchase Agreement, as defined below in Escrow and (ii) Lessor's delivery to Escrow Holder of the Approval Notice.

2.2 The Monthly Option Consideration shall be applicable toward the Purchase Price if Lessee elects to proceed to close escrow. The Monthly Option Consideration shall be non-refundable to Lessee. The Monthly Option Consideration shall be retained by Lessor as its sole and exclusive property and shall constitute liquidated damages in the event the sale of the Property by Lessor to Lessee does not close pursuant to the terms of this Agreement for any reason except due to the material default of Lessor.

2.3 If Lessee elects to terminate this transaction during the Term of the Lease, then the Execution Consideration, but not any portion of the Monthly Option Consideration, will be refunded to Lessee less Lessee's share of cancellation or other escrow fees, if any. In the event that Lessee delivers a Cancellation Notice to Escrow Holder on or before the Lessor's delivery of the Approval Notice to Escrow Holder, the Execution Consideration shall be promptly returned by Escrow Holder to Lessee upon Lessee's delivery to Escrow Holder of (i) a written cancellation of this Agreement and release of Lessor in form reasonably acceptable to Lessor and (ii) a quitclaim deed executed by Lessee in recordable form conveying all of Lessee's right, title and interest in and to the Property to Lessor.

3. PAYMENT:

3.1 Lessee shall pay to Lessor the sum of \$1,000 per month ("Payment"), in advance on the first day of each month during the term hereof. Payment shall be made without notice or demand and without any deduction, off-set or abatement in lawful money of the United States to the Lessor at the following address: 1270 West Park Avenue, Redlands, CA 92373 Attention: Gary Luebbbers, or at any address designated by Lessor in writing.

3.2 If the Payment is not paid within five (5) days after the due date, Lessee agrees to pay a late fee of fifty dollars (\$50.00).

3.3 Of the \$1,000 Payment, \$500 of the Payment per month shall be for rent ("Minimum Rent") and \$500 of the Payment per month shall be consideration for the Option to Purchase ("Monthly Option Consideration").

4. USE: Premises shall be used only as a residence and for occupancy only by Lessee, and his immediate family, or dental practice. Notwithstanding the above, Lessee in his possession, use and occupancy of the Premises agrees to observe and comply with all restrictions, laws and ordinances affecting said Premises or occupancy thereof; and Lessee further agrees that no use shall be made of the Premises, nor acts done which will increase the existing rate of insurance upon the Premises, or will cause a cancellation of any insurance policy covering the Premises.

5. UTILITIES: Lessee shall pay for all water, gas, heat, light, power, telephone service, and other services supplied to the Premises. Lessee shall pay all insurance premiums and taxes and assessments associated with the Premises. Lessee shall keep the Premises fully

insured against all risks under policies issued by insurance companies acceptable to Lessor in an amount sufficient to replace the improvements on the Premises. The proceeds of the insurance policies shall be payable to Lessor. Lessee shall deliver to and deposit with Lessor the insurance policies, or the certificates of the policies, on execution of this Lease. Lessee shall name Lessor as an additional insured under such policy. In case of insurance about to expire, Lessee shall deliver to and deposit with Lessor renewal policies not less than 30 days prior to expiration. The insurance policies shall provide that they shall not be canceled or changed in any way without at least 30 days' prior notice to Lessor. Lessee's personal property is not insured by Lessor.

6. **REPAIRS AND MAINTENANCE:** Lessee shall keep the Premises in a clean and sanitary manner including all equipment, appliances and furnishings therein and shall surrender the same at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for damages by his negligence and that of his family or invitees or guests. Lessee shall irrigate and maintain any surrounding grounds, including lawns and shrubbery, and keep the same clear of rubbish and weeds, if such grounds are a part of the Premises and are exclusively for the use of the Lessee.

7. **CONDITION OF PREMISES:** Lessee has examined the Premises, accepting the same as being clean, in good order, condition and repair, with the following exceptions: "AS IS", if any, which Lessor agrees to remedy prior to Lessee's possession. Lessee's taking of possession of the Premises shall conclusively establish that the Premises were at such time in satisfactory condition. Tenant acknowledges and agrees that Landlord has made absolutely no representations or warranties regarding the Property, including, without limitation, its conditions, its past use, or its suitability for Tenant's intended use thereof, and that Tenant is leasing the Property on an "AS-IS" basis.

8. **ALTERATIONS AND ADDITIONS:** Lessee shall not make any alterations, improvements or additions in, about or of the Premises, without Lessor's prior written consent, which consent shall not be unreasonably withheld. All alterations which become fixtures under California law shall at once become a part of the realty and belong to the Lessor, unless Lessee removes the alterations, which can be moved without damage to the Premises, prior to the termination of the term and repairs any damage caused by said removal. Lessee shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by the Lessee.

9. **HOLD HARMLESS:** Lessee shall indemnify and hold Lessor harmless from and against any and all claims arising from Lessee's use or occupancy of the Premises or from any activity, work, or things which may be permitted or suffered by Lessee in or about the Premises including all damages, costs, attorneys' fees, expenses and liabilities incurred in the defense of any claim or action or proceeding arising therefrom. Except for Lessor's or Lessor's agent's grossly negligent conduct, Lessee hereby assumes all risk of damage to property, including household furniture and goods, or injury to person in or about the

Premises from any cause, and Lessee hereby waives all claims in respect thereof against Lessor.

10. ENTRY AND INSPECTION: Lessee shall permit Lessor or Lessor's agents to enter the Premises at reasonable times and upon reasonable notice for the purpose of inspecting the Premises or for making necessary repairs.

11. ASSIGNMENT AND SUBLETTING:

11.1 Lessee shall not voluntarily or by operation of law assign, transfer, sublet, mortgage, or otherwise transfer or encumber all or any part of Lessee's interest in this Lease, in the Premises, or the option without Lessor's prior written consent may be withheld by Lessor in Lessor's sole and absolute discretion.

11.2 Lessee acknowledges that Lessor is granting this Option to Lessee as a personal right and that Lessee shall have no right to assign or otherwise transfer its interest in this Lease, or its interest in the Option or the Escrow, if any, created pursuant hereto without the prior written consent of Lessor, which Lessor may withhold in its sole and absolute discretion.

12. DEFAULT: It is agreed between the parties hereto that if any Payment shall be due hereunder and unpaid, or if Lessee shall default and breach any other covenant or provision of the Lease, after not less than three (3) days written notice of such default (and after giving the proper notice required by law) from Lessor, the Lessor may re-enter the Premises and remove any property and any and all persons therefrom in the manner allowed by law. The Lessor may, at its option, either maintain this Lease in full force and effect and recover the payments as they become due or, in the alternative, terminate this Lease and all rights of Lessee hereunder. In addition, the Lessor may recover all payments and pursue any other rights and remedies which the Lessor may have against the Lessee by reason of such default as provided by law.

13. ABANDONMENT: Lessee shall not vacate or abandon the Premises at any time during the term of this Lease.

14. POSSESSION: If Lessor for any reason cannot deliver possession of the Premises to Lessee at the commencement of the term of this Lease, the Lessor shall not be liable to Lessee for any loss or damage resulting therefrom, but there shall be a proportionate deduction in the amount of Payment for that month.

15. HOLDING OVER: If Lessee, with the Lessor's consent, remains in possession of the Premises after expiration or termination of the term of this Lease, such possession by Lessee shall be deemed to be a tenancy from month-to-month at the same terms of this Lease except (1) the rent shall be in the amount of one thousand and fifty dollars (\$1,500) ("Holdover Rent") plus all other charges applicable to such a month-to-month tenancy and (2) no portion of the Holdover Rent shall be consideration for the Purchase Price.

16. **OPTION TO PURCHASE THE PREMISES:** If Lessee has fully performed all terms, covenants and conditions of this Lease required of Lessee to be performed, is in possession and not then in default, Lessee shall have the option to purchase the Premises described herein by giving Lessor written notice of intent to exercise said option to purchase the Premises, at a price and upon the terms and conditions set forth in Exhibit "B" ("Purchase Agreement") attached hereto and incorporated herein by this reference.

16.1 Provided Lessee is not in default under any term or provision of this Lease, the option may be exercised by Lessee's delivering to Lessor, before the expiration of the option term, written notice of such exercise ("Exercise Notice"), which Exercise Notice shall state that the option is exercised without condition or qualification. The Exercise Notice must be accompanied by (i) two (2) copies of the Agreement of Purchase and Sale of Escrow Instructions ("Purchase Agreement") identical to the form of Purchase Agreement attached as Exhibit "B" executed by Lessee. The Exercise Notice if mailed, shall be by certified mail, postage prepaid, to the Lessor at the address designated by Lessor, and shall be deemed to have been given upon the day shown on the postmark of the envelope in which such notice is mailed.

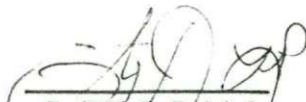
16.2 Time is of the essence in this Lease. This offer to purchase shall terminate if not accepted by midnight , and Lessee shall have no interest whatever in the Premises and the option may not be revived by any subsequent payment or further action by Lessee.

17. **LIQUIDATED DAMAGES.**

EXCEPT AS PROVIDED IN SECTION 2, IF LESSEE DEFAULTS HEREUNDER, THEN LESSOR UNILATERALLY AND AT LESSOR'S OPTION MAY TERMINATE THIS AGREEMENT BY GIVING WRITTEN DEMAND TO LESSEE AND ESCROW HOLDER. THEREUPON, LESSOR SHALL BE RELIEVED OF ANY OBLIGATION TO SELL THE PROPERTY TO LESSEE, LESSOR SHALL BE ENTITLED TO (I) THE EXECUTION CONSIDERATION, (II) ANY AND ALL MONTHLY OPTION CONSIDERATION, AND (III) ANY AND ALL IMPROVEMENTS (COLLECTIVELY "OPTION CONSIDERATION") TO THE PROPERTY AS LIQUIDATED DAMAGES, ESCROW HOLDER SHALL RETURN ALL DOCUMENTS AND INSTRUMENTS TO THE PARTIES WHO DEPOSITED SAME, AND ALL TITLE AND ESCROW CANCELLATION CHARGES SHALL BE CHARGED TO LESSEE. IN THE EVENT OF A DEFAULT BY LESSEE AS AFORESAID, LESSEE SHALL HAVE NO RIGHT TO SEEK OR OBTAIN SPECIFIC ENFORCEMENT OF THIS AGREEMENT.

LESSEE AND LESSOR AGREE THAT IT WOULD BE EXTREMELY IMPRACTICAL AND DIFFICULT TO ESTIMATE THE AMOUNT OF DAMAGES LESSOR MIGHT SUFFER IN THE EVENT OF LESSEE'S DEFAULT HEREUNDER. THE PARTIES HEREBY AGREE THAT THE DELIVERY OF THE OPTION CONSIDERATION TO LESSOR IN THE EVENT OF LESSEE'S DEFAULT REPRESENTS A FAIR AND REASONABLE ESTIMATE OF SAID DAMAGES.

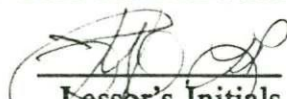
THE OPTION CONSIDERATION WILL, UPON THE TERMINATION OF THIS AGREEMENT, BECOME THE SOLE PROPERTY OF LESSOR, UNLESS LESSOR REQUESTS THE REMOVAL OF ANY PORTION OF THE IMPROVEMENTS. IF LESSOR REQUESTS THE REMOVAL OF ANY PORTION OF THE IMPROVEMENTS, LESSEE WILL REMOVE THE IMPROVEMENTS, WITHOUT DAMAGE OR INJURY TO THE PROPERTY, AND REPAIR ANY RESULTING DAMAGE.

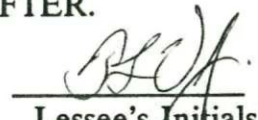

Lessor's Initials


Lessee's Initials

18. WAIVER OF RIGHT TO RECORD LIS PENDENS.

AS PARTIAL CONSIDERATION FOR LESSOR ENTERING INTO THIS AGREEMENT, LESSEE EXPRESSLY WAIVES ANY RIGHT UNDER CALIFORNIA CODE OF CIVIL PROCEDURE, PART II, TITLE 4.5 (SECTIONS 409 - 409.8) OR AT COMMON LAW OR OTHERWISE TO RECORD OR FILE A LIS PENDENS OR A NOTICE OF PENDENCY OF ACTION OR SIMILAR NOTICE AGAINST ALL OR ANY PORTION OF THE PROPERTY IN CONNECTION WITH ANY ALLEGED DEFAULT BY LESSOR HEREUNDER. LESSEE AND LESSOR HEREBY EVIDENCE THEIR SPECIFIC AGREEMENT TO THE TERMS OF THIS WAIVER BY PLACING THEIR INITIALS IN THE PLACE PROVIDED HEREINAFTER.


Lessor's Initials


Lessee's Initials

19. MISCELLANEOUS.

19.1 Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, telegraphed, delivered or sent by telex, telecopy or cable and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if mailed, two (2) business days after the date of posting by the United States post office, (iii) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid, or (iv) if given by telex or telecopy, when sent. Any notice, request, demand, direction or other communication sent by cable, telex or telecopy must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

To Lessee: Mr. Terry L. Vines, Jr.,
434 Cajon
Suite 101
Redlands, CA 92374

To Lessor: The City of Redlands
1270 West Park Avenue
Redlands, CA 92373
Attention: Gary Luebbbers
Fax: (714) 798-7522

With a copy to: Best, Best & Krieger
3750 University Avenue, Suite 500
P.O. Box 1028
Riverside, CA 92502
Attn: Kirk W. Smith, Esq.
Fax: (714) 682-7308

To Escrow Holder: Guardian Escrow Inc.
101 E. Redlands Blvd.
Redlands, CA 92374
Attention:
Fax: (714)

Notice of change of address shall be given by written notice in the manner detailed in this Section. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent.

19.2 Brokers. If any claims for brokers' or finders' fees for the consummation of this Lease arise, then Lessee hereby agrees to indemnify, save harmless and defend Lessor from and against such claims if they shall be based upon any statement or representation or agreement by Lessee, and Lessor hereby agrees to indemnify, save harmless and defend Lessee if such claims shall be based upon any statement, representation or agreement made by Lessor.

19.3 Legal Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other party arising out of this Lease, then in that event, the prevailing party in such action or dispute, whether by final judgment, or out of court settlement shall be entitled to have and recover of and from the other party all costs and expenses of suit, including actual attorneys' fees.

19.4 Assignment. Lessee shall not assign, transfer or convey Lessee's rights and/or obligations under this Lease and/or with respect to the Property without the prior written consent of Lessor, which consent Lessor may withhold in Lessor's absolute discretion. Any attempted assignment without the prior written consent of Lessor shall be void, and Lessee shall be deemed in default hereunder. Any permitted assignments shall not relieve the assigning party from its liability under this Lease.

19.5 Required Actions of Lessee and Lessor. Lessee and Lessor agree to execute such instruments and documents and to diligently undertake such actions as may be required in order to consummate the purchase and sale herein contemplated and shall use their best efforts to accomplish the Close of Escrow in accordance with the provisions hereof.

19.6 Counterparts. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

19.7 Captions. Any captions to, or headings of, the sections or subsections of this Lease are solely for the convenience of the parties hereto, are not a part of this Lease, and shall not be used for the interpretation or determination of the validity of this Lease or any provision hereof.

19.8 No Obligations to Third Parties. Except as otherwise expressly provided herein, the execution and delivery of this Lease shall not be deemed to confer any rights upon, nor obligate any of the parties thereto, to any person or entity other than the parties hereto.

19.9 Exhibits and Schedules. The Exhibits and Schedules attached hereto, if any, are hereby incorporated herein by this reference.

19.10 Amendment to this Lease. The terms of this Lease may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

19.11 Waiver. The waiver or failure to enforce any provision of this Lease shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

19.12 Applicable Law. This Lease shall be governed by and construed in accordance with the laws of the State of California.

19.13 Fees and Other Expenses. Except as otherwise provided herein, each of the parties shall pay its own fees and expenses in connection with this Lease.

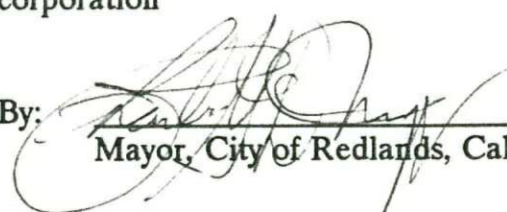
19.14 Entire Agreement. This Lease supersedes any prior agreements, negotiations and communications, oral or written, and contains the entire agreement between Lessee and Lessor as to the subject matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of either party shall be of any effect unless it is in writing and executed by the party to be bound thereby.

19.15 Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first-above written.

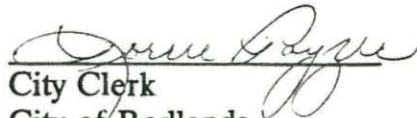
"Lessor"

CITY OF REDLANDS, a municipal corporation

By: 

Mayor, City of Redlands, California

Attest:


City Clerk
City of Redlands

"Lessee"

TERRY L. VINES, JR.,
an individual



EXHIBIT "A"
LEGAL DESCRIPTION
TO BE ATTACHED

EXHIBIT "B"

AGREEMENT OF PURCHASE AND SALE
AND ESCROW INSTRUCTIONS

Guardian Escrow Inc.
101 E. Redlands Blvd.
Redlands, CA 92374

Escrow No. _____
Date Opened: _____
Title Officer: _____
Title Order No. _____

Attention: _____

THIS AGREEMENT ("Agreement") is made and entered into as of this 5th day of November, 1992, by and between CITY OF REDLANDS, a municipal corporation ("Seller"), and TERRY L. VINES, JR., an individual ("Buyer").

RECITALS

This Agreement is made with reference to the following facts:

A. Seller is the owner of certain real property located in the City of Redlands, San Bernardino County, California ("Property"), more particularly described in Exhibit "1" attached hereto.

B. The parties have previously executed an Residential Lease with Option to Purchase dated November 5, 1992 ("Option"), pursuant to which Buyer has the right to acquire the Property upon the terms and conditions described herein.

C. Buyer now desires to exercise the Option and purchase the Property from Seller and Seller desires to sell the Property to Buyer upon the terms and conditions described below.

OPERATIVE PROVISIONS

The parties therefore agree as follows:

1. **PURCHASE PRICE:** The purchase price ("**Purchase Price**") of the Premises shall be One Hundred Seventy Five Thousand Dollars (\$175,000).

2. **PAYMENT OF THE PURCHASE PRICE:** The Purchase Price for the Property shall be payable by Buyer as follows:

2.1 Option Consideration.

2.1.1 Buyer has deposited with Escrow Holder the sum of Five Thousand Dollars and no/100 (\$5,000.00) ("Execution Consideration"). The Execution Consideration shall be applied to the Purchase Price upon the Close of Escrow. The Execution Consideration will become non-refundable if Buyer has delivered to Seller (i) the Exercise Notice as provided in the Option and (ii) the Buyer delivers written notice ("Approval Notice") to Seller and Escrow Holder that the Seller shall issue, upon satisfaction of reasonable conditions of approval, a certificate of occupancy for Buyer's dental practice. The Execution Consideration will be released to Seller on the next business day following (i) deposit of this Agreement in Escrow and (ii) Seller's delivery to Escrow Holder of the Approval Notice.

2.1.2 The Monthly Option Consideration shall be applicable toward the Purchase Price if Buyer elects to proceed to close escrow. The Monthly Option Consideration shall be non-refundable to Buyer. The Monthly Option Consideration shall be retained by Seller as its sole and exclusive property and shall constitute liquidated damages in the event the sale of the Property by Seller to Buyer does not close pursuant to the terms of this Agreement for any reason except due to the material default of Seller.

2.1.3 If Buyer elects to terminate this transaction during the Term of the Lease because Seller has failed to deliver the Approval Notice to Escrow Holder, the Execution Consideration, but not any portion of the Monthly Option Consideration, will be refunded to Buyer less Buyer's share of cancellation or other escrow fees, if any. The Execution Consideration will be non-refundable to Buyer in the event Buyer fails, prior to Seller's delivery of the Approval Notice to Escrow Holder, to provide to Seller and the Escrow Holder a cancellation notice ("Cancellation Notice"), since the Exercise Consideration shall be retained by Seller as its sole and exclusive property and shall constitute liquidated damages. In the event that Buyer delivers a Cancellation Notice to Escrow Holder on or before the Seller's delivery of the Approval Notice to Escrow Holder, the Execution Consideration shall be promptly returned by Escrow Holder to Buyer upon Buyer's delivery to Escrow Holder of (i) a written cancellation of this Agreement and release of Seller in form reasonably acceptable to Seller and (ii) a quitclaim deed executed by Buyer in recordable form conveying all of Buyer's right, title and interest in and to the Property to Seller.

2.2 Note. Not less than one (1) business day prior to the Closing Date, Buyer shall deposit in Escrow, and Seller shall accept as payment of the Purchase Price, a promissory note ("Note") payable to Seller in an amount equal to Fifty Thousand Dollars (\$50,000.00). The Note shall bear interest at the rate of nine percent (9%) per annum, with interest only payments payable monthly in advance and due on the first day of each month. All principal and interest due shall be payable three (3) years from the date of Close of Escrow. The Note is attached as Exhibit "2" is incorporated herein by this reference. The

Note is to be secured by a first deed of trust in the form attached as Exhibit "3" and incorporated herein by this reference.

2.3 Balance of the Purchase Price. Not less than one (1) business day prior to the Closing Date (as defined herein), Buyer shall deposit with Escrow Holder the balance of the Purchase Price in cash or by certified or bank cashier's check made payable to Escrow Holder or a confirmed wire transfer of funds ("Immediately Available Funds").

3. ESCROW.

3.1 Opening of Escrow. For purposes of this Agreement, the Escrow is deemed opened on the date Escrow Holder shall have received the Execution Consideration from Buyer and an executed counterpart of this Agreement from both Buyer and Seller. Escrow Holder shall notify Buyer and Seller, in writing, of the date Escrow is opened and the Closing Date, as defined in Section 3.2 below. Escrow Holder shall enter such date on the first page of this Agreement in the space provided for such purpose ("Opening of Escrow"). In addition, Buyer and Seller agree to execute, deliver and be bound by any reasonable or customary supplemental escrow instructions of Escrow Holder or other instruments as may reasonably be required by Escrow Holder in order to consummate the transaction contemplated by this Agreement. Any such supplemental instructions shall not conflict with, amend or supersede any portions of this Agreement. If there is any inconsistency between such supplemental instructions and this Agreement, then this Agreement shall control.

3.2 Close of Escrow. For purposes of this Agreement, the "Close of Escrow" shall be defined as the date that the grant deed ("Grant Deed") conveying the Property to Buyer, is recorded in the Official Records of San Bernardino County, California. This Escrow shall close on or before 210 days after the Opening of Escrow ("Closing Date"). If the Grant Deed cannot be recorded on the scheduled Closing Date because that day is a holiday, a non-business day or the Official Records Office of San Bernardino County is otherwise closed, the parties agree that Escrow Holder shall record the Grant Deed on the next business day that the Official Records Office of San Bernardino County is open for business.

3.3 Condition of Title. It shall be a condition to the Close of Escrow that title to the Property be conveyed to Buyer by Seller by the Grant Deed subject only to the following approved condition of title ("Approved Condition of Title"):

3.3.1 a lien to secure payment of real estate taxes and assessments, not delinquent;

3.3.2 the lien of supplemental taxes assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code;

3.3.3 matters affecting the Approved Condition of Title created by or with the written consent of Buyer or which do not significantly affect the operation of the Property or involve a surface encroachment or loss of access;

3.3.4 all matters which would be disclosed by an inspection or survey of the Property;

3.3.5 all exceptions which are disclosed by a standard preliminary title report ("Report") issued with respect to the Property by First American Title Insurance Company, 3625 Fourteenth Street, Riverside, CA 92502 ("Title Company") in its capacity as title insurer, together with copies of the instruments underlying any exceptions referred to in the Report. Seller has provided Buyer with the Report, a copy of which is attached hereto as Exhibit "4", and with copies of such underlying documents, and Buyer acknowledges Buyer's receipt and approval of the Report and the underlying documents.

3.4 Title Policy. Title shall be evidenced by the willingness of the Title Company to issue its CLTA Owner's Form Policy of Title Insurance ("Title Policy") in the amount of the Purchase Price showing title to the Property vested in Buyer.

3.5 Conditions to Close of Escrow.

3.5.1 For Buyer's benefit, on or prior to the dates designated below for the satisfaction of such conditions, Buyer's obligation to consummate the transaction contemplated by this Agreement are subject to the satisfaction of the following conditions (or Buyer's waiver thereof, it being agreed that Buyer may waive any or all of such conditions):

(i) Buyer shall have prior to Buyer's delivery of the Notice of Intent ("Review Period") to satisfy himself as to the Property and its condition and suitability for Buyer's intended use thereof. If Seller and Escrow Holder do not receive on or before the expiration of the Review Period a written notice from Buyer terminating this Escrow as a result of Buyer's review of the Property, then Buyer shall be conclusively deemed to have approved of the Property and its condition and suitability for Buyer's intended use thereof and Buyer shall no longer have the right to terminate this Agreement pursuant to this Section 3.5.1. During the term of the Review Period, Buyer, Buyer's agents, contractors and subcontractors shall have the right to enter upon the Property, at reasonable times during ordinary business hours to make any and all inspections and tests as Buyer deems desirable and which may be accomplished without causing any alteration or damage to the Property. Buyer hereby indemnifies and holds Seller and the Property harmless from any and all costs, loss, damages or expenses, of any kind or nature, arising out of or resulting from such entry and/or activities upon the Property by Buyer, Buyer's agents, contractors and/or subcontractors, and in

the event this Agreement is terminated, Buyer shall repair any damage to the Property caused by Buyer's entry.

(ii) As of the Close of Escrow, Seller shall have performed all of the obligations required to be performed by Seller under this Agreement.

3.5.2 For the benefit of Seller, the Close of Escrow shall be conditioned upon the occurrence and/or satisfaction of each of the following conditions (or Seller's waiver thereof, it being agreed that Seller may waive any or all of such conditions):

(i) Buyer shall have timely performed all of the obligations required by the terms of this Agreement to be performed by Buyer.

(ii) All representations and warranties made by Buyer to Seller in this Agreement shall be true and correct as of the Close of Escrow.

3.6 Deposits by Seller. At least one (1) business day prior to the Close of Escrow, Seller shall deposit or cause to be deposited with Escrow Holder the following documents and instruments:

3.6.1 The Grant Deed conveying the Property to Buyer duly executed by Seller.

3.6.2 All other documents contemplated by this Agreement or required by Escrow Holder to be deposited as provided by Buyer to carry out this Escrow.

3.7 Deposits by Buyer. Buyer shall deposit or cause to be deposited with Escrow Holder the funds which are to be applied towards the payment of the Purchase Price in the amounts and at the times designated in Section 19. In addition, at least one (1) day prior to the Close of Escrow, Buyer shall deposit with Escrow Holder the following documents and instruments:

3.7.1 A Preliminary Change of Ownership Statement or the additional sum of Twenty Dollars (\$20.00) in lieu thereof;

3.7.2 All other documents contemplated by this Agreement or required by Escrow Holder to be deposited as provided by Seller to carry out this Escrow.

3.8 Costs and Expenses. The cost and expense of the Title Policy shall be paid by Seller unless Buyer elects to obtain ALTA extended coverage in which event the premium and any additional costs for such ALTA extended coverage additional to the premium for CLTA coverage shall be paid by Buyer. The escrow fee of Escrow Holder shall be shared equally by Seller and Buyer. Seller shall pay all documentary transfer taxes payable in connection with the recordation of the Grant Deed. Buyer and Seller shall pay,

respectively, the Escrow Holder's customary charges to buyers and sellers for document drafting, recording and miscellaneous charges. If, as a result of no fault of Buyer or Seller, Escrow fails to close, Buyer and Seller shall share equally all of Escrow Holder's fees and charges.

3.9 Prorations. The following prorations shall be made between Seller and Buyer on the Closing Date, computed as of the Closing Date:

3.9.1 Real and personal property taxes and assessments on the Property, if any, shall be prorated on the basis that Seller is responsible for (i) all such taxes for the fiscal year of the applicable taxing authorities occurring prior to the "Current Tax Period", and (ii) that portion of such taxes for the Current Tax Period determined on the basis of the number of days which have elapsed from the first day of the Current Tax Period to the Closing Date, inclusive, whether or not the same shall be payable prior to the Closing Date. The phrase "Current Tax Period" refers to the fiscal year of the applicable taxing authority in which the Closing Date occurs. In the event that as of the Closing Date the actual tax bills for the year or years in question are not available and the amount of taxes to be prorated as aforesaid cannot be ascertained, then rates, millages and assessed valuation of the previous year, with known changes, shall be used, and when the actual amount of taxes and assessments for the year or years in question shall be determinable, then such taxes and assessments will be reprorated between the parties to reflect the actual amount of such taxes and assessments.

3.9.2 Gas, water, electricity, heat, fuel, sewer and other utilities and the operating expenses relating to the Property shall be prorated as of the Closing Date. If the parties are unable to obtain final meter readings as of the Closing Date, such expenses shall be estimated as of the Closing Date on the basis of the prior operating history of the Property.

3.10 Disbursements and Other Actions by Escrow Holder. Upon the Close of Escrow, the Escrow Holder shall promptly undertake all of the following in the manner indicated:

3.10.1 Prorate all matters referenced in Section based upon the statement delivered into Escrow signed by the parties.

3.10.2 Cause the Grant Deed and any other documents which the parties hereto may mutually direct, to be recorded in the Official Records of San Bernardino County, California in the order set forth in this subsection.

3.10.3 Disburse from funds deposited by Buyer with Escrow Holder towards payment of all items chargeable to the account of Buyer pursuant hereto in payment of such costs, including, without limitation, the payment of the Purchase Price to Seller, and disburse the balance of such funds, if any, to Buyer.

3.10.4 Deliver when issued, the Title Policy, to Buyer.

3.10.5 Direct the Title Company to issue the Title Policy to Buyer.

4. REPRESENTATIONS AND WARRANTIES.

4.1 Seller's Representations and Warranties. Buyer acknowledges and agrees that Seller has made absolutely no representations or warranties regarding the Property, including, without limitation, its condition, its past use, or its suitability for Buyer's intended use thereof, and that Buyer is purchasing the Property on an "AS-IS" basis.

4.2 Buyer's Representations and Warranties. In consideration of Seller entering into this Agreement and as an inducement to Seller to sell the Property to Buyer, Buyer makes the following representations and warranties, each of which is material and is being relied upon by Seller (the continued truth and accuracy of which shall constitute a condition precedent to Seller's obligations hereunder):

4.2.1 Buyer has the legal right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby, and the execution, delivery and performance of this Agreement have been duly authorized and no other action by Buyer is requisite to the valid and binding execution, delivery and performance of this Agreement, except as otherwise expressly set forth herein.

4.2.2 Buyer is acquiring the Property "AS-IS" without any warranty of Seller, express or implied, as to the nature or condition of or title to the Property or its fitness for Buyer's intended use of same. Buyer is, or as of the expiration of the Review Period will be, familiar with the Property. Buyer's election to purchase the Property is based upon and constitutes evidence of Buyer's independent investigation of the Property, its use, development potential and suitability for Buyer's intended use, including (without limitation) the following: the feasibility of developing the Property for the purposes intended by Buyer and the conditions of approval for any subdivision map; the size and dimensions of the Property; the availability, cost and adequacy of water, sewage and any utilities serving or required to serve the Property; the presence and adequacy of current or required infrastructure or other improvements on, near or affecting the Property; any surface, soil, subsoil, fill or other physical conditions of or affecting the Property, such as climate, geological, drainage, air, water or mineral conditions; the extent and conditions of title to the Property; the existence of governmental laws, statutes, rules, regulations, ordinances, limitations, restrictions or requirements concerning the use, density, location or suitability of the Property for any existing or proposed development thereof including but not limited to zoning, building, subdivision, environmental or other such regulations; the necessity or availability of any general or special plan amendments, rezoning, zoning variances, conditional use permits, building permits, environmental impact reports, parcel or subdivision maps and public reports, requirements of any improvement agreements; requirements of the California Department of Real Estate, the California Subdivided Lands Act, the California

Subdivision Map Act, and any other governmental permits, approvals or acts (collectively "Permits"); the necessity or existence of any dedications, taxes, fees, charges, costs or assessments which may be imposed in connection with any governmental regulations or the obtaining of any required Permits; the status of the Property with respect to hazardous substances and endangered species; and all other matters concerning the condition, use, development or sale of the Property. Buyer agrees, at its expense, to comply with all applicable laws, permit requirements and governmental regulations in the development of the Property.

Seller will not be liable for any loss, damage, injury or claim of any kind or character to any person or property arising from or caused by the development of the Property by Buyer. Buyer hereby waives and releases all claims and demands against Seller for any such loss, damage or injury and agrees to indemnify, defend and hold Seller harmless from and against any and all loss, claim, action, demand, damage, costs and expenses (including reasonable attorneys' fees) arising from or related to any such loss, damage, injury or claim.

5. LIQUIDATED DAMAGES.

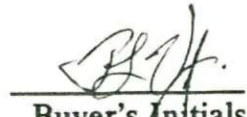
EXCEPT AS PROVIDED IN SECTION 2, IF BUYER DEFAULTS HEREUNDER, THEN SELLER UNILATERALLY AND AT SELLER'S OPTION MAY TERMINATE THIS AGREEMENT BY GIVING WRITTEN DEMAND TO BUYER AND ESCROW HOLDER. THEREUPON, SELLER SHALL BE RELIEVED OF ANY OBLIGATION TO SELL THE PROPERTY TO BUYER, SELLER SHALL BE ENTITLED TO (I) THE EXECUTION CONSIDERATION, (II) ANY AND ALL MONTHLY OPTION CONSIDERATION, AND (III) ANY AND ALL IMPROVEMENTS (COLLECTIVELY "OPTION CONSIDERATION") TO THE PROPERTY AS LIQUIDATED DAMAGES, ESCROW HOLDER SHALL RETURN ALL DOCUMENTS AND INSTRUMENTS TO THE PARTIES WHO DEPOSITED SAME, AND ALL TITLE AND ESCROW CANCELLATION CHARGES SHALL BE CHARGED TO BUYER. IN THE EVENT OF A DEFAULT BY BUYER AS AFORESAID, BUYER SHALL HAVE NO RIGHT TO SEEK OR OBTAIN SPECIFIC ENFORCEMENT OF THIS AGREEMENT.

BUYER AND SELLER AGREE THAT IT WOULD BE EXTREMELY IMPRACTICAL AND DIFFICULT TO ESTIMATE THE AMOUNT OF DAMAGES SELLER MIGHT SUFFER IN THE EVENT OF BUYER'S DEFAULT HEREUNDER. THE PARTIES HEREBY AGREE THAT THE DELIVERY OF THE OPTION CONSIDERATION TO SELLER IN THE EVENT OF BUYER'S DEFAULT REPRESENTS A FAIR AND REASONABLE ESTIMATE OF SAID DAMAGES.

THE OPTION CONSIDERATION WILL, UPON THE TERMINATION OF THIS AGREEMENT, BECOME THE SOLE PROPERTY OF SELLER, UNLESS SELLER REQUESTS THE REMOVAL OF ANY PORTION OF THE IMPROVEMENTS. IF

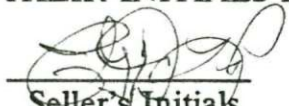
SELLER REQUESTS THE REMOVAL OF ANY PORTION OF THE IMPROVEMENTS, BUYER WILL REMOVE THE IMPROVEMENTS, WITHOUT DAMAGE OR INJURY TO THE PROPERTY, AND REPAIR ANY RESULTING DAMAGE.

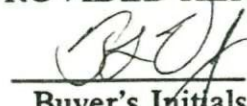

Seller's Initials


Buyer's Initials

6. WAIVER OF RIGHT TO RECORD LIS PENDENS.

AS PARTIAL CONSIDERATION FOR SELLER ENTERING INTO THIS AGREEMENT, BUYER EXPRESSLY WAIVES ANY RIGHT UNDER CALIFORNIA CODE OF CIVIL PROCEDURE, PART II, TITLE 4.5 (SECTIONS 409 - 409.8) OR AT COMMON LAW OR OTHERWISE TO RECORD OR FILE A LIS PENDENS OR A NOTICE OF PENDENCY OF ACTION OR SIMILAR NOTICE AGAINST ALL OR ANY PORTION OF THE PROPERTY IN CONNECTION WITH ANY ALLEGED DEFAULT BY SELLER HEREUNDER. BUYER AND SELLER HEREBY EVIDENCE THEIR SPECIFIC AGREEMENT TO THE TERMS OF THIS WAIVER BY PLACING THEIR INITIALS IN THE PLACE PROVIDED HEREINAFTER.


Seller's Initials


Buyer's Initials

7. DAMAGE OR CONDEMNATION.

Seller shall promptly notify Buyer of any casualty to the Property or any condemnation proceeding commenced prior to the Close of Escrow. If any such damage or proceeding relates to or may result in the loss of any material portion of the Property, Seller or Buyer may, at their option, elect either to: (i) terminate this Agreement, in which event all funds deposited into Escrow by Buyer shall be returned to Buyer and neither party shall have any further rights or obligations hereunder, or (ii) continue the Agreement in effect, in which event upon the Close of Escrow, Buyer shall be entitled to any compensation, awards, or other payments or relief resulting from such casualty or condemnation proceeding.

8. MISCELLANEOUS.

8.1 Notices. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, telegraphed, delivered or sent by telex, telecopy or cable and shall be deemed received upon the earlier of (i) if personally delivered, the date of delivery to the address of the person to receive such notice, (ii) if

mailed, two (2) business days after the date of posting by the United States post office, (iii) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid, or (iv) if given by telex or telecopy, when sent. Any notice, request, demand, direction or other communication sent by cable, telex or telecopy must be confirmed within forty-eight (48) hours by letter mailed or delivered in accordance with the foregoing.

To Buyer: Mr. Terry L. Vines, Jr.,
434 Cajon
Suite 101
Redlands, CA 92374

To Seller: The City of Redlands
1270 West Park Avenue
Redlands, CA 92373
Attention: Gary Luebbbers
Fax: (714) 798-7522

With a copy to: Best, Best & Krieger
3750 University Avenue, Suite 500
P.O. Box 1028
Riverside, CA 92502
Attn: Kirk W. Smith, Esq.
Fax: (714) 682-7308

To Escrow Holder: Guardian Escrow Inc.
101 E. Redlands Blvd.
Redlands, CA 92374
Attention:
Fax: (714)

Notice of change of address shall be given by written notice in the manner detailed in this Section. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice, demand, request or communication sent.

8.2 Brokers. If any claims for brokers' or finders' fees for the consummation of this Agreement arise, then Buyer hereby agrees to indemnify, save harmless and defend Seller from and against such claims if they shall be based upon any statement or representation or agreement by Buyer, and Seller hereby agrees to indemnify, save harmless and defend Buyer if such claims shall be based upon any statement, representation or agreement made by Seller.

8.3 Legal Fees. In the event of the bringing of any action or suit by a party hereto against another party hereunder by reason of any breach of any of the covenants or agreements or any inaccuracies in any of the representations and warranties on the part of the other party arising out of this Agreement, then in that event, the prevailing party in such

action or dispute, whether by final judgment, or out of court settlement shall be entitled to have and recover of and from the other party all costs and expenses of suit, including actual attorneys' fees.

8.4 Assignment. Buyer shall not assign, transfer or convey Buyer's rights and/or obligations under this Agreement and/or with respect to the Property without the prior written consent of Seller, which consent Seller may withhold in Seller's absolute discretion. Any attempted assignment without the prior written consent of Seller shall be void, and Buyer shall be deemed in default hereunder. Any permitted assignments shall not relieve the assigning party from its liability under this Agreement.

8.5 Required Actions of Buyer and Seller. Buyer and Seller agree to execute such instruments and documents and to diligently undertake such actions as may be required in order to consummate the purchase and sale herein contemplated and shall use their best efforts to accomplish the Close of Escrow in accordance with the provisions hereof.

8.6 Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which, together, shall constitute one and the same instrument.

8.7 Captions. Any captions to, or headings of, the sections or subsections of this Agreement are solely for the convenience of the parties hereto, are not a part of this Agreement, and shall not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

8.8 No Obligations to Third Parties. Except as otherwise expressly provided herein, the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate any of the parties thereto, to any person or entity other than the parties hereto.

8.9 Exhibits and Schedules. The Exhibits and Schedules attached hereto, if any, are hereby incorporated herein by this reference.

8.10 Amendment to this Agreement. The terms of this Agreement may not be modified or amended except by an instrument in writing executed by each of the parties hereto.

8.11 Waiver. The waiver or failure to enforce any provision of this Agreement shall not operate as a waiver of any future breach of any such provision or any other provision hereof.

8.12 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

8.13 Fees and Other Expenses. Except as otherwise provided herein, each of the parties shall pay its own fees and expenses in connection with this Agreement.

8.14 Entire Agreement. This Agreement supersedes any prior agreements, negotiations and communications, oral or written, and contains the entire agreement between Buyer and Seller as to the subject matter hereof. No subsequent agreement, representation, or promise made by either party hereto, or by or to an employee, officer, agent or representative of either party shall be of any effect unless it is in writing and executed by the party to be bound thereby.

8.15 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the parties hereto.

8.16 Indemnification of Escrow Holder.

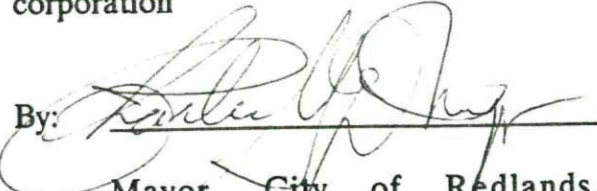
8.16.1 If this Agreement or any matter relating hereto shall become the subject of any litigation or controversy, Buyer and Seller agree, jointly and severally, to hold Escrow Holder free and harmless from any loss or expense, including attorneys' fees, that may be suffered by it by reason thereof except for losses or expenses as may arise from Escrow Holder's negligent or willful misconduct. If conflicting demands are made or notices served upon Escrow Holder with respect to this Agreement, the parties expressly agree that Escrow Holder shall be entitled to file a suit in interpleader and obtain an order from the court requiring the parties to interplead and litigate their several claims and rights among themselves. Upon the filing of the action in interpleader, Escrow Holder shall be fully released and discharged from any obligations imposed upon Escrow Holder by this Agreement; and

8.16.2 Escrow Holder shall not be liable for the sufficiency or correctness as to form, manner, execution or validity of any instrument deposited with it, nor as to the identity, authority or rights of any person executing such instrument, nor for failure to comply with any of the provisions of any agreement, contract or other instrument filed with Escrow Holder or referred to herein. Escrow Holder's duties hereunder shall be limited to the safekeeping of all monies, instruments or other documents received by it as Escrow Holder, and for their disposition in accordance with the terms of this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first-above written.

"Seller"

CITY OF REDLANDS, a municipal
corporation

By: 

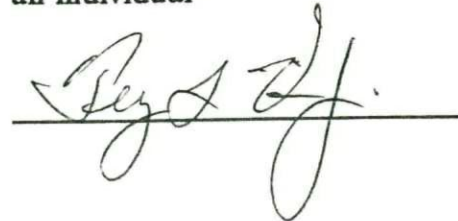
Mayor, City of Redlands,
California

Attest:


City Clerk
City of Redlands

"Buyer"

TERRY L. VINES, JR.,
an individual



Acceptance by Escrow Holder:

Guardian Escrow, Inc. hereby acknowledges that it has received a fully executed counterpart of the foregoing Agreement of Purchase and Sale and Joint Escrow Instructions and agrees to act as Escrow Holder thereunder and to be bound by and perform the terms thereof as such terms apply to Escrow Holder.

Dated:

By: _____
Its: _____

EXHIBIT "1"
LEGAL DESCRIPTION
TO BE ATTACHED

EXHIBIT "2"

PROMISSORY NOTE

\$50,000.00

November __, 1992
Redlands, California

FOR VALUE RECEIVED, the undersigned, **TERRY L. VINES, JR.**, ("Maker"), promises to pay to the **CITY OF REDLANDS**, a municipal corporation ("Holder"), or order, at 1270 West Park Avenue, Redlands, California 92373 (or at such other place as Holder may specify from time to time in writing), the principal sum of Fifty Thousand and no/100 Dollars (\$50,000.00), together with interest as provided herein.

This Note shall be payable in thirty-six (36) consecutive monthly installments of interest in an amount equal to Three Hundred Seventy-Five and no/100 Dollars (\$375.00) each, the first installment shall be due and payable on the first day of each month commencing on _____, 1992, and the entire unpaid principal balance of this Note and all interest thereon, i.e., an amount equal to Fifty Thousand and no/100 Dollars (\$50,000.00) shall be due and payable on the third anniversary from the close of escrow ("Maturity Date").

1. All payments due hereunder are payable in lawful money of the United States of America in same day funds. All payments made above shall be applied first to accrued interest and thereafter to reduction of principal.

2. Interest shall be computed on the basis of a year of 360 days and actual days elapsed and shall be payable on the unpaid principal balance hereof outstanding from time to time from the date hereof until payment in full at a rate per annum equal to:

2.1 for the period from the date hereof to the Maturity date, a fixed rate of interest equal to nine percent (9%) per annum; and

2.2 for the period from the Maturity Date to the date this Note (including all interest accrued or to accrue hereon) is paid in full, a fixed rate of interest equal to fourteen percent (14%) per annum.

3. Any amount of principal owing hereon which is not paid when due shall, from and after the date when due until the date paid in full, bears interest at a fixed rate per annum (computed on the basis of a year of 360 days) equal to fourteen percent (14%) per annum.

4. In the event Maker fails to make any required payment of principal and/or interest under this Note within ten (10) days after such payment becomes due and payable, a late charge of six percent (6%) of the overdue payment of principal and/or interest (or of principal only if by the laws of the State of California a late charge may not be charged on overdue interest) may be charged by Holder, unless applicable law requires a lesser such charge, in which event the maximum rate permitted by such law may be charged by Holder. The parties agree that this late charge represents a reasonable sum considering all of the circumstances existing on the date of this Note and represents a fair and reasonable estimate of the costs and damages that Holder will incur by reason of the late payment. The parties further agree that proof of actual damages would be costly or inconvenient. Acceptance of any late charge shall not constitute a waiver of the default with respect to the overdue amount, and shall not prevent Holder from exercising any of the other rights and remedies available to Holder. The foregoing shall not be construed as obligating the Holder to accept any payment after its due date.

5. This Note is secured by an instrument entitled Deed of Trust with Assignment of Rents executed by Maker to First American Title Insurance Company, as trustee for the benefit of Holder, dated of even date herewith ("Deed of Trust"), said instrument and any other instrument or document evidencing, securing or relating to the indebtedness evidenced hereby, whether now or hereafter existing, as such documents are now or may hereafter be amended, modified or supplemented, together with this Note, being herein collectively referred to as the "Loan Documents" and individually referred to as "Loan Document."

6. The Holder may, at Holder's option, declare the unpaid balance of this Note, including interest thereon, to be immediately due and payable, and the same shall forthwith become due and payable if Holder sells, leases, exchanges, assigns, conveys or otherwise disposes of the real property encumbered by the Deed of Trust or any interest therein, including the leases, rents or income thereof, hereinafter referred to collectively as "Property", or enters into a written contract or agreement to do so, or grants or permits to exist any other mortgage, deed of trust or other lien, charge or encumbrance against the Property, or against any legal, equitable or beneficial interest in Maker, whether superior or inferior to the Deed of Trust (herein collectively called a "Disposition"), or if any such Disposition is made by Maker or by an individual or entity owning an equity interest in Maker of ten percent (10%) or more of all or any part of the legal, equitable or beneficial ownership interest in Maker (if Maker is a corporation, partnership, joint venture, trust or other type of business association or legal entity) or if there has been any change in the management or shareholders of Maker, if applicable, without the prior written consent of Holder.

In the event ownership of the Property, or any part thereof, becomes vested in a person or persons other than Maker, without the prior written approval of Holder, Holder may, without notice to Maker, waive such default and deal with such successor or successors in interest in the Property in the same manner as with Maker, without in any way releasing, discharging or otherwise affecting the liability of Maker, the endorser, guarantors, sureties, accommodation parties hereof and all other persons liable or to become liable for all or any part of this indebtedness. No sale of the Property, no forbearance on the part

of Holder, no extension of the time for the payment of the indebtedness or any change in the terms of this Note consented to by Holder shall in any way whatsoever operate to release, discharge, modify, change or affect the original liability of Maker and all such persons liable or to become liable for all or any part of this indebtedness, either in whole or in part. Any deed conveying the Property, or any part thereof, shall provide that the grantee thereunder assumes all of the grantor's obligations under the Loan Documents.

7. This Note may be prepaid in part or in whole at any time without penalty. Any prepayments of this Note shall be applied first to the payment of accrued interest, second to the payment of principal due hereon on the Maturity Date, and third to payment of principal installments due hereon in the inverse order of maturity.

8. Upon the occurrence of any of the following, an Event of Default shall be deemed to have occurred and the Holder may, at Holder's option, declare the unpaid balance of this Note, including interest thereon, to be immediately due and payable, and the same shall forthwith become due and payable:

8.1. Maker shall fail to make any payment under this Note when due; or

8.2. There shall occur an "Event of Default" under and as defined in any other Loan Document; or

8.3. Maker shall (i) become insolvent or unable to pay Maker's debts generally as they mature, (ii) suspend business, (iii) make a general assignment for the benefit of creditors, (iv) admit in writing Maker's inability to pay Maker's debts generally as they mature, (v) file or have filed against it a petition in bankruptcy or a petition or answer seeking a reorganization, arrangement with creditors or other similar relief under the Federal bankruptcy laws or under any other applicable law of the United States of America or any state thereof, or (vi) consent to the appointment of a trustee or receiver for it or for a substantial part of Maker's property; or

8.4. Any order, judgement or decree shall be entered appointing, without Maker's consent, a trustee or receiver for it or for a substantial part of Maker's property; or

8.5. A judgment against Maker for the payment of money totalling in excess of \$10,000 shall be outstanding for a period of sixty (60) days without a stay of execution thereof; or

8.6. The holder of any senior or junior encumbrance on the real and/or personal property collateral encumbered by the Deed of Trust shall institute foreclosure or other proceedings for the enforcement of its remedies thereunder; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to Maker under the Federal Bankruptcy Code, this Note and all interest and other amounts due hereon shall automatically become and be due and

payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by Maker. The Holder may exercise Holder's option to accelerate after any Event of Default, regardless of any prior forbearance.

9. Maker agrees to indemnify Holder and to hold Holder and Holder's successors and assigns harmless from and against any and all claims, demands, costs, liabilities and obligations of any kind or nature arising out of any default hereunder, including without limitation all costs of collection, including reasonable attorneys' fees and all costs of suit, in the event the unpaid principal sum of this Note and/or any interest thereon is not paid when due.

10. It is the intention of Maker and Holder to conform strictly to the usury laws now or hereafter enforced in the State of California, and any interest payable under this Note or any of the other documents to be executed by Maker in connection with the loan made or to be made hereunder, shall be subject to reduction to the amount not in excess of the maximum non-usurious amount allowed under the usury laws of California as now or hereafter construed by the courts having jurisdiction over such matters. In the event the maturity of this Note is accelerated by reason of any provision of this Note or by reason of an election by Holder resulting from any default (or an event permitting acceleration), under this Note or any other instrument given to secure the payment hereof, or otherwise, then earned interest may never include more than the maximum amount permitted by law, computed from the date hereof until payment, and any interest in excess of the maximum amount permitted by law shall be canceled automatically and, if theretofore paid, shall at the option of the Holder either be rebated to Maker or be credited on the principal amount of this Note or if all principal has been repaid then the excess shall be rebated to Maker. The aggregate of all interest (whether designated as interest, service charges, points, or otherwise) contracted for, chargeable, or receivable under this Note or any other document executed in connection herewith shall under no circumstances exceed the maximum legal rate upon the unpaid principal balance of this Note remaining unpaid from time to time. In the event such interest does exceed the maximum legal rate, such excess shall be canceled automatically and if theretofore paid, rebated to the undersigned or credited on the principal amount of this Note, or if the Note has been repaid, then such excess shall be rebated to Maker.

11. Maker acknowledges and agrees that Maker shall not have any rights whatsoever to set-off against amounts due hereunder or otherwise due Holder any amount or obligation due Maker or claimed to be due Maker from Holder.

12. The unenforceability or invalidity of any provision or provisions of this Note as to any persons or circumstances shall not render that provision or those provisions unenforceable or invalid as to any other persons or circumstances, and all provisions hereof, in all other respects, shall remain valid and enforceable.

13. This Note shall bind Maker and Maker's successors and assigns and the benefits hereof shall inure to Holder and Holder's successors and assigns.

14. The validity, interpretation and performance of this Note shall be governed by and construed in accordance with the laws of the State of California.

15. Time is of the essence of this Note.

16. The rights or remedies of Holder, as provided in the Loan Documents shall be cumulative and concurrent, and may be pursued singly, successively or together against the Property, and any other funds, property or security held by Holder for the payment hereof, or otherwise, at the sole discretion of the Holder. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of such rights or remedies or of the right to exercise them at any later time.

17. Maker and all other persons liable or to become liable for all or part of this indebtedness, jointly and severally waive demand, presentment for payment, notice of nonpayment, protest and notice of protest hereon, agrees that when or at any time after this Note becomes due, the Holder may, without notice, offset or charge this Note against any bank account or other account maintained by Maker with the Holder, and agrees to pay, in the event of default hereunder, all costs of collection, including attorneys fees, whether or not suit is commenced.

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

MAKER: TERRY L. VINES, JR., an individual

EXHIBIT "3"

Order No.
Escrow No.
Loan No.

WHEN RECORDED MAIL TO:

SPACE ABOVE THIS LINE FOR RECORDER'S USE

DEED OF TRUST WITH ASSIGNMENT OF RENTS (SHORT FORM)

This DEED OF TRUST, made _____, between
TERRY L. VINES, JR., an individual _____ herein called TRUSTOR,

whose address is _____
(Number and Street) (City) (State)
FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called TRUSTEE, and
THE CITY OF REDLANDS, a municipal corporation _____

_____ herein called BENEFICIARY,
WITNESSETH: That Trustor grants to Trustee in Trust, with Power of Sale, that property in the
County of San Bernardino _____, State of California, ~~888-888-888~~

THE LEGAL DESCRIPTION OF WHICH IS ATTACHED AS EXHIBIT "A" AND INCORPORATED HEREIN BY
THIS REFERENCE

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

For the Purpose of Securing (1) payment of the sum of \$50,000.00-----with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and extensions or renewals thereof, and (2) the performance of each agreement of Trustor incorporated by reference or contained herein (3) Payment of additional sums and interest thereon which may hereafter be loaned to Trustor or his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious deed of trust recorded in Orange County August 17, 1964, and in all other counties August 18, 1964, in the book and at the page of Official Records in the office of the county recorder of the county where said property is located, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE	COUNTY	BOOK	PAGE
Alameda	1288	556	Kings	858	713	Placer	1028	379	Sierra	38	187
Alpine	3	130-31	Lake	437	110	Plumas	166	1307	Siskiyou	506	762
Amador	133	438	Lassen	192	367	Riverside	3778	347	Solano	1287	621
Butte	1330	513	Los Angeles	T-3878	874	Sacramento	5039	124	Sonoma	2067	427
Calaveras	185	338	Madera	911	136	San Benito	300	405	Stanislaus	1970	56
Colusa	323	391	Marin	1849	122	San Bernardino	6213	768	Sutter	655	585
Contra Costa	4684	1	Mariposa	90	453	San Francisco	A-804	596	Tehama	457	183
Del Norte	101	549	Mendocino	667	99	San Joaquin	2855	283	Trinity	108	595
El Dorado	704	635	Merced	1660	753	San Luis Obispo	1311	137	Tulare	2530	108
Fresno	5052	623	Modoc	191	93	San Mateo	4778	175	Tuolumne	177	160
Glenn	469	76	Mono	69	302	Santa Barbara	2065	881	Ventura	2607	237
Humboldt	801	83	Monterey	357	239	Santa Clara	6626	664	Yolo	789	16
Imperial	1189	701	Napa	704	742	Santa Cruz	1638	607	Yuba	398	693
Inyo	165	672	Nevada	363	94	Shasta	800	633			
Kern	3756	690	Orange	7182	18	San Diego	SERIES 5	Book 1964, Page 149774			

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivisions A and B, (identical in all counties, and printed on the reverse side hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed the maximum allowed by law.

The undersigned Trustor, requests that a copy of any notice of default and any notice of sale hereunder be mailed to him at his address hereinbefore set forth.

STATE OF CALIFORNIA
COUNTY OF _____

} ss.
}

Signature of Trustor

On _____ before me,

Terry L. Vines, Jr.

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 _____

DO NOT RECORD

The following is a copy of Subdivisions A and B of the fictitious Deed of Trust recorded in each county in California as stated in the foregoing Deed of Trust and incorporated by reference in said Deed of Trust as being a part thereof as if set forth at length therein.

A. To protect the security of this Deed of Trust, Trustor agrees:

(1) To keep said property in good condition and repair, not to remove or demolish any building thereon, to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor, to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon, not to commit or permit waste thereof, not to commit, suffer or permit any act upon said property in violation of law, to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

(2) To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(3) To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear, and in any suit brought by Beneficiary to foreclose this Deed.

(4) To pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock, when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto, all costs, fees and expenses of this Trust.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may, make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

(5) To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the amount allowed by law in effect at the date hereof, and to pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

B. It is mutually agreed:

(1) That any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

(2) That by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

(3) That at any time or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may, reconvey any part of said property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any extension agreement or any agreement subordinating the lien or charge hereof.

(4) That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The Grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(5) That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may at any time without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such rents, issues, and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

(6) That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be filed for record. Beneficiary also shall deposit with Trustee this Deed, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property at the time and place fixed by it in said notice of sale, either as a whole or in separate parcels, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the amount allowed by law in effect at the date hereof, all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto.

(7) Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where said property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this Deed is recorded and the name and address of the new Trustee.

(8) That this Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the owner and holder, including pledgees, of the note secured hereby, whether or not named as Beneficiary herein, in this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

(9) That Trustee accepts this Trust when this Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

DO NOT RECORD

REQUEST FOR FULL RECONVEYANCE

TO FIRST AMERICAN TITLE INSURANCE COMPANY, TRUSTEE:

The undersigned is the legal owner and holder of the note or notes, and of all other indebtedness secured by the foregoing Deed of Trust. Said note or notes, together with all other indebtedness secured by said Deed of Trust, have been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note or notes above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to reconvey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you under the same.

Dated _____

Please mail Deed of Trust,
Note and Reconveyance to _____

Do not lose or destroy this Deed of Trust OR THE NOTE which it secures. Both must be delivered to the Trustee for cancellation before reconveyance will be made.

**DEED OF TRUST
WITH POWER OF SALE**



*First American
Title Insurance
Company
TRUSTEE*

EXHIBIT "4"
PRELIMINARY TITLE REPORT
TO BE ATTACHED

MINUTES

of a special meeting of the City Council of the City of Redlands held in the Redlands Plaza Conference Room, Suite 15C, on February 22, 1993, at 3:00 P.M.

PRESENT

Charles G. DeMirjyn, Mayor
Swen Larson, Mayor Pro Tem
William E. Cunningham, Councilmember
Dee Ann Milson, Councilmember
Jim Foster, Councilmember

James D. Wheaton, City Manager
Ronald C. Mutter, Assistant City Manager
Gary Luebbers, Assistant City Manager
Steve Chapman, Finance Director
Lorrie Poyzer, City Clerk
Ted Thomaidis, Redlands Daily Facts
Bill Rogers, The Sun

ABSENT

None



Sale of City Property - Councilmember Cunningham moved to authorize the Mayor and City Clerk to execute the documents related to the sale of the City property located at 114 Vine Street to Theron L. Vines, Jr. and Geneil P. Vines. Motion seconded by Councilmember Foster and carried unanimously.

Consultant Contract - Following brief discussion, Councilmember Larson moved to award a contract for the design of the temporary river crossings at Orange Street and Alabama Street at the Santa Ana River to Dokken Engineering of San Bernardino in an amount not to exceed \$35,000.00. Motion seconded by Councilmember Milson and carried unanimously.

1992-93 Budget - Councilmembers discussed the City's current financial condition and forecast for the next fiscal year. Referring to the funds set aside in the budget for the acquisition of the Fox Theater, Councilmember Foster moved that the remaining funds in Account 16 be applied to the Certificates of Participation for the Cultural Facilities Project. Motion seconded by Councilmember Larson and carried unanimously. Following Councilmember Foster's suggestions regarding personnel, Councilmember Cunningham moved to impose a hiring freeze, unless approved by the City Council, on all departments except safety. Motion seconded by Councilmember Milson and carried unanimously. In response to City Manager Wheaton's comments