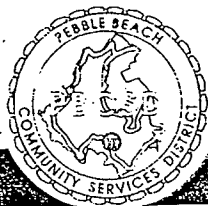


125

Richard Andrews, General Manager/Secretary



PEBBLE BEACH

COMMUNITY SERVICES DISTRICT

FOREST LAKE AND LOPEZ ROADS • PEBBLE BEACH, CALIFORNIA 93953 • (831) 373-1274 • FAX (831) 373-2357

September 18, 2002

RECEIVED

2002

Ernesto A. Avila, General Manager
 Monterey Peninsula Water Management District
 P.O. Box 85
 Monterey, CA 93942-0085

MPWMD

**Re: Designation of "Benefited Property" Relating to PBCSD
 Public Facilities Improvement Project, APN: 008-031-009**

Dear Mr. Avila:

The purpose of this letter is to formally request that an entire 4.7-acre consolidated parcel, which will be comprised of the Pebble Beach Community Services District's ("PBCSD") existing 2.5-acre site and an adjacent 2.2-acre parcel to be purchased from the Pebble Beach Company ("PBCo"), be designated by the Monterey Peninsula Water Management District ("MPWMD") as a "benefited property", thereby allowing a one acre-foot water entitlement which will be transferred by PBCo to the 2.2-acre parcel to be used by PBCSD for its current and future facilities.

The 2.2-acre site adjacent to PBCSD's current facilities that is intended to be acquired from the PBCo is a portion of an existing 40-acre PBCo-owned parcel (APN 008-031-017). That parcel is designated as a "benefited property" under terms of reclamation project agreements entered into between PBCo and the MPWMD. Pursuant to those agreements, the MPWMD has granted PBCo "water entitlements" and "water use permits" that are applicable to PBCo's "benefited" properties. Provisions for PBCo to transfer one acre-foot of water entitlement to the District will be included as part of the purchase agreement for the 2.2-acre parcel.

The new, 2.2-acre parcel referenced above is necessary to meet requirements of the District's long-term site and facilities master plan. An application for a combined development permit has been filed with Monterey County to allow improvements on both the 2.2-acre site and the adjacent 2.5-acre parcel (008-031-009) where the existing District facilities are located. Upon Planning Commission approval of the project the purchase agreement will be executed severing the 2.2-acre site from the existing 40-acre PBCo-owned parcel, and consolidating the 2.2 acres with PBCSD's existing 2.5-acre property to form a new 4.7-acre parcel. Maps are attached that display the property boundaries and proposed improvements.

BOARD OF DIRECTORS

It is our understanding that the proposed PBCSD Public Facilities Improvement Project will require a water use permit from the MPWMD. Under the MPWMD's criteria for water use capacity PBCSD's existing facilities are allocated 1.593 acre-feet per year of water and the proposed project will require an additional 0.875 acre-feet per year. Of the latter amount, 0.549 acre-feet will be required for improvements to facilities on the current 2.5-acre parcel and 0.326 acre-feet will be required for improvements on the 2.2-acre parcel that will be acquired from PBCo. It is also our understanding PBCo may transfer one acre-foot of its potable water entitlement to the 2.2-acre portion of the existing adjacent 40-acre parcel when it is acquired by PBCSD. The remaining unallocated 0.125 acre-feet of water to be transferred will provide a 5 % reserve to allow minor changes to District facilities in the future.

While the additional one acre-foot of water to be transferred to the 2.2-acre parcel by the PBCo will, in the aggregate, be sufficient for all planned uses of the District, it is our understanding that use of that one acre-foot entitlement would be limited to the area within the boundary of the original 40-acre “benefited property”, unless the whole PBCSD parcel is designated as a “benefited property”. Therefore, PBCSD is requesting that your District designate the entire consolidated PBCSD 4.7-acre parcel as a “benefited property”. To support this determination the following points are offered for your consideration:

1. PBCSD is the local governmental agency responsible for providing fire protection, first responder emergency medical services, wastewater collection, treatment and disposal, and solid waste collection and disposal services for the Pebble Beach/Del Monte Forest area (the area where all of the reclamation project “benefited properties” are located). Public services that protect the health and safety of the public will be improved to all of the designated “benefited” properties in Pebble Beach by the proposed facilities.
2. There are no other sites available within the District upon which it would be feasible to construct PBCSD's required improvements.
3. District services can be most efficiently and effectively provided from the expanded, consolidated 4.7-acre parcel. The proposed facilities will provide required storage space for District utility maintenance vehicles and equipment that must currently be stored outdoors and allow more strategic positioning of a reserve fire engine that is temporarily housed at the Carmel Hill Fire Station near the Highway One security gate.
4. Designation of the entire PBCSD 4.7-acre parcel as a designated property would not set a precedent that could be applied to any other properties within the Del Monte Forest/Pebble Beach area for the reasons noted above. In addition, there

Ernesto A. Avila – Designation of “Benefited Property”
September 18, 2002
Page 3 of 3

are no other properties bordering the 40-acre PBCo-owned parcel (from which PBCSD’s 2.2-acre parcel will be acquired) that will be entitled to build similar improvements under current and future land use regulations.

5. An environmental review for the proposed project was completed and on August 30, 2002 a mitigated negative declaration was adopted that determined all potentially significant environmental impacts can be reduced to a less than significant level by implementing mitigation measures described in an initial environmental study.

Please contact the District Engineer, Michael Niccum, or me to review the process for considering this request and what additional information or actions are required.

Sincerely,



Richard Andrews
General Manager

RA/MN

Enclosures: Site Plans (3)

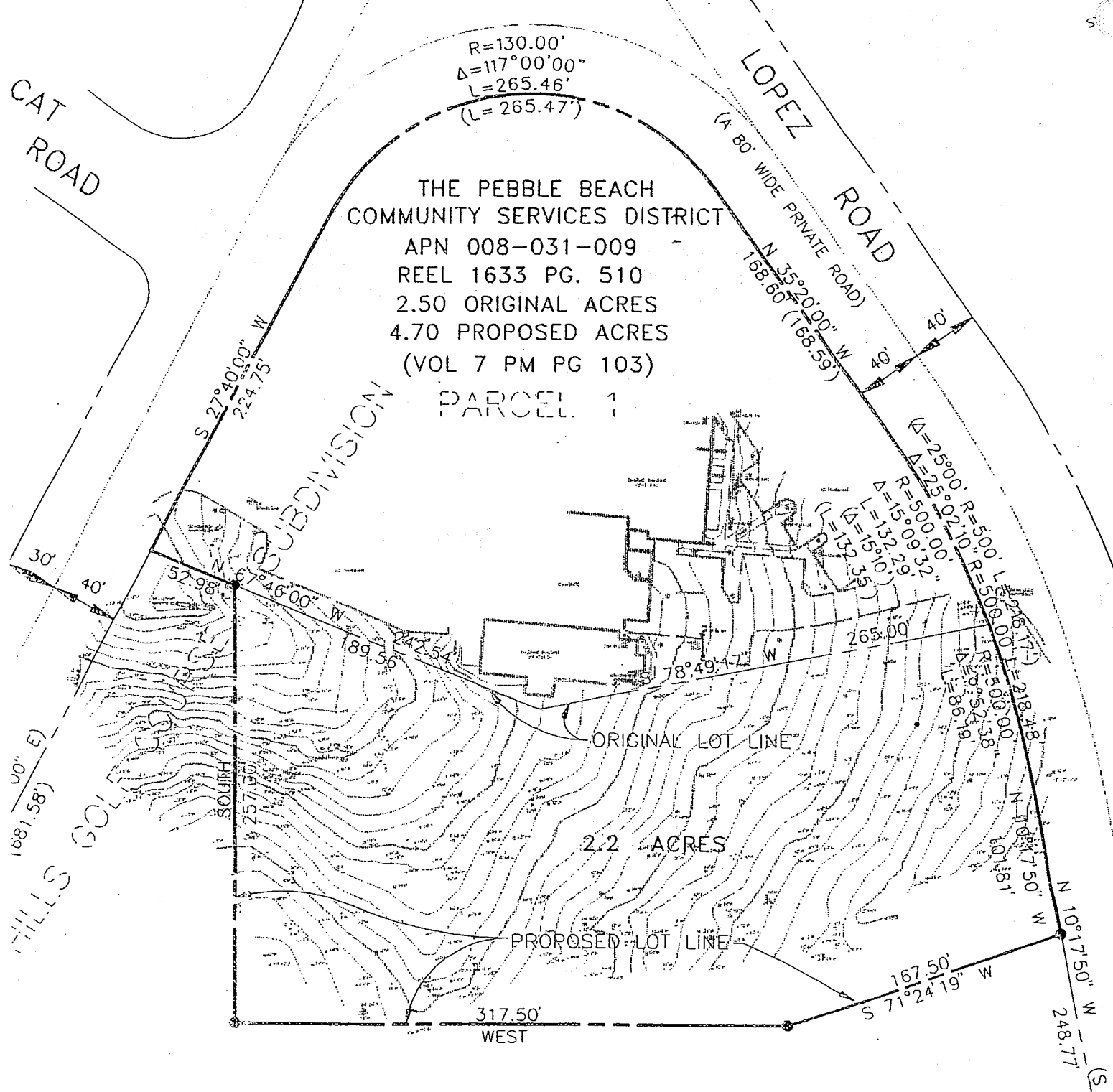
- c: PBCSD Board of Directors
David Laredo, MPWMD Legal Counsel
Stephanie Pintar, MPWMD Water Demand Manager
George Thacher, Wellington Law Offices
Michael Niccum, District Engineer
Mark Stilwell, Executive Vice President, PBCo

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CAT
ROAD

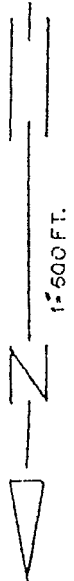
LOPEZ
ROAD
(A 80' WIDE PRIVATE ROAD)

THE PEBBLE BEACH
 COMMUNITY SERVICES DISTRICT
 APN 008-031-009
 REEL 1633 PG. 510
 2.50 ORIGINAL ACRES
 4.70 PROPOSED ACRES
 (VOL 7 PM PG 103)
 PARCEL 1

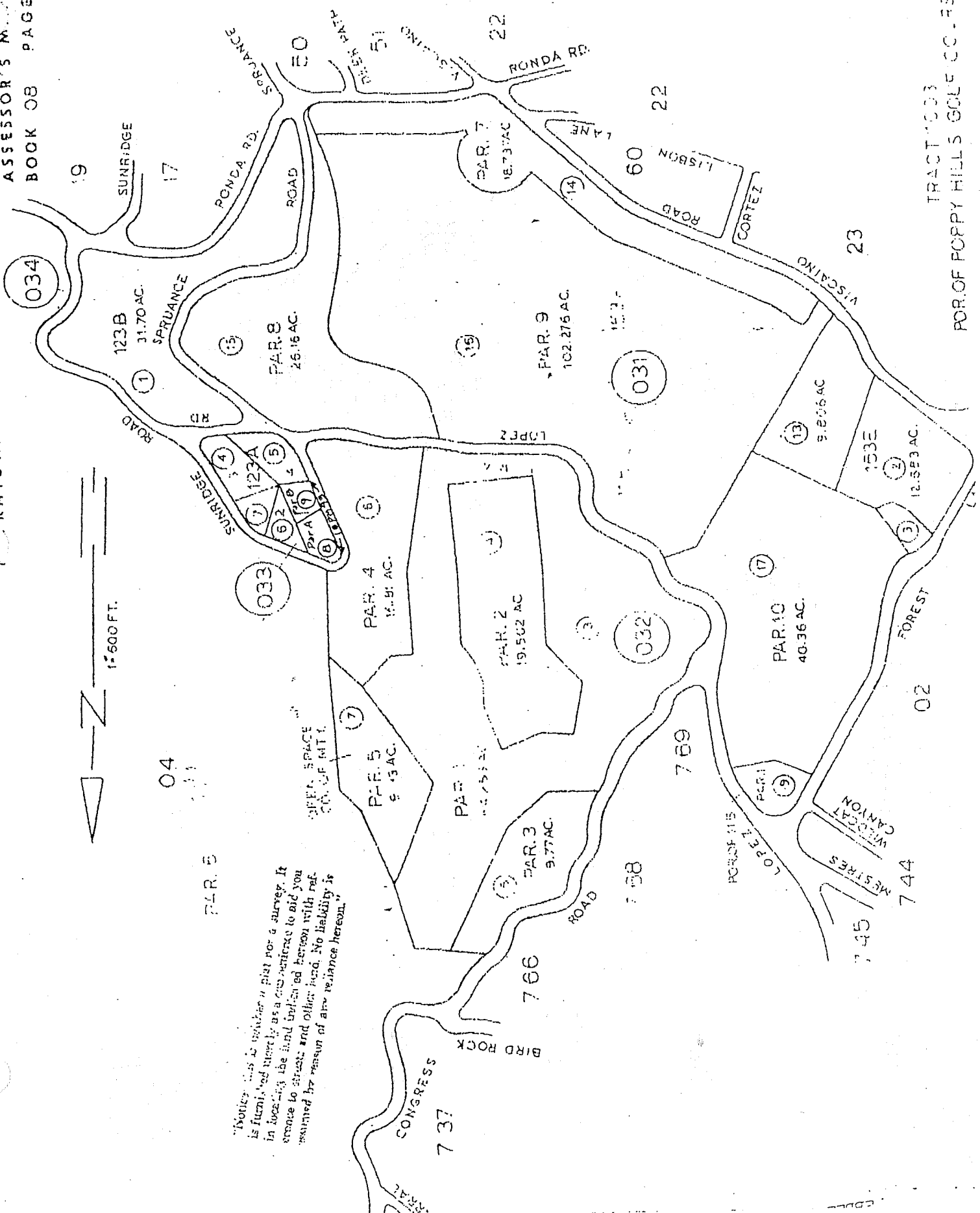


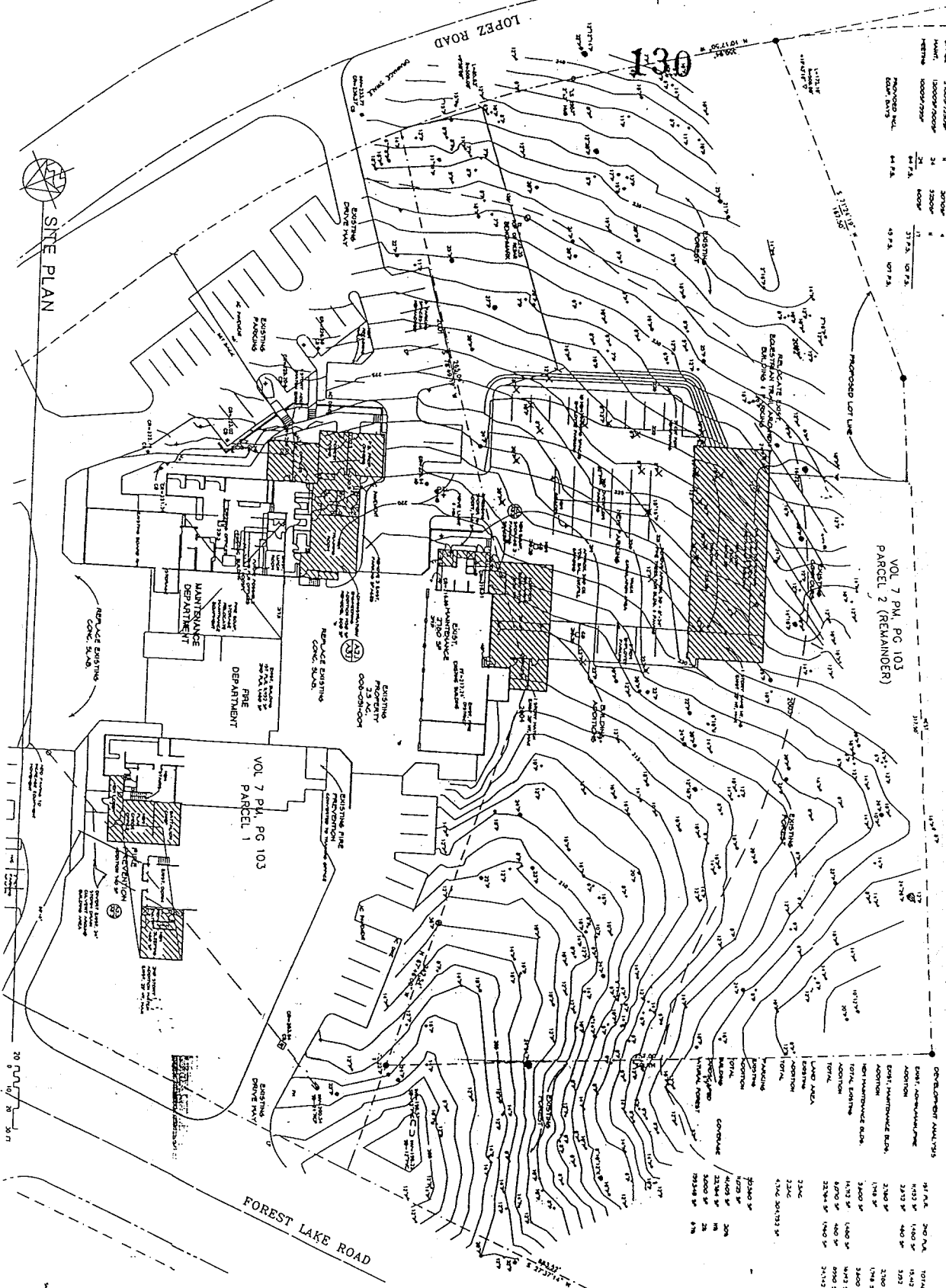
THE PEBBLE BEACH COMPANY
 APN 008-031-017
 40.36 ORIGINAL ACRES
 (VOL 15 C & T PG 52)
 PARCEL 10

1 RATE AREA



"Notice: This is neither a plat nor a survey. It is furnished here by as a convenience to aid you in locating the land burdened hereon with reference to streets and other land. No liability is assumed by reason of any reliance hereon."





Parcel No.	Area (sq. ft.)	Area (sq. ft.)	Area (sq. ft.)	Total
1	2,000,000	2,000,000	2,000,000	6,000,000
2	1,000,000	1,000,000	1,000,000	3,000,000
3	500,000	500,000	500,000	1,500,000
4	250,000	250,000	250,000	750,000
5	125,000	125,000	125,000	375,000
6	62,500	62,500	62,500	187,500
7	31,250	31,250	31,250	93,750
8	15,625	15,625	15,625	46,875
9	7,812	7,812	7,812	23,437
10	3,906	3,906	3,906	11,718
11	1,953	1,953	1,953	5,859
12	976	976	976	2,928
13	488	488	488	1,464
14	244	244	244	732
15	122	122	122	366
16	61	61	61	183
17	30	30	30	91
18	15	15	15	45
19	7	7	7	22
20	3	3	3	11
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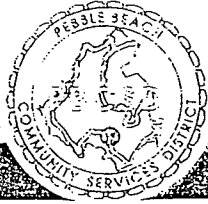
VOL 7 PM, PG 103
PARCEL 2 (REMAINDER)

VOL 7 PM, PG 103
PARCEL 1

Paul Davis
PUBLIC FACILITIES
IMPROVEMENT
PLANS
FIRE, MAINTENANCE
& ADMINISTRATIVE
PEBBLE BEACH
COMMUNITY
SERVICES
DISTRICT
FOREST LAKE 1
PEBBLE BEACH, CA 94955
PHONE (415) 325-8741
FAC (415) 375-2527

THE
PAUL DAVIS
PARTNERSHIP
ARCHITECTS/PLANNERS

Drawn by: C.M.O.
Drawing Date: 12/17/01
Date Plotted: 12/17/01



131 Richard Andrews, General Manager/Secretary

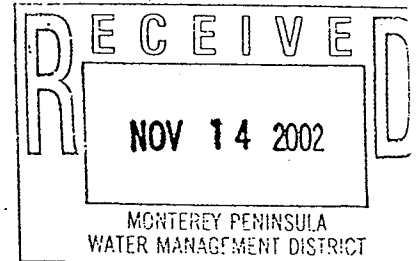
PEBBLE BEACH

COMMUNITY SERVICES DISTRICT

FOREST LAKE AND LOPEZ ROADS • PEBBLE BEACH, CALIFORNIA 93953 • (831) 373-1274 • FAX (831) 373-2357

November 13, 2002

Stephanie Pintar, Water Demand Manager
Monterey Peninsula Water Management District
P.O. Box 85
Monterey, CA 93942-0085



Re: PBCSD Public Facilities Improvement Project
APN: 008-031-009

**HAND
DELIVERED**

Dear Ms. Pintar:

Transmitted herewith is a copy of an executed option to purchase agreement for the Pebble Beach Community Services District ("PBCSD") to acquire from the Pebble Beach Company ("PBCo") 2.2 acres of property located adjacent to the existing PBCSD facilities at Forest Lake and Lopez Roads in Pebble Beach together with 1 acre-foot of potable water from the PBCo water entitlement. The 2.2-acre site is a portion of an existing 40-acre PBCo-owned parcel (APN 008-031-017) that is designated as a "benefited property" under terms of reclamation project agreements entered into between PBCo and the Monterey Peninsula Water Management District ("MPWMD"). Recital C of the attached option to purchase agreement defines 1 acre-foot of potable water entitlement as part of the property to be purchased and Section 8 includes a provision for PBCo to take all reasonable actions to allow PBCSD to obtain approval for transfer of the water entitlement.

A PBCSD letter dated September 18, 2002 formally requested the MPWMD designate the 2.5-acre parcel (008-031-009) where the existing District facilities are located as a "benefited" property, thereby allowing the use of the 1 acre-foot water entitlement for the proposed improvements to District facilities on the entire 4.7-acre parcel.


Sections from the draft environmental impact report (EIR) for the CAWD/PBCSD Wastewater Reclamation Project dated March 1989, the final EIR dated June 1989 and the Addendum to the EIR dated January 1991 are enclosed that address the impacts related to allocating 380 acre-feet of water entitlements to the Del Monte Forest area. Acting as the lead agency for the reclamation project, Carmel Area Wastewater District certified the final EIR on August 22, 1989 and the Addendum to the EIR on January 24, 1991.

BOARD OF DIRECTORS

Stephanie Pintar
November 13, 2002
Page 2 of 2

Please contact me to review the process for considering this request and what additional information or actions are required.

Sincerely,



Michael Niccum,
District Engineer

Enclosures: Purchase Option Agreement
Sections of Reclamation Project EIR

- C: Richard Andrews, PBCSD General Manager
- Ernesto A. Avila, MPWMD General Manager
- David Laredo, MPWMD Legal Counsel
- George Thacher, Wellington Law Offices
- Mark Stilwell, Executive Vice President, PBCo

OPTION TO PURCHASE

by and between

PEBBLE BEACH COMPANY,

a California general partnership,

as Seller,

and

PEBBLE BEACH COMMUNITY SERVICES DISTRICT,

a California community services district,

as Buyer

Dated

October 21, 2002

(For Reference Purposes Only)

**Del Monte Forest Property
Monterey County, California**

OPTION TO PURCHASE

This Option to Purchase ("Agreement") is dated, for reference purposes only, October 21, 2002, and is entered into by and between Pebble Beach Company, a California general partnership ("Seller"), and Pebble Beach Community Services District, a California community services district ("Buyer"). The "Effective Date" of this Agreement shall be the latest date set forth beneath the signatures of the parties on the signature page of this Agreement.

RECITALS

A. Buyer is the owner of approximately 2.5 acres of improved real property (APN 008-031-009) in the unincorporated area of the Del Monte Forest in the County of Monterey, at the intersection of Forest Lake and Lopez Roads (the "PBCSD Property").

B. Seller is the owner of approximately 40.36 acres of unimproved real property (APN 008-031-017) in the unincorporated area of the Del Monte Forest in the County of Monterey adjacent to the PBCSD Property (the "Pebble Beach Property"). Seller is also the owner of a water entitlement presently assigned to certain real property owned by Seller in the unincorporated area of the Del Monte Forest (the "PBC Water Entitlement").

C. Buyer desires to purchase from Seller approximately 2.2 acres of the Pebble Beach Property (the "Land"), together with one (1) acre-foot of potable water from the PBC Water Entitlement (the "Water Entitlement"). The Land and the Water Entitlement are collectively referred to in this Agreement as the "Property". The Land is more particularly described on **Exhibit A** attached to this Agreement.

D. Buyer has the power of eminent domain pursuant to the laws of the State of California and presently intends to acquire the Land by condemnation. Pursuant to applicable California law, Buyer obtained an appraisal report on the Land, has offered to purchase the Land from Seller, and, following Seller's rejection of Buyer's offer, has adopted a resolution of necessity determining that purchase of the subject parcel is for a legitimate public use and resolving that Buyer shall pursue acquisition through the condemnation process. In lieu of condemnation, Seller has agreed to grant to District an option to purchase the Land pursuant to terms and conditions in this Agreement.

AGREEMENT

NOW, THEREFORE, based on the foregoing, and in consideration of the mutual promises contained in this Agreement, and for other good, adequate, and independent consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows.

1. **Option to Purchase.** Seller hereby grants to Buyer an option to purchase the Property for the period and upon and subject to the terms and conditions set forth in this Agreement (the "Option"). Except as otherwise specifically set forth in this Agreement, the purchase and sale of the Property on exercise of the Option shall be on the terms and conditions

set forth in the Agreement of Purchase and Sale attached as **Exhibit B** to this Agreement (the "Purchase Agreement").

2. **Term of option.** The term of the Option shall be for a period commencing on the Effective Date of this Agreement and expiring at 11:59 p.m. (California time) on September 30, 2003 (the "Option Term"). Buyer is hereby given an option to extend the Option Term for a period of one (1) year on all of the provisions contained in this Agreement. Provided that Buyer is not in default under any term of this Agreement at the time, Buyer may exercise the option by giving Seller written notice of its election on or before September 30, 2003 and concurrently paying to Seller the additional Option Consideration set forth in Paragraph 3, below. If Buyer exercises the option within the time and in the manner set forth herein, the Option Term shall be extended such that it will expire at 11:59 p.m. (California time) on September 30, 2004. Time is of the essence in the exercise of the option, and a material term hereof. If Buyer fails to exercise the option granted herein within the time period set forth herein, and by written notice in the manner set forth herein, Buyer's right in the option shall be null, void, and of no further force and effect, and this Agreement shall expire at 11:59 p.m. (California time) on September 30, 2003.

3. **Option Consideration.** As consideration for the Option, Buyer shall pay to Seller, in immediately available funds, the sum of Ten Thousand Dollars (\$10,000) (the "Option Consideration") on the Effective Date. If Buyer exercises the option to extend the Option Term as provided in paragraph 2, above, Buyer shall, concurrently with the exercise of the option to extend the Option Term, pay to Seller, in immediately available funds, additional Option Consideration of Ten Thousand Dollars (\$10,000). The Option Consideration set forth in this section is and shall be deemed consideration solely for the granting of the Option by Seller and shall be non-refundable to Buyer, except as otherwise specifically provided to the contrary in this Agreement. On the expiration of the Option Term, Seller shall retain all Option Consideration. If the Option is exercised, the Option Consideration shall be credited against the purchase price of the Property if closing occurs in accordance with the terms of the Purchase Agreement.

4. **Conditions Precedent to Exercise of Option.** Buyer's rights in and to the Option are expressly subject to the following conditions precedent, which are solely for Seller's benefit.

4.1 **No Default.** Buyer shall not be in default under any term of this Agreement. Buyer shall be deemed to be in default hereunder if Buyer fails to perform or observe any of the agreements, terms, covenants, or conditions of this Agreement as and when due.

4.2 **Permits.** On or before Buyer's attempted exercise of the Option, Buyer shall, at Buyer's sole expense, have obtained the approvals by all appropriate governmental authorities and private parties for such licenses, permits, and other administrative approvals (collectively, the "Permits") as may be necessary to (i) effect the transfer and conveyance of the Water Entitlement to Buyer for use by Buyer on the Land and the PBCSD Property, or either of them, (ii) subject to section 9, below, establish the Land as a separate legal lot of record in accordance with applicable California law and file an approved final subdivision map, record of survey, or other appropriate parcel map for the Land in the Official Records of Monterey County, and (iii) construct and operate on the Land such improvements as Buyer reasonably

deems necessary to accommodate Buyer's intended use of the Property; provided that all such Permits shall be without conditions that may have a material adverse effect on Seller, its business or operations, or the Pebble Beach Property, as determined by Seller in its reasonable business judgment.

If the conditions precedent set forth in this section have not been satisfied by Buyer, Seller may (i) waive the condition in writing and continue this Agreement and the Option in full force and effect or (ii) terminate this Agreement by written notice to Buyer in which case the Option shall be void and of no effect and this Agreement shall terminate as of the date specified in the termination notice.

5. **Exercise of Option.** As long as all conditions to the exercise of the Option are satisfied or are waived in writing by Seller, Buyer may exercise the Option only in accordance with this section and in no other manner. The Option shall be exercised by delivering written notice from Buyer to Seller before the expiration of the Option Term ("Exercise Notice"). The Exercise Notice shall affirmatively state that the Buyer exercises the Option without condition or qualification. Upon delivery of the Exercise Notice, Buyer shall become obligated to buy and Seller shall become obligated to sell the Property pursuant to the terms of this Agreement and the Purchase Agreement. Within three (3) business days after exercise of the Option, the parties shall execute and deliver the Purchase Agreement; provided, however, that the parties' failure to execute and deliver the Purchase Agreement in accordance with this section shall not affect the validity of the Purchase Agreement, which shall be immediately effective and binding on both Seller and Buyer, without further execution by the parties, on exercise of the Option.

6. **Purchase Price.** The purchase price for the Property (the "Purchase Price") shall be Three Hundred Sixty-Five Thousand Dollars (\$365,000).

7. **Investigation of Property.** Upon prior written notice to Seller during the Option Term, Buyer may reasonably go upon the Land for purposes of inspection, surveying, testing, design of improvements, and other actions reasonably related to the investigation by Buyer of the suitability of the Property for the Buyer's purposes subject to the following terms and conditions.

7.1 **Non-Interference.** In conducting Buyer's review of the Land, Buyer shall not unreasonably interfere with the conduct of the business activities of Seller. Buyer shall compensate the Seller for any and all damage proximately caused by Buyer's review of the Land under this section.

7.2 **Changes in the Property.** Buyer may make minor changes in the Land in the course of any investigation permitted under this Agreement, provided that the change or damages are only temporary, that they are reasonably necessary to the investigation of the physical characteristics of the Land, and that Buyer repairs such damage and restores the Land to its original condition promptly on completion of the investigation. Except as otherwise expressly set forth herein, on the expiration of the Option Term without exercise of the Option or on the earlier termination of this Agreement, Buyer shall, at Buyer's sole cost, immediately restore the Land to its physical condition as of the date of this Agreement. The Buyer's obligations under this section shall survive the expiration of the term of the Option or the earlier termination of this Agreement.

7.3 Compliance with Laws. Buyer shall comply with all applicable governmental laws, ordinances, and regulations in the conduct of activity on the Land under this section. Before undertaking any activity on the Land that requires a governmental permit, Buyer shall obtain the permit and pay any fee or expense required to obtain or carry out the permit.

7.4 Insurance. Buyer shall secure and maintain at all times during the term of this Agreement, at Buyer's sole cost (i) a commercial general liability policy of insurance, including bodily injury and property damage coverage, written on an "occurrence" basis, with limits of not less than Two Million Dollars (\$2,000,000) insuring Buyer against injury or damage to persons or property arising from or in connection with any action permitted under this Agreement, naming Seller as an additional insured under that coverage, and containing coverage for contractual liability for Buyers' obligations under this Agreement; and (ii) workers compensation and employers' liability insurance in accordance with the provisions of California law. Buyer shall deliver to Seller a copy of certificates evidencing such coverage in force, together with copies of the policies of insurance, before entering onto the Land. Each policy shall contain a provision that such policy may not be terminated until thirty (30) days after written notice of the proposed termination has been delivered to Seller. In lieu of a copy of certificates evidencing the insurance coverage required above, Buyer may deliver to Seller a letter from the Association of California Water Agencies Joint Powers Insurance Authority certifying that Buyer has the above or equivalent insurance coverage, which letter shall satisfy the insurance requirements of this section and be acceptable in lieu of providing certificates of insurance.

7.5 Expense of Buyer's Investigation. In no event shall Seller be required to incur any cost or detriment in cooperating with Buyer in its investigation and review of the Land.

7.6 Indemnity Obligations. Buyer will indemnify, defend, and hold Seller and the Property harmless from and against any claim, cost, lien, action, liability or judgment (including, without limitation, Seller's attorney's fees and defense costs) (i) incurred for, from, or by Buyer or any person or entity acting on behalf of or at the request of Buyer; and (ii) for personal injury, property damage or other loss or damage of any kind resulting from, or in any way related to, Buyer's entry onto the Land. The Buyer's obligations under this section shall survive the expiration of the Option Term or the earlier termination of this Agreement.

8. Governmental Approvals. Buyer acknowledges that (i) the Land is subject to the Del Monte Forest Area Land Use Plan as amended by Measure A, approved by the voters in November 2000, which, among other restrictions, subjects the Property to open space zoning, and (ii) Buyer may be restricted by Measure A from developing the Property for Buyer's intended purpose. During the Option Term, Buyer will seek certain governmental approvals necessary to effect the transfer and development of the Property for Buyer's intended purpose. Seller shall cooperate with Buyer and during the Option Term shall take all actions and join in all applications and execute all documents reasonably necessary to allow Buyer to prosecute applications for and obtain such approvals, including without limitation such approvals as may be necessary to effect the transfer and conveyance of the Water Entitlement to Buyer for use by Buyer on the Land and the PBCSD Property, or either of them, subject to the following terms and conditions.

8.1 No Seller Expense. Seller shall not bear or become obligated to pay any expense, or assume any liability, in connection with Buyer's pursuit of such governmental approvals, and Buyer shall indemnify, defend and hold Seller harmless from any cost, loss, liability or expense (including, without limitation, Seller's reasonable attorneys' fees and defense costs) arising in connection therewith.

8.2 No Seller Obligation. Without the prior written consent of Seller, no governmental approval which (i) imposes or increases any lien, encumbrance, tax, assessment, or other obligation on the Property, or (ii) changes the status of the Property in any manner that would increase the financial or other burdens or obligations of ownership of the Property or adversely affect, in any material way, the Seller's ability to continue the current use or make any other future use of the Property, shall have any effect on the Property prior to closing of Buyer's purchase of the Property.

8.3 Copies of Documents. Buyer shall submit to Seller copies of all applications and all studies, reports, and other documents that are part of such applications submitted for such governmental approvals.

8.4 Assignment of Applications and Approvals. All applications and governmental approvals submitted or issued in the name of Buyer shall, to the maximum extent permitted by law, be assignable to Seller and shall, in the event of expiration or sooner termination of the Option, be assigned and transferred to Seller. If Buyer does not exercise the Option, or close escrow in the event of exercise of the Option, Buyer shall assign to the Seller upon request, and to the extent legally possible, any and/or all agreements between Buyer and its consultants and any and/or all reports procured by Buyer with regard to the Property.

8.5 Status Reports. From time-to-time during the Option Term, upon reasonable request of Seller, Buyer shall provide to Seller an oral status report on the progress of Buyer's pursuit of the necessary governmental approvals, which status report shall be in scope and content reasonably satisfactory to Seller.

9. Subdivision Compliance. Buyer represents and warrants to Seller that the purchase and sale transaction contemplated by this Agreement and the Purchase Agreement is exempt from compliance with the California Subdivision Map Act [Gov C §§ 66410 et seq.] (the "Subdivision Map Act"). Buyer shall indemnify, defend, and hold Seller harmless from and against all loss, cost, and expense (including, without limitation, reasonable attorney fees and defense costs) incurred or suffered by Seller because of the breach of the foregoing representation and warranty. If the parties, or either of them, discover prior to the closing under the Purchase Agreement that the purchase and sale transaction is not exempt from the Subdivision Map Act, then Seller's obligation to sell the Property is subject to the Buyer satisfying the condition precedent set forth in section 4.2 (ii).

10. Assignment of Option. This Option is personal to Buyer. Buyer may not assign this Option or any right under it. If an assignment is attempted, Buyer's rights under this Option shall automatically terminate, without notice.

11. Risk of Loss. Buyer shall not, by reason of any loss or damage to all or any part of the Property, with or without Seller's fault, be relieved of any obligation, covenant, promise,

or agreement of Buyer contained in this Agreement, nor shall Buyer be entitled to any return or refund of any money received by Seller from Buyer, nor shall the Purchase Price of the Property be adjusted or offset for any such loss or damage. Buyer shall bear the risk of all such loss or damage to the Property and all payments for such loss or damage made under policies of insurance owned by Seller shall belong to Seller.

12. Condemnation. Buyer shall not, by reason of any condemnation or eminent domain proceeding, or any proceeding in lieu thereof, initiated against the Property, be relieved of any obligation, covenant, promise, or agreement of Buyer contained in this Agreement, nor shall Buyer be entitled to any return or refund of any money received by Seller from Buyer; provided, however, that Buyer shall receive a credit toward the Purchase Price in an amount equal to the amount of money received by Seller for the property condemned. Except as specifically set forth in this section, Buyer shall have no other right or remedy in such condemnation or eminent domain action.

13. Recordation. Neither this Agreement nor any memorandum of this Agreement or other matter with respect thereto shall be recorded by either Seller or Buyer in the official records of Monterey County. Buyer covenants to execute and deliver to Seller immediately on the expiration of the Option Term or earlier termination of this Agreement a quitclaim deed in recordable form releasing and reconveying to Seller all right, title, and interest of Buyer in the Property.

14. Broker's Commission. Neither party has dealt with any real estate agent or broker in connection with this Agreement in any manner that creates or may give rise to any right or claim for payment of a commission or other amount on account of the Option, the exercise of the Option by Buyer, or the closing of the transaction described in the Purchase Agreement and the purchase of the Property pursuant thereto. Each party shall indemnify, defend, and hold harmless the other from and against all loss, cost, and expense (including, without limitation, attorney fees and defense costs) incurred or suffered because of the breach of the foregoing representation and warranty arising from any claim for compensation founded on or as a result of acts asserted to have been performed on behalf of that party.

15. Miscellaneous.

15.1 Time of Essence; Failure to Exercise. Time is of the essence of this Agreement and is a material term of this Agreement. If the Option is not exercised as required by this Agreement before expiration of the Option Term, the Option and all rights of Buyer shall automatically and immediately terminate without notice, and Buyer shall have no interest whatever in the Property. Once it has terminated, the Option may not be revived by any subsequent payment or further action by Buyer.

15.2 Further Assurances. Subject to the limitations set forth in this Agreement, each of the parties agrees to use its best efforts to take, or cause to be taken, all action to do, or cause to be done, and to assist and cooperate with the other parties hereto in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement including, without limitation, executing, acknowledging, and delivering any instruments and documents as may be necessary, expedient, or proper, to complete any conveyance, transfer, sale, or

assignment contemplated by this Agreement, and to do any other acts and to execute, acknowledge, and deliver any requested document to carry out the intent and purpose of this Agreement.

15.3 Successors and Assigns. Subject to the prohibition on assignment in section 10, each and all of the rights, benefits, duties, liabilities, and obligations of the parties hereto shall inure to the benefit of, and be binding upon, their respective successors and assigns.

15.4 Notices. All notices to be given under this Agreement or by law shall be in writing and shall be deemed duly served and delivered (a) when personally delivered to the party to whom it is directed, or (b) on the fourth (4th) day after mailing if mailed to the party to whom such notice is to be given by first class, certified or registered mail, postage prepaid, and properly addressed as set forth below, or at other places designated by Buyer or Seller in a written notice given to the other:

If to Seller: Pebble Beach Company
P.O. Box 1767
Pebble Beach, CA 95953-1767
Attention: Mark Stilwell

With copy to: Daniel F. Archer, Esq.
Kennedy, Archer & Harray
24591 Silver Cloud Court, Suite 200
Monterey, CA 93940

If to Seller: Pebble Beach Company Service District
Forest Lake Road at Lopez Road
Pebble Beach, CA 93953
Attention: Richard Andrews

With copy to: Robert R. Wellington
Wellington Law Offices
856 Cass Street, Suite D
Monterey, CA 93940

15.5 Interpretation. Whenever used herein, the term "including" shall be deemed to be followed by the words "without limitation." Words used in the singular number shall include the plural, and vice versa, and any gender shall be deemed to include each other gender.

15.6 Attorneys' Fees. If either Party brings any suit or other proceeding with respect to the subject matter or enforcement of this Agreement, the prevailing party (as determined by the court, agency, or other authority before which such suit or proceeding is adjudicated) shall, in addition to such other relief as may be awarded, be entitled to recover attorneys' fees, expenses and costs of investigation as actually incurred (including, without limitation, reasonable attorneys' fees, expenses, and costs of investigation incurred in appellate proceedings, costs incurred in establishing the right to indemnification, or in any action or

participation in, or in connection with any case or proceeding under the Bankruptcy Code of the United States, or any successor statutes).

15.7 Construction. The title and headings of the sections in this Agreement are intended solely for reference and do not modify, explain, or construe any provision of this Agreement. All references to sections, recitals, and the preamble shall, unless otherwise stated, refer to the sections, recitals, and preamble of this Agreement.

15.8 Arm's Length Negotiations. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Agreement. Accordingly, any rule of law (including California Civil Code Section 1654) or legal decision that would require interpretation of any ambiguities in this Agreement against the party that has drafted it is not applicable and is waived. The provisions of this Agreement shall be interpreted in a reasonable manner to effect the purposes of the parties and this Agreement.

15.9 Integration. This Agreement, all attached exhibits and all related documents referred to in this Agreement constitute the entire agreement between the parties. There are no oral or parol agreements which are not expressly set forth in this Agreement and the related documents being executed in connection with this Agreement. All attached exhibits are incorporated in this Agreement by reference. This Agreement may not be modified, amended, or otherwise changed except by a writing executed by the party to be charged.

15.10 Third-Party Rights. This Agreement has been made and is made solely for the benefit of the parties to this Agreement and their respective permitted successors and assigns. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties and their respective successors and assigns, any rights or remedies, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third persons any right of subrogation or action over or against any party to this Agreement.

15.11 Severability. If any term or provision of this Agreement is held by a court of competent jurisdiction to be invalid or unenforceable under applicable law, the invalid or unenforceable term or provision shall be ineffective to the extent of such invalidity or unenforceability and shall have no effect on the remaining terms and provisions of this Agreement.

15.12 Waivers. No waiver or breach of any provision of this Agreement shall be deemed, or constitute, a waiver of any other provision, whether or not similar, nor shall any waiver be valid unless it is in writing and executed by the waiving party. No extension of time for performance of any obligation or act shall be deemed an extension of time for any other obligation or act.

15.13 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. The signature page of each counterpart may be detached from such counterpart and attached to a single document which shall for all purposes be treated as an original. The execution of this Agreement shall be deemed to have occurred, and this

Agreement shall be enforceable and effective, only upon the complete execution of this Agreement by Seller and Buyer.

15.14 Authority of Parties. All persons executing this Agreement on behalf of a party warrant that they have the full power and authority to execute this Agreement on behalf of that party.

15.15 Governing Law. This Agreement and all transfers and assignments hereunder, and all rights of the parties, shall be governed as to validity, construction, enforcement and in all other respects by the laws of the State of California (without regard to choice of law rules).

IN WITNESS WHEREOF, the parties have executed this Agreement on the date set forth beside the signature of each, the latest of which shall be deemed to be the effective date of this Agreement.

SELLER:

BUYER:

PEBBLE BEACH COMPANY, a California general partnership

PEBBLE BEACH COMMUNITY SERVICES DISTRICT, a California community services district

By: CYPRESS I, LLC, a Delaware limited liability company

By: Hampton S Stewart
Name: HAMPTON S. STEWART II
Its: BOARD PRESIDENT
Date: NOV 12, 2002

Its: Partner

By: [Signature]
Name: William L. Perocchi
Its: Chief Executive Officer
Date: November 5, 2002

Attest:

By: CYPRESS II, LLC, a Delaware limited liability company

By: Richard Andrews
Name: Richard Andrews
Its: General Manager / Secretary
Date: Nov. 12, 2002

Its: Partner

By: [Signature]
Name: William L. Perocchi
Its: Chief Executive Officer
Date: November 5, 2002

M/S

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EXHIBIT A

REAL PROPERTY DESCRIPTION

[Attached]

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MONTEREY PENINSULA COUNTRY CLUB
SUBDIVISION NO. 1
(VOL 3 C&T PG 26)



SCALE: 1" = 100'

WILDCAT
CANYON
ROAD

LOPEZ
ROAD
(A 80' WIDE PRIVATE ROAD)

THE PEBBLE BEACH
COMMUNITY SERVICES DISTRICT
APN 008-031-009
REEL 1633 PG. 510
2.50 ORIGINAL ACRES
4.70 PROPOSED ACRES
(VOL 7 PM PG 103)
PARCEL 1

R=130.00'
Δ=117°00'00"
L=265.46'
(L=265.47')

FOREST
LAKE
ROAD
(A 70' WIDE PRIVATE ROAD)

POPPY HILLS GOLD
MINES SUBDIVISION

S 27°40'00" W
224.75'

N 35°00'00" W
168.80' (168.59')

S 27°40'00" W
224.75'

Δ=25°00'
R=500.00'
L=1532.29'
(L=1532.33')

S 27°40'00" W
224.75'

ORIGINAL LOT LINE

2.20 ACRES

PROPOSED LOT LINE

THE PEBBLE BEACH COMPANY
APN 008-031-017
40.36 ORIGINAL ACRES
38.16 PROPOSED ACRES
(VOL 15 C & T PG 52)
PARCEL 10

317.50'

WEST

S 71°24'19" W
167.50'

N 10°17'50" W
248.77'

(S 10°20'00" E)
(350.00')

EXHIBIT "A"

TO ACCOMPANY -
BESTOR ENGINEER'S, INC.'S
THREE (3) 2-19-02 LEGAL DESCRIPTIONS
OF
2.20 ACRE LAND ACQUISITION

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DESCRIPTION OF 2.20 ACRES
PARCEL OF LAND
TO BE ADDED TO
PEBBLE BEACH COMMUNITY SERVICE DISTRICT LANDS
FROM
A PORTION OF THE PEBBLE BEACH COMPANY LANDS

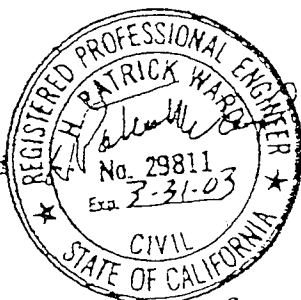
Certain real property located in El Pescadero Rancho in the unincorporated area of Monterey County, State of California and being a portion of Parcel Number 10, as said parcel is shown on that certain map entitled, "Tract No. 1003, Poppy Hills Golf Course", filed in Volume 15 of maps, "Cities & Towns", at Page 52, Monterey County Records, more particularly described as follows:

BEGINNING at the northeasterly corner of above referenced Parcel 10; thence continuing along a portion of the easterly boundary of said Parcel 10

1. Southerly 86.19 feet along the arc of a curve, center bears S 69° 49' 32" W, 500.00 feet, through a central angle of 9° 52' 38"; thence tangentially
2. S 10° 17' 50" E, 101.81 feet; thence leaving said easterly Lot 10 boundary and traversing through a portion of said Lot 10
3. S 71° 24' 19" E, 167.50 feet; thence
4. West 317.50 feet; thence
5. North 257.00 feet to a point on the northerly boundary of said Lot 10; thence continuing along a portion of said Lot 10 northerly boundary
6. S 67° 46' 00" E, 189.56 feet; thence
7. N 78° 49' 17" E, 265.00 feet to the Point of Beginning

And containing 2.20 acres of land.

H. Patrick Ward



DESCRIPTION OF PEBBLE BEACH COMMUNITY SERVICE DISTRICT LANDS
AFTER
ADDITION OF 2.20 ACRE PARCEL OF LAND
FROM
A PORTION OF PEBBLE BEACH COMPANY LANDS

Certain real property located in El Pescadero Rancho in the unincorporated area of Monterey County, State of California and being Parcel 1, as said parcel is shown on that certain map entitled "Parcel Map of A.P. No. 8-031-07 Pebble Beach, California" filed in Volume 7 of Parcel Maps at Page 103, Monterey County Records, and a portion of Parcel Number 10, as said parcel is shown on that certain map entitled, "Tract No. 1003, Poppy Hills Golf Course", filed in Volume 15 of maps, "Cities & Towns", at Page 52, Monterey County Records, last said portion of Parcel 10 is more particularly described as follows:

BEGINNING at the northeasterly corner of above referenced Parcel 10; thence continuing along a portion of the easterly boundary of said Parcel 10

1. Southerly 86.19 feet along the arc of a curve, center bears S 69° 49' 32" W, 500.00 feet, through a central angle of 9° 52' 38"; thence tangentially
2. S 10° 17' 50" E, 101.81 feet; thence leaving said easterly Lot 10 boundary and traversing through a portion of said Lot 10
3. S 71° 24' 19" E, 167.50 feet; thence
4. West 317.50 feet; thence
5. North 257.00 feet to a point on the northerly boundary of said Lot 10; thence continuing along a portion of said Lot 10 northerly boundary
6. S 67° 46' 00" E, 189.56 feet; thence
7. N 78° 49' 17" E, 265.00 feet to the Point of Beginning

Said Parcel 1 and portion of Parcel 10 contains 4.70 acres of land.

H. Patrick Ward



2-19-02

**DESCRIPTION OF A PORTION OF THE PEBBLE BEACH COMPANY LANDS
AFTER A 2.20 ACRE PARCEL OF LAND
IS TRANSFERRED TO
THE PEBBLE BEACH COMMUNITY SERVICE DISTRICT LANDS**

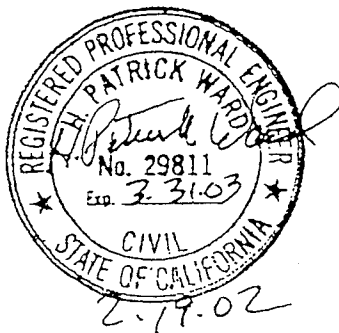
Certain real property located in El Pescadero Rancho in the unincorporated area of Monterey County, State of California and being Parcel Number 10, as said parcel is shown on that certain map entitled, "Tract No. 1003, Poppy Hills Golf Course", filed in Volume 15 of maps, "Cities & Towns", at Page 52, Monterey County Records, except for the following described portion of Parcel 10:

BEGINNING at the northeasterly corner of above referenced Parcel 10; thence continuing along a portion of the easterly boundary of said Parcel 10

1. Southerly 86.19 feet along the arc of a curve, center bears S 69° 49' 32" W, 500.00 feet, through a central angle of 9° 52' 38"; thence tangentially
2. S 10° 17' 50" E, 101.81 feet; thence leaving said easterly Lot 10 boundary and traversing through a portion of said Lot 10
3. S 71° 24' 19" E, 167.50 feet; thence
4. West 317.50 feet; thence
5. North 257.00 feet to a point on the northerly boundary of said Lot 10; thence continuing along a portion of said Lot 10 northerly boundary
6. S 67° 46' 00" E, 189.56 feet; thence
7. N 78° 49' 17" E, 265.00 feet to the Point of Beginning

Said revised Parcel 10 contains 38.16 acres of land.

H. Patrick Ward



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EXHIBIT B

AGREEMENT OF PURCHASE AND SALE

[Attached]

DRAFT
ENVIRONMENTAL IMPACT REPORT

Wastewater Reclamation Project
SCH#88040520

Prepared for
Carmel Sanitary District
as Lead Agency for
Carmel Sanitary District
and
Pebble Beach Community Services District

March 1989

PROJECT CHARACTERISTICS AND OBJECTIVESProject Purpose and Objectives

The proposed project consists of construction of a tertiary treatment facility, improvements to the existing secondary treatment facility operated by the Carmel Sanitary District, construction of a pipeline distribution system, and construction of a 2.5 million gallon reclaimed water storage tank. The project will provide reclaimed water for irrigation use on seven golf courses and four other recreational areas in the Pebble Beach (Del Monte Forest) area.

The purpose of the CSD/PBCSD Water Reclamation Project is to provide subpotable water for irrigation purposes. The use of reclaimed water for golf course irrigation will allow the potable water currently used for irrigation to be made available for other uses. The allocation of the saved water is under the jurisdiction of the Monterey Peninsula Water Management District (MPWMD). The MPWMD has determined that the reclamation project would free up at least 800 acrefeet of water per year. It is currently in the process of soliciting proposals from potential "fiscal sponsors" to fund construction and operation of the reclamation project. In exchange, the MPWMD intends to allocate up to 400 acrefeet per year to the fiscal sponsor. Although the fiscal sponsor has not yet been selected, in a memorandum of understanding, dated July 20, 1987, the MPWMD indicated its intent to grant an entitlement to potable water for development of lots in the Del Monte Forest, not to exceed 380 AF per year. This would be subject to the Pebble Beach Company being selected as the fiscal sponsor. This EIR assumes that such an entitlement would be made to the Del Monte Forest. The remainder of the freed up water that is not allocated to a fiscal sponsor will be subject to reallocation by the MPWMD. The District is in the process of defining reallocation alternatives and will conduct the environmental review on the allocation alternatives. (See the Growth section of this EIR for further discussion.)

The design of the reclamation facilities is based on meeting 100 percent of the peak irrigation demand of the users of the reclaimed water. The facilities have been sized to meet the simultaneous maximum peak daily water demand of all users, established as 2.33 million gallons per day (mgd) and the maximum five-day water demand of 1.5 mgd (Dryden, 1987). Based on these criteria, the required capacity of the reclamation plant was determined to be 1.5 mgd and the required storage tank volume was determined to be 2.5 mg.

FINAL
ENVIRONMENTAL IMPACT REPORT

Carmel Sanitary District
Wastewater Reclamation Project
SCH#88040520

Prepared for
Carmel Sanitary District
as Lead Agency for
Carmel Sanitary District
and
Pebble Beach Community Services District

June 1989

SUMMARY OF ENVIRONMENTAL IMPACTS

The project under consideration is a joint proposal by the Carmel Sanitary District, Pebble Beach Community Services District, and the Pebble Beach Company to construct a wastewater reclamation project to provide reclaimed water for irrigation use on golf courses in the Pebble Beach/Del Monte Forest area of Monterey County. The project consists of construction of a tertiary treatment facility, improvements to the existing secondary treatment facility operated by the Carmel Sanitary District, construction of a pipeline distribution system, and a 2.5 million gallon storage tank for the reclaimed water. The reclaimed water will be used to irrigate golf courses in Del Monte Forest. This will make potable water available for development of approximately 900 to 1,000 residential units in Del Monte Forest. A full project description is provided in the following section of this report.

No major areas of controversy were raised or revealed as a result of preparation of the Initial Study and circulation of the Notice of EIR preparation. A number of comments received in response to the Notice of Preparation indicated support for wastewater reclamation, but also expressed concern about how the freed-up potable water would be allocated and the effects of potential growth as a result of reallocation of potable water. Several comments indicated that the freed-up water should be set aside as a drought reserve.

Impacts that were identified as being potentially significant include exposure to seismic groundshaking; potential for differential settlement and liquefaction; exposure to flood hazards; visual impacts of treatment plant and storage tank; and construction-related impacts associated with traffic, noise, erosion, and disruption of utility services.

The EIR evaluates secondary growth impacts associated with potential development that could occur due to the 800 acre-feet of potable water that will become available once reclaimed water from the project is used for irrigation. The reallocation of the potable water is under the jurisdiction of the Monterey Peninsula Water Management District (MPWMD). In an existing memorandum of understanding, the MPWMD has expressed its intent to allocate up to 380 acrefeet to the Del Monte Forest area. The remaining 420 acrefeet would be allocated by the MPWMD to other uses, and will be subject to separate environmental review by the MPWMD.

As discussed in the Growth section of this EIR, an entitlement of 380 acrefeet of water per year to the Del Monte Forest would accommodate about 900 to 1,000 residential dwellings, based on average water consumption rates. Implementation of the reclamation project would remove an existing obstacle to growth in the area. However, the amount of development that could occur as a result of the project does not exceed development that is permitted under the Del Monte Forest Land Use Plan. Therefore, the secondary growth impact by itself is not considered significant, although impacts arising from such growth may be significant.

Future development will be subject to approval of site-specific development plans by Monterey County. This development will result in physical impacts, as well as increased traffic and public service demands. Site-specific development plans will be subject to environmental review and compliance with policies of the Del Monte Forest Local Coastal Plan which governs protection of resources and siting of development.

Development of 900 to 1,000 units will result in increased traffic volume of 9,000 to 10,000 daily trips in the Del Monte Forest and surrounding area. A previously prepared traffic report on buildout of the Del Monte Forest identified the need to construct a fifth gate and collector road into the Forest. These improvements will be constructed as conditioned by Monterey County as part of the approval of the Spanish Bay project. Other improvements also may be necessary, such as widening Highway 68, and the need will be further reviewed as part of future project review.

The development of 900 to 1,000 units will result in an increased residential population of approximately 2,200 to 2,500 persons. Wastewater flows would slightly exceed Pebble Beach Community Services District's treatment capacity, but is within the remaining plant capacity. As the area develops, it will be necessary to obtain authorization to utilize the plant's 4.0 mgd capacity.

The increased population will also increase demands for fire, police, and school services. Fire protection services and school facilities appear adequate to serve future development. Additional Sheriff's Department personnel will be required to support the increased population.

Policies, technical requirements and development standards contained in the Del Monte Forest (DMF) LCP serve as mitigations for development in the DMF Area. The Monterey County Implementation Plan, "Regulations for Development in the Del Monte Forest Land Use Plan Area" (Chapter 20.147 of the

Coastal Implementation Plan); Coastal Zone Regulations (Chapters 20.105-20.139); Regulations for Coastal Development Permits (Chapter 20.140); and General Provisions and Excerpts in the Coastal Zone (Chapter 20.142), as well as applicable County ordinances, all contain regulations, standards and requirements which will ultimately be used to review, approve, and condition future development proposals which the reclamation project may facilitate. The following measures are representative of those designed to mitigate the site-specific physical impacts of growth from the buildout of 900 to 1,000 new residential units in DMF, as well as impacts from increased traffic and public service demands, as discussed in this EIR.

Water and Marine Resources Standards

- A) New development shall minimize site disturbance (i.e., grading and land clearing), maximize area of landscaping, and comply with IP standard 20.147.030.A. to limit point or non-point source pollutants to Carmel Bay "area of biological significance," intertidal and wetland areas.
- B) New development shall comply with County Ordinance, Title 16, Chapters 16.08 (grading) and 16.12 (erosion control) regarding provision and implementation of erosion control plans to be prepared by a registered civil engineer or forester, to control runoff and minimize erosion.

Environmentally Sensitive Habitat Development Standards

- C) New development shall comply with Section 20.147.040 of the IP regarding provision of a 100-foot buffer between development and sensitive habitat areas, minimizing vegetation removal, provision and implementation of recommendations of biotic surveys, protection of rare/endangered and/or threatened species, maintenance of continued areas of open space and dedication of scenic easements to protect areas of sensitive habitat.

Forestry and Soil Resources Development Standards

- E) Removal of trees and other major vegetation shall be limited and a coastal development permit will be required for tree removal, subject to requirements of Section 20.147.050A and B, including the requirements for Forest Management Plan and Forest Maintenance Plan.

Hazardous Area Development Standards

- F) New development shall comply with County-wide Geology Policy guidelines (referenced in Section 20.147.060 of the IP) and fire hazard and seismic hazard development standards (which require detailed reports to identify level of risk) and mitigate identified fire hazard and seismic hazard risk, to a level acceptable to the County of Monterey Planning and Building Department.

Scenic and Visual Resource Development Standards

- G) Areas of development determined to affect public viewshed shall be designed to blend into the environment, minimize impacts, and be subject to the design and siting criteria of Section 20.147.070 of the IP, including prohibition of development on ridgelines.

Transportation Development Standards

- H) In accordance with Section 20.147.100 of the Coastal Implementation Plan, new development shall bear the incremental cost of necessary improvements to Highway 68 and Highway 1 gate, and Del Monte Forest circulation system, in conformance with recommendations of a traffic engineering study, prepared by a qualified traffic engineer, and accepted by the County Public Works Department.
- I) Application for future development in the Forest shall include an analysis of traffic generation, distribution and necessary facilities to support the proposed new development. Base traffic, as determined by the County Public Works and Caltrans, shall be considered with future cumulative development traffic, and required improvements made a condition of development approval.

Water and Wastewater Service Development Standards

- J) Per IP 20.147.110, the County shall issue coastal development permits only when there is adequate water and wastewater capacity, in accordance with Regional Water Quality Control Board, Monterey County Health Department and Monterey County.

As previously mentioned, the remaining 420 acrefeet of water that will be made available as a result of the reclamation project will be subject to reallocation and environmental review. A general assessment of the growth potential was made in this EIR. It was found that approximately 1,235 to 1,825 single-family homes could be constructed at unknown locations within the MPWMD boundaries. Based on existing estimates, this is within the overall development potential permitted under local plans.

The following list itemizes all direct project impacts, both significant and insignificant, that were identified during the course of the project evaluation. This Summary is intended as an overview; the report serves as the basis for this list and should be read in conjunction with the Summary. The level of significance of each impact is identified, with and without the recommended mitigation measures. The mitigated impact implies that all mitigations should be followed, unless otherwise indicated.

Level of Significance		
Without Mitigation	With Mitigation	Impact/Mitigation

GEOLOGY/SOILS

S	I	-- The treatment plant will be exposed to moderate to high seismic groundshaking.
---	---	---

Mitigation

- 1) Design and construct treatment plant to withstand an acceptable level of damage from earthquake shaking. The treatment plant should be designed to withstand ground accelerations of 0.4 g or higher.
- 2) Install manual shut-off valves at critical segments along the pipeline to minimize any spills from pipeline rupture during an earthquake or catastrophic event.

S=Significant M=Moderate I=Insignificant B=Beneficial

As previously indicated, reclaimed water will be transported from the reclamation plant to the golf course irrigation areas in Pebble Beach by a distribution system consisting of a high-lift pump station at the treatment plant. With the exception of Poppy Hills Golf Course and Robert Louis Stevenson School, all of the irrigation areas will be serviced directly from the distribution systems. Poppy Hills and Robert Luis Stevenson will each require a booster pump station to supply their irrigation system.

Increased Potable Water Supply

The use of reclaimed water for golf course irrigation will allow the potable water currently used for irrigation to be made available for other uses. The allocation of the saved water is under the jurisdiction of the Monterey Peninsula Water Management District (MPWMD). The MPWMD has determined that the Pebble Beach Company and two other properties owners, acting jointly as fiscal sponsors selected to fund construction and operation of the reclamation project, will be entitled to a portion of the approximately 800 acre feet of water per year that is freed up by the wastewater project (Refer to MPWMD Resolution No. 89-21, adopted October 3, 1989). In Resolution No. 89-21, the MPWMD approved the Wastewater Project and indicated its intent to grant an entitlement of potable water for development of lots in the Del Monte Forest. The entitlement is not to exceed 380 AF per year to the Pebble Beach Company (365 acre feet per year), and J. Lohr Properties, Inc. and the Griffin Trust (10 and 5 acre feet, respectively). The FEIR for the Wastewater Reclamation Project assumed that such an entitlement would be made to the Del Monte Forest and that the remainder of the freed up water not allocated to a fiscal sponsor would be subject to reallocation by the MPWMD.

The 380 AFY entitlement will be applied to the land owned by PBC, Lohr and Griffin within the existing service area of California-American Water Company (Cal-Am), in a manner that is consistent with the uses planned for such land under applicable general plans and zoning. The Growth section of the Final EIR for the Wastewater Reclamation Project fully analyzed the impacts of potential increased growth due to the increase of 800 acre feet of water being available.

According to the FEIR for the Wastewater Project, and MPWMD Resolution 89-21, the remainder of the potable water to be released by the reclamation project not allocated to the Del Forest area amounts to 420 AFY, and the supply of uncommitted and unallocated potable water within the MPWMD will be increased by that amount. As noted in the previous discussion,

based upon updated water irrigation demand figures for the golf courses, the projected water demand figures have been increased to reflect actual usage during peak summer months. It was found that peak summer usage was higher than originally estimated in the previous analysis (Dryden, 1991). These revisions were for peak demand and did not revise the estimated long-term average demand of 800 AFY used by the MPWMD in their assumption regard unallocated water. Therefore, there is no project-related capacity increase in terms of additional potable water to be released by this revised project. Further, there is no indication that the District should increase the amount of unallocated water supply that could be released in the future, since there is no addition to the 800 AFY of "freed-up" water that will be released by the proposed reclamation project.

As discussed in the Final EIR for the Reclamation Project, and confirmed by MPWMD Resolution No. 89-21, the MPWMD has not made any determination with respect to the uses or reallocation of such water, and prior to making any decisions regarding this matter, the District shall conduct the required environmental review in compliance with all applicable procedures under CEQA.

PROJECT BACKGROUND

There have been other proposals to construct wastewater reclamation projects to serve the Carmel/Pebble Beach areas since 1975, when the State Water Resources Control Board (SWRCB) designated a portion of Carmel Bay as an Area of Special Biological Significance (ASBS). In 1978 the SWRCB limited winter discharge into Carmel Bay from the CAWD plant to 2.4 MGD and prohibited summer (May through October) discharge altogether, effective at a future date.

In response to the summer discharge prohibition, CAWD proposed a 2.4 MGD reclamation plant project to reclaim treated water during the discharge prohibition months and use it to irrigate Pebble Beach golf courses. The project proceeded through the final design plans phase and EIR; however, in 1984, EPA denied funding for the project.

After EPA denied funding for this proposal, PBCSD proposed a reclamation project for golf course irrigation, including a 0.6 MGD tertiary treatment plant to treat raw wastewater collected in Pebble Beach and a 60 million-gallon storage reservoir to be located in Pebble Beach. In 1985, CAWD was granted an increase in its discharge limit to 3.0 MGD and the summer discharge prohibition was removed. PBCSD subsequently abandoned its project in early 1986.

ADDENDUM TO
ENVIRONMENTAL IMPACT REPORT
FOR THE CAWD/PBCSD WASTEWATER RECLAMATION PROJECT

Addendum to Wastewater Reclamation Project
EIR SCH#88040520

Prepared for
Carmel Area Wastewater District
as Lead Agency for
Carmel Area Wastewater District
and
Pebble Beach Community Services District

Prepared by
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January 1991

As previously indicated, reclaimed water will be transported from the reclamation plant to the golf course irrigation areas in Pebble Beach by a distribution system consisting of a high-lift pump station at the treatment plant. With the exception of Poppy Hills Golf Course and Robert Louis Stevenson School, all of the irrigation areas will be serviced directly from the distribution systems. Poppy Hills and Robert Luis Stevenson will each require a booster pump station to supply their irrigation system.

Increased Potable Water Supply

The use of reclaimed water for golf course irrigation will allow the potable water currently used for irrigation to be made available for other uses. The allocation of the saved water is under the jurisdiction of the Monterey Peninsula Water Management District (MPWMD). The MPWMD has determined that the Pebble Beach Company and two other properties owners, acting jointly as fiscal sponsors selected to fund construction and operation of the reclamation project, will be entitled to a portion of the approximately 800 acre feet of water per year that is freed up by the wastewater project (Refer to MPWMD Resolution No. 89-21, adopted October 3, 1989). In Resolution No. 89-21, the MPWMD approved the Wastewater Project and indicated its intent to grant an entitlement of potable water for development of lots in the Del Monte Forest. The entitlement is not to exceed 380 AF per year to the Pebble Beach Company (365 acre feet per year), and J. Lohr Properties, Inc. and the Griffin Trust (10 and 5 acre feet, respectively). The FEIR for the Wastewater Reclamation Project assumed that such an entitlement would be made to the Del Monte Forest and that the remainder of the freed up water not allocated to a fiscal sponsor would be subject to reallocation by the MPWMD.

The 380 AFY entitlement will be applied to the land owned by PBC, Lohr and Griffin within the existing service area of California-American Water Company (Cal-Am), in a manner that is consistent with the uses planned for such land under applicable general plans and zoning. The Growth section of the Final EIR for the Wastewater Reclamation Project fully analyzed the impacts of potential increased growth due to the increase of 800 acre feet of water being available.

According to the FEIR for the Wastewater Project, and MPWMD Resolution 89-21, the remainder of the potable water to be released by the reclamation project not allocated to the Del Forest area amounts to 420 AFY, and the supply of uncommitted and unallocated potable water within the MPWMD will be increased by that amount. As noted in the previous discussion,

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