

**HIGHWAY 1/68 TRAFFIC IMPROVEMENT PROJECT
PAYMENT AND REIMBURSEMENT AGREEMENT**

This Highway 1/68 Traffic Improvement Project Payment and Reimbursement Agreement (this "Agreement") is made effective as of March 21, 2016, by and between the CITY OF MONTEREY, a municipal corporation ("City"), and PEBBLE BEACH COMPANY, a California general partnership ("PBC") (each of which may be referred to individually as a "Party" and collectively as the "Parties"), with reference to the following facts and objectives.

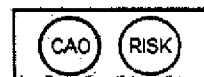
RECITALS

A. On June 19, 2012, the Board of Supervisors of the County of Monterey, a political subdivision of the State of California ("County"), certified a Final Environmental Impact Report and adopted Resolution Nos. 12-148 and 12-149 approving a Combined Development Permit for various projects that include the development and subdivision of portions of the land owned by PBC as part of the "Pebble Beach Company Del Monte Forest Plan" (the "DMF Plan"). Pursuant to Condition Nos. 13, 36 and 119 of the above-described approvals (the "Traffic Improvement Conditions"), PBC is obligated to perform certain actions with respect to traffic improvements serving the intersections of Highway 68, Highway 1 and 17-Mile Drive.

B. On or about May 30, 2014 County and PBC entered into that Traffic Improvement Phasing Plan Agreement (the "Phasing Agreement") detailing the Traffic Improvement Conditions and expressing PBC's commitment to fund \$4,000,000 of the cost of constructing the traffic improvements contemplated by this Agreement, plus an additional contingency of up to \$800,000, for a total of \$4,800,000.

C. PBC is willing to commit to fund \$4,800,000 of the cost of designing and constructing the traffic improvements contemplated by this Agreement, plus an additional contingency of up to \$500,000, for a total of \$5,300,000 (the "PBC Funding Commitment").

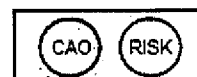
D. County, City and PBC have coordinated efforts and have agreed to pool funds and grants available to them in order to develop new roundabout improvements serving the intersections of Highway 68, Highway 1, and 17-Mile Drive as set forth in the Caltrans approved construction plans and specifications dated December 2, 2015 (the "Project"). The Caltrans approved construction plans and specifications, all bidding information and addenda issued during the bidding process, and the construction bid submitted by Granite Construction dated January 19, 2016 are attached to this Agreement as, or referenced in, Exhibit "A." PBC's participation in the funding of and the construction of the Project as set forth in this Agreement will satisfy the Traffic Improvement Conditions for the development contemplated by the DMF Plan, with absolutely no further funding obligation by PBC beyond the PBC Funding Commitment for any additional costs related to the Project. Any such additional costs required to complete the Project will be the responsibility of City to fund, either directly or in the form of additional grants. The Project is designed to improve traffic flow in the vicinity of the Project to the benefit of City, County, PBC, and their respective residents and visitors.



E. Based on design and other costs incurred to date, as well as bids received for future construction and construction management services, the Parties anticipate that it will cost \$9,972,168 to design and construct the Project (the "Budgeted Project Cost"), including a design, engineering, construction, and construction management contingency of \$626,802. The California Department of Transportation ("Caltrans") has completed environmental review and has approved the design work for the Project. A contract for construction of the project is expected to be awarded on April 19, 2016 by the Monterey City Council to Granite Construction Company ("Contractor"), the lowest responsive, responsible bidder for the construction work, in the amount of \$6,207,574, plus a contingency of \$515,613. Construction work is anticipated to commence in May of 2016 and is expected to be completed within one (1) year after commencement of construction.

F. The Parties have already expended or committed substantial amounts in connection with an outreach program, environmental clearance, conceptual design, preliminary design, final design, utility relocations, permitting, and other work related to the Project. The Budgeted Project Cost will be funded by (i) grant funds in the amount of \$350,000 received by City from the Monterey Bay Unified Air Pollution Control District to assist in implementing the Project through funding from the FY 2012-2013 AB2766 Motor Vehicle Emissions Reduction Program pursuant to Air District Grant Agreement Number 13-11 (the "Air District Grant"), (ii) an allocation to City from TAMC of \$2,324,329 (comprised of \$1,231,833 in Regional Surface Transportation Program funds, \$342,496 in Regional Development Impact Fee funds, and \$300,000 in Regional Surface Transportation Program funds deprogrammed from another project, each approved by TAMC's Board of Directors on August 27, 2014 pursuant to TAMC Resolution 2014-12 together with an allocation to City from TAMC Regional Development Impact Fee 2015-16 funds in the amount of \$450,000 authorized by TAMC's Executive Director, all of which may collectively be referred to as the "City Reimbursement Grant"), (iii) an allocation to City (as assignee of County, as contemplated in Section 3.13, below) from future Competitive Grant Programs of \$1,329,671 in Regional Surface Transportation Program funds (projected to be available in the 2017-2018 fiscal year) approved by TAMC's Board of Directors on August 27, 2014 pursuant to TAMC Resolution 2014-12 (the "City RSTP Reimbursement Grant"), (iv) \$500,000 in City funds (the "City Supplemental Funds"); (v) the PBC Funding Commitment (\$4,800,000 plus up to \$500,000 in contingency funding, for a total potential funding amount up to and not to exceed \$5,300,000, with any amount above \$4,000,000 eligible to be reimbursed to PBC as set forth in Section 3.11 below); and (vi) additional allocations to City (as assignee of the City of Pacific Grove, as contemplated in Section 3.13, below) from TAMC Regional Surface Transportation Program funds in the amount of \$100,000 and (as assignee of the County, as contemplated in Section 3.13, below) from TAMC Regional Surface Transportation Program funds in the amount of \$68,168 (together, the "City Second RSTP Reimbursement Grant"). PBC shall have no responsibility or liability for any costs of the Project beyond PBC's Funding Commitment of \$5,300,000. The PBC Funding Commitment of \$5,300,000 includes the PBC Initial Funding Commitment described in Section 3.3 below.

G. Each of the Parties is willing to bear responsibility for all expenses of its own staff, overhead, and other internal costs, including engineering, project administration, and public outreach, without seeking reimbursement for such amounts from the other Parties, the Air District Grant, City Reimbursement Grant, City RSTP Reimbursement Grant, City Supplemental



Funds, PBC Funding Commitment, City Second RSTP Reimbursement Grant, or any new source of funding available to the Project, with the intent that all such funding will be available for payment of the actual out-of-pocket expenses incurred in connection with the Project, including, but not limited to, the costs of design, permitting, construction, and third-party Construction Manager/Resident Engineer services for inspecting, managing, and supervising the day-to-day work of construction of the Project (the "Actual Project Expenses").

H. Each of the parties accepts the December 2, 2015 approved plans and specifications, including all bidding information and addenda issued during the bidding process, and the construction bid submitted by Granite Construction dated January 19, 2016 (attached hereto as Exhibit "A"), as the defined "Project". City, as the implementing agency for the Project, was responsible for placing the contract for the construction of the Project out to bid, handling the bid award process, contracting with the successful bidder, and thereafter will be responsible for managing a third party firm to provide Construction Manager/Resident Engineer services for inspecting, managing, and supervising the day-to-day work of construction of the Project to completion (the "Construction Manager").

I. The Parties desire by this Agreement to set forth the manner in which the costs of the Project will be paid and the Parties reimbursed from the various funding sources identified in this Agreement.

AGREEMENT

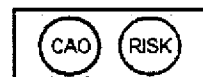
NOW, THEREFORE, based on the foregoing and in consideration of the mutual terms, covenants and conditions contained in this Agreement, the Parties agree as follows:

1. **Internal Costs.** Each of the Parties shall bear responsibility for all expenses of its own staff, overhead, and other internal costs, including engineering, project administration, and public outreach, without seeking reimbursement for such amounts from the other Parties, from the Air District Grant, City Reimbursement Grant, City RSTP Reimbursement Grant, City Supplemental Funds, PBC Funding Commitment, City Second RSTP Reimbursement Grant, or from any new source of funding available to the Project.

2. **Review and Approval Rights.**

2.1 **Design.** As Lead Agency, Caltrans approved the plans, specifications and engineer's estimate on December 2, 2015. The scope of the Project is defined and described by the December 2, 2015 approved plans and specifications, all bidding information and addenda issued during the bidding process, and the bid submitted by Granite Construction Company dated January 19, 2016, all of which are referenced on Exhibit "A" to this Agreement.

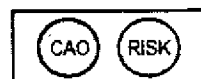
2.2 **Contract Documents.** City shall provide to PBC complete and correct copies of all final contract documents (including bonds, insurance certificates and a list of all subcontractors) for the construction of the Project.



2.3 Change Orders/Rolling Change Order Allowance. In the interest of avoiding costly delays during construction, City shall maintain an allowance (the "Rolling Change Order Allowance") for the Construction Manager to make time-sensitive orders for extra work, changes to the plans and specifications, any change orders, or modifications to any of the contract documents, including any changes required by Caltrans or any other governmental entity having jurisdiction (collectively, "Changes" or "Change Orders"). City shall advise PBC immediately of any planned or required Changes. City shall obtain PBC's prior written approval for all proposed Changes that exceed either (i) \$10,000 individually or (ii) when aggregated with other Changes not yet approved by PBC, exceed a total of \$50,000 (the "Rolling Change Order Cap"). Although prior written approval will not be required in connection with Changes that are both (i) \$10,000 or less individually and (ii) when aggregated with other Changes not yet approved by PBC, do not exceed the Rolling Change Order Cap, all Changes Orders exceeding the Rolling Change Order Cap shall be submitted to PBC for approval, which approval shall not be unreasonably withheld. As PBC from time to time approves Changes, only the then remaining as yet unapproved Changes shall be aggregated in determining how much more, if any, of the Rolling Change Order Allowance may be expended before the Rolling Change Order Cap is reached. In the event that PBC disapproves any element of a Change, PBC shall promptly notify City in writing of the reasons for such disapproval. City may thereafter submit a response. If after receiving City's response PBC continues to disapprove, then City and PBC shall promptly thereafter meet and attempt in good faith to resolve and adjust their differences. If City and PBC are unable to resolve the dispute, the matter will be referred to City's Building and Housing Appeals Board (see Monterey City Code Section 1-11.2). The decision of the Building and Housing Appeals Board shall govern the immediate disposition of the Change Order (either allowing or rejecting the proposed Change), so as to avoid costly delays in construction, provided, however, that any Party aggrieved by the decision of the Building and Housing Appeals Board may subsequently obtain review of the decision in the superior court by filing with the court a petition for writ of mandate pursuant to California Code of Civil Procedure Section 1094.6. PBC shall not have the authority to initiate Change Orders or make Changes without City's prior consent.

2.4 Project Budget. The Parties agree that the Budgeted Project Cost is as set forth in the City's Funding Recap attached as Exhibit "B" to this Agreement (the "Funding Recap"). The City shall use its best efforts to negotiate reductions in the Budgeted Project Cost with Contractor (through value engineering and other means) once the contract for construction is awarded.

2.5 Progress Reports. At the time of submitting Contractor's monthly invoices to PBC, as provided for in Section 3.10 below, City shall furnish to PBC the a monthly progress report (the "Progress Report") from the Construction Manager, which Progress Report shall be reviewed and approved by City's manager of the Project (the "Project Manager"), certifying that the construction of the Project has progressed in compliance with the contract documents and all applicable governmental requirements. Along with the above-described monthly Progress Report, the Construction Manager shall also provide any updates to the construction completion schedule.



2.6 Inspection. PBC, through its employees and representatives, shall have the right, at all reasonable times and with the knowledge and approval of the Construction Manager, to enter upon the construction site to inspect the work of construction to determine that it is in conformity with the contract documents and all applicable governmental requirements. PBC agrees to hold City and its agents, employees and representatives harmless from all claims, demands, losses, or damages on account of any injury, including but not limited to death or damage to property resulting from entry of any of PBC's employees, representatives, agents or invitees upon the construction site. PBC will not have control over or be in charge of, and will not be responsible for, construction means, methods, techniques, sequences, or procedures, or for safety precautions and programs in connection with the work, because these are solely the City's and Contractor's responsibility, nor will PBC be responsible for the City's or Contractor's failure to carry out the work in accordance with the contract documents and all applicable governmental requirements.

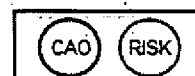
3. Payments.

3.1 Order of Funding. The Funding Recap provides an itemization of the sources and uses of funds for the Project. Payments for the Actual Project Expenses will be made from the funding sources in the order set forth below and summarized in the Funding Recap.

3.2 Air District Grant. The Parties acknowledge that the Air District Grant has already been received and applied by City to the payment of Actual Project Expenses, as detailed on the Funding Recap.

3.3 PBC Initial Funding Commitment. City and PBC are parties to that certain Funding Agreement dated September 4, 2013 (the "Funding Agreement") whereby PBC agreed to pay for all services provided to City by Omni Means, Ltd., Engineers and Planners ("Omni Means") under that certain contract between City and Omni Means whereby Omni Means agreed to provide certain services to City in connection with the Project, not to exceed a maximum amount of \$1,567,186. The actual engineering design costs and engineering construction support costs funded and to be funded by PBC are a total amount of \$1,333,256, including Engineering Design of \$808,556, 9% Design Contingency of \$103,481, Engineering Construction Support of \$396,217, 5% Engineering Contingency of \$19,919, and a portion of the AT&T Utility Relocation of \$5,083, all as detailed on the Funding Recap (collectively, the "PBC Initial Funding Commitment").

3.4 City Funding Commitment. After the full amounts of the Air District Grant and the PBC Initial Funding Commitment have been applied to the payment of Actual Project Expenses, City shall directly pay the next \$2,824,329 of Actual Project Expenses (the "City Funding Commitment") from the City Reimbursement Grant (\$2,324,329) and the City Supplemental Funds (\$500,000). Until the full amount of the City Funding Commitment has been applied to the payment of Actual Project Expenses, City shall not request any payment from PBC. As each payment is made by City pursuant to this Section 3.4, the Funding Recap shall be updated by City.

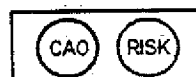


3.5 City RSTP Reimbursement Grant. After the full amounts of the Air District Grant, the PBC Initial Funding Commitment, and the City Funding Commitment have been applied to the payment of Actual Project Expenses, payment of the next \$1,329,671 in Actual Project Expenses shall be from the City RSTP Reimbursement Grant, with such amount to be advanced by PBC to City due to the future timing of receipt of the City RSTP Reimbursement Grant from TAMC. City shall request advances on the City RSTP Reimbursement Grant from PBC when City incurs reasonable expenses in connection with the Project. Such advances shall be made by PBC to City on the condition that City promptly reimburses PBC from the City RSTP Reimbursement Grant or, if the City RSTP Reimbursement Grant is unavailable, from other City funds. City shall promptly cause the advance to be applied to the payment of Actual Project Expenses. Promptly after City RSTP Reimbursement Grant funds become available (anticipated to occur on July 1, 2018), City shall submit all documents and satisfy all conditions and requirements necessary to obtain timely payment or reimbursement of the City RSTP Reimbursement Grant funds from TAMC. City shall be solely responsible for submitting all documents and satisfying all conditions and requirements necessary to obtain timely payment or reimbursement from TAMC of the City RSTP Reimbursement Grant. Upon receipt of the City RSTP Reimbursement Grant funds, City will immediately reimburse PBC for its advances under this Section 3.5. As each advance is made by PBC pursuant to this Section 3.5 in response to requests by City pursuant to Section 3.10 below, the Funding Recap shall be updated by City.

3.6 City Second RSTP Reimbursement Grant. After the full amounts of the Air District Grant, the PBC Initial Funding Commitment, the City Funding Commitment, and the City RSTP Reimbursement have been applied to the payment of Actual Project Expenses, payment of the next \$168,168 in Actual Project Expenses shall be made from funds available through the City Second RSTP Reimbursement Grant. As costs and expenses that are payable or reimbursable from funds available through the City Second RSTP Reimbursement Grant are incurred, City shall promptly request and diligently pursue such payment by or reimbursement from TAMC of the City Second RSTP Reimbursement Grant. City shall be solely responsible for submitting all documents and satisfying all conditions and requirements necessary to obtain timely payment or reimbursement from TAMC. As each payment is made by or reimbursement is received from TAMC pursuant to this Section 3.6, the Funding Recap shall be updated by City.

3.7 PBC Supplemental Funding Commitment. After the full amounts of the Air District Grant, the PBC Initial Funding Commitment, the City Funding Commitment, the City RSTP Reimbursement Grant, and the City Second RSTP Reimbursement Grant have been applied to the payment of Actual Project Expenses, payment of the next \$3,466,744 in Actual Project Expenses (the "PBC Supplemental Funding Commitment") will be made by PBC in response to requests by City submitted and processed in the manner described in Section 3.10 below. As each payment is made by PBC pursuant to this Section 3.7, the Funding Recap shall be updated by City.

3.8 Intentionally Omitted.



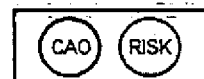
3.9 PBC Contingency Funding Commitment. After the full amounts of the Air District Grant, the PBC Initial Funding Commitment, the City Funding Commitment, the City RSTP Reimbursement Grant, the City Second RSTP Reimbursement Grant, and the PBC Supplemental Funding Commitment, have been applied to the payment of Actual Project Expenses, payment of the next \$500,000 in Actual Project Expenses (the "PBC Contingency Funding Commitment") will be made by PBC in response to requests by City submitted and processed in the manner described in Section 3.10 below. As each payment of Actual Project Expenses is made by PBC pursuant to this Section 3.9, the Funding Recap shall be updated by City.

3.10 Reimbursement of City by PBC for Paid Contractor Invoices.

3.10.1 Payment of Contractor's Invoices. City and PBC shall have the right to review and reasonably approve each monthly invoice for services under the construction contract with Contractor. The Construction Manager shall be responsible for review of all Contractor invoices and for reconciliation between invoiced work and actual work performed, which reconciliation shall be forwarded to City's Project Manager for approval. Following approval by City's Project Manager, City shall submit Contractor's approved invoices to City's Finance Department requesting that payment be made to Contractor. Upon issuance of City's check to Contractor, the Finance Department shall forward the paid invoice, along with proof of City's payment, to PBC.

Upon receipt of said invoice, proof of payment, the Construction Manager's monthly Progress Report as set forth in Section 2.5 above, and an updated Funding Recap that validates PBC's funding responsibility, PBC shall reimburse City for any amounts for which PBC is responsible under the terms of Section 3 of this Agreement. PBC shall be required to reimburse City for its payment of Contractor's invoices for work that has been determined by Construction Manager and City's Project Manager to have been performed in accordance with the Project scope, as set forth in the construction plans and specifications approved by Caltrans, Contractor's bid documents, and any Change Orders approved in accordance with the requirements set forth in Section 2.3 above. In the event that PBC disapproves any element of an invoice submitted by Contractor, PBC shall promptly notify City in writing of the reasons for such disapproval. City may thereafter submit a response. If after receiving City's response PBC continues to disapprove, then City and PBC shall promptly thereafter meet and attempt in good faith to resolve and adjust their differences. If City and PBC are unable to resolve the dispute, the matter will be referred to City's Building and Housing Appeals Board (see Monterey City Code Section 1-11.2). The decision of the Building and Housing Appeals Board shall govern the immediate disposition of the Contractor's invoice (either allowing or rejecting, in whole or in part, the proposed payment), so as to avoid costly delays in construction, provided, however, that any Party aggrieved by the decision of the Building and Housing Appeals Board may subsequently obtain review of the decision in the superior court by filing with the court a petition for writ of mandate pursuant to California Code of Civil Procedure Section 1094.6.

3.10.2 Manner of Payment by PBC. PBC's reimbursement payments will be made by check and delivered to City. City shall not have any right to designate a payee of any payment without PBC's prior written consent. Payments shall ordinarily be made by PBC to



City within twenty (20) days from PBC's receipt of Contractor's monthly invoices, proof of City payment, and Construction Manager's Monthly Progress Report submitted by City pursuant to Section 3.10.1 above. City shall immediately notify PBC upon becoming aware of the filing of any stop payment notices or the assertion of any payment bond claims pertaining to the Project. At no time shall PBC be obligated to make any payment if applicable California stop notice laws require withholding of a disbursement in whole or in part. City shall apply the full amount of all payments received from PBC hereunder exclusively to payment of Actual Project Expenses. As each payment of Actual Project Expenses is made by PBC, the Funding Recap shall be updated by City.

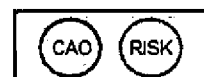
3.11 Cost Overages/Reimbursement of PBC Contingency and Supplemental Funding: After the full amounts of the Air District Grant, the PBC Initial Funding Commitment, the City Funding Commitment, the City RSTP Reimbursement Grant, the City Second RSTP Reimbursement Grant, the PBC Supplemental Funding Commitment, and the PBC Contingency Funding Commitment have been applied to the payment of Actual Project Expenses, and in the event that the total of the Actual Project Expenses exceeds the Budgeted Project Cost, PBC shall have no further liability for payment of any costs or expenses relating to the Project. City shall have the sole responsibility and liability for payment of any such costs or expenses which exceed the Budgeted Project Cost.

3.12 Project Completion: The Project shall be deemed to be complete upon Caltrans acceptance of the construction in accordance with the construction plans (as they may be modified as the result of any Changes) and as certified by City's Project Manager. The completion date shall not be deemed extended for any landscape establishment period.

3.13 Conditions Subsequent.

3.13.1 RSTP Assignment Approval. If, within thirty (30) days after the date of this Agreement, City has not obtained unconditional written approval from TAMC of (i) the assignment to the City of the RSTP Reimbursement Grant from the County and (ii) the City Second RSTP Reimbursement Grant from the City of Pacific Grove and the County (collectively, the "RSTP Assignment Approvals"), then PBC or City may, upon delivering written notice to the other, suspend the terms, duties and obligations under this Agreement until such time thereafter that the City obtains the RSTP Assignment Approvals. If, within sixty (60) days after the date of this Agreement, City has not obtained unconditional written approval from TAMC of the RSTP Assignment Approvals, then either City or PBC may, upon delivering written notice to the other, terminate this Agreement at any time thereafter until the City obtains the RSTP Assignment Approvals.

3.13.2 County Letter. If, within thirty (30) days after the date of this Agreement, PBC has not obtained a letter agreement from the County confirming that PBC's performance under this Agreement fully satisfies the Traffic Improvement Conditions, which letter agreement is in a form reasonably satisfactory to PBC (the "County Condition Letter"), then PBC may, upon delivering written notice to City, terminate this Agreement at any time thereafter until the PBC obtains the County Condition Letter.



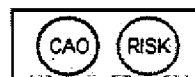
4. Miscellaneous.

4.1 No Waiver; Remedies Cumulative. The failure of any Party at any time to require the performance by any other Party of any provision of this Agreement shall in no way affect the right to require such performance at any later time. No extension of time for performance of any obligation or act shall be deemed an extension of time for any other obligation or act. No waiver of any of provision of this Agreement shall be deemed by virtue of a course of dealing or delay on the part of any Party in exercising any right, power or remedy under this Agreement, nor shall any actual waiver of one provision constitute a waiver of any other provision, whether or not similar, nor shall a waiver constitute a continuing waiver. If any action by any Party shall require the consent or approval of any other Party, the other Party's consent to or approval of such action on any one occasion shall not be deemed a consent to or approval of said action on any subsequent occasion or a consent to or approval of any other action on the same or any subsequent occasion. No waiver of any breach of any provision of this Agreement shall be deemed to be any waiver of the provision itself. No waiver shall be binding unless executed in writing by the Party making the waiver. Any and all rights and remedies which any Party may have under this Agreement or at law or in equity shall be cumulative, and shall not be deemed inconsistent with each other; no one of them, whether exercised or not, shall be deemed to be an exclusion of any other, and any or all of such rights and remedies may be exercised at the same time.

4.2 Cooperation. Each of the Parties agrees to use reasonable and good faith efforts to take, or cause to be taken, all action to do, or cause to be done, and to assist and cooperate with any and all other Parties 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 signing, acknowledging, and delivering any instruments and documents as may be necessary, expedient, or proper, to carry out the intent and purpose of this Agreement. Each Party agrees to exercise good faith and fair dealing in the performance of its obligations under this Agreement.

4.3 Assignment. Except as otherwise provided in this Agreement, no Party shall have the right, power, or authority to assign or encumber any rights or interest in this Agreement or any portion of this Agreement, or to delegate any duties or obligations arising under this Agreement, voluntarily, involuntarily, or by operation of law, without the prior written consent of all other Parties.

4.4 Time. The time limits stated in this Agreement are of the essence of this Agreement. The performance of the obligations of the Parties within the times set forth in this Agreement is a material term of this Agreement. In the computation of any period of time provided for in this Agreement or by law, the day of the act or event from which said period of time runs shall be excluded, and the last day of such period shall be included, unless it is a Saturday, Sunday, or legal holiday, in which case the period shall be deemed to run until the end of the next day which is not a Saturday, Sunday, or legal holiday. All time periods expiring on a specified date or period in this Agreement shall be deemed to expire at 5 o'clock p.m. Pacific Time on such specified date or period.

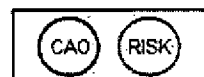


4.5 Entire Agreement. Amendment. This Agreement is a full and complete statement of the Parties' understanding with respect to the matters set forth in this Agreement. This Agreement supersedes and replaces any and all prior or contemporaneous agreements, discussions, representations, or understandings between the Parties relating to the subject matter of this Agreement, whether oral or written, including the Funding Agreement (referred to in Section 3.3). Further, in the event of any conflict between the provisions of the Phasing Agreement (referred to in Recital B) and this Agreement, the terms of this Agreement shall prevail. No addition, alteration, amendment, change, or modification to this Agreement shall be binding upon the Parties, or any of them, unless reduced to writing and signed by each and all of the Parties.

4.6 Interpretation. This Agreement shall be construed as a whole and in accordance with its fair meaning. The organization and format of this Agreement (including the numbering of, or the captions, headings, or titles to, any sections or paragraphs of this Agreement) are intended solely for convenience of reference and shall not be used to construe the scope, meaning, intent, or interpretation of any part of this Agreement. Whenever used in this Agreement, the word "including" shall be deemed to be followed by the words "but not limited to." Each number and tense used in this Agreement shall include any other tense or number where the context and references so require. Any pronoun used in this Agreement shall be read in the singular or plural number as the context may require. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law. Any provision of this Agreement held to be void or unenforceable under applicable law shall be deemed stricken and all remaining provisions of this Agreement shall continue to be valid and binding upon the Parties.

4.7 Notices. Any notice pursuant to this Agreement shall be given in writing by a Party or its legal representative by (a) personal delivery, or (b) reputable overnight delivery service with proof of delivery, or (c) United States Mail, postage prepaid, registered or certified mail, return receipt requested, or (d) legible facsimile transmission, or (e) electronic mail sent to the intended addressee at the address set forth below or to such other address or to the attention of such other person as the addressee shall have designated by written notice sent in accordance herewith, and shall be deemed to have been given either at the time of personal delivery, or, in the case of expedited delivery service or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of facsimile transmission or electronic mail, as of the date of the facsimile or electronic transmission (or next business day if transmitted on a day other than a business day). Unless changed in accordance with the preceding sentence, the addresses for notices given pursuant to this Agreement shall be as follows:

If to City: City of Monterey
Plans and Public Works Department
580 Pacific Street
Monterey, California 93940
Attn: Rich Deal
Facsimile: _____
E-mail: deal@ci.monterey.ca.us



If to PBC: Pebble Beach Company
Post Office Box 1767
Pebble Beach, California 93953
Attn: David L. Stivers
Facsimile: (831) 625-8591
E-mail: stiversdl@pebblebeach.com

with a copy to

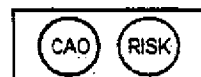
Pebble Beach Company
Post Office Box 1767
Pebble Beach, California 93953
Attn: Legal Affairs
Facsimile: (831) 625-8411
E-mail: goldmand@pebblebeach.com

4.8 Governing Law, Jurisdiction, and Venue. The formation, interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of California without regard to its conflict of law provisions or the conflict of law provisions of any other state or jurisdiction. The Parties agree that any suit, action, or proceeding arising out of or relating to this Agreement shall be instituted only in the United States District Court for the Northern District of California or in a California State Court located in the County of Monterey. Each Party waives any objection it may have now or hereafter to the laying of the venue of any such suit, action, or proceeding, and irrevocably submits to the jurisdiction of any such court in any such suit, action, or proceeding.

4.9 Attorneys' Fees. Each Party shall bear its own attorneys' fees and costs incurred in the negotiation and implementation of this Agreement, as well as any disputes or litigation arising under this Agreement.

4.10 Independent Legal Advice. City has been represented exclusively by its City Attorney, and PBC has been represented exclusively by the firm of Kennedy, Archer & Giffen in the negotiation of this Agreement. The Parties represent and warrant that they have been fully advised with respect to their rights and obligations in this matter and with this in mind they elect to enter into this Agreement. This Agreement has been negotiated at arm's length and between persons sophisticated and knowledgeable in the matters dealt with in this Agreement and no Party is to be deemed the Party which prepared this Agreement within the meaning of California Civil Code Section 1654.

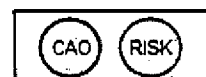
4.11 Authority. Each person signing this Agreement on behalf of a Party expressly represents and warrants that he or she has received full and complete authority to sign this Agreement on behalf of that Party by the exercise of any necessary powers governing the execution of contracts by that Party and that no further approval of any kind is necessary to bind that Party to this Agreement.



4.12 Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same complete 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. Faxed, photocopied or e-mailed signatures shall be deemed originals for all purposes.

4.13 Term. This Agreement shall commence on the date of its execution and shall continue until (a) the Project is deemed complete pursuant to Section 3.12 above, and (b) the Contractor has been fully paid for services rendered in accordance with the terms of the Construction Contract (the "Termination Date"). The City's obligation to reimburse PBC for its advances of the City RSTP Reimbursement Grant under Section 3.5 above shall survive termination of this Agreement. Following the Termination Date, PBC shall have no further obligation whatsoever to fund any Actual Project Expenses.

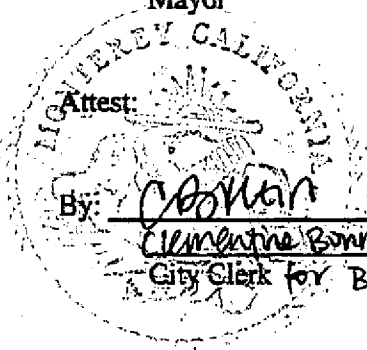

[signatures appear on following page(s)]



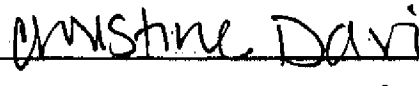
IN WITNESS WHEREOF, the undersigned do hereby execute this Agreement effective as of the date first above written.

CITY OF MONTEREY


By: 
CLYDE ROBERSON,
Mayor

Attest:

By: 
Clementine Bonner Klein
City Clerk for Bonnie Gant


Approved as to form:

By: 
Christine Davi
City Attorney

PEBBLE BEACH COMPANY

By: 
DAVID L. STIVERS,
Executive Vice President & Chief Administrative Officer

Approved as to form:

By: 
DANIEL F. ARCHER,
Kennedy, Archer & Giffen
Attorneys for Pebble Beach Company

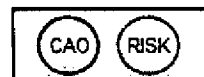


Exhibit 'A'

SR 68 (Holman Highway) Roundabout Project at Route 1 /68 Separation Caltrans approved construction plans and specifications, all bidding information and addenda issued during the bidding process, and the construction bid submitted by Granite Construction Company dated January 19, 2016 are listed below and available electronically upon request:

Bid Book, December 2, 2015

Special Provisions, December 2, 2015

Plans, December 2, 2015

Cross Sections

Geotechnical Design & Materials Report

Hazardous Materials Report

NEPA/CEQA Form

Storm Water Data Report

Final EIR / Addendum

Construction Staging Area

Environmental Certification

Right of Way Certification

Addendum No 1, December 8, 2015

Addendum No 2, December 22, 2015

Addendum No 3, January 13, 2016

Bid Results, January 19, 2016

Granite Construction Company's Bid, January 19, 2016

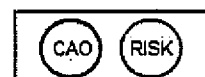


EXHIBIT B - Funding Recap

03/25/2016

| PROJECT EXPENSES | CONTRACT |
|--|--------------------|
| Kittleson - Preliminary Engineering | \$57,290 |
| TAMC - Outreach, Meetings, Education | \$50,000 |
| Omni-Means - Preliminary Engineering (Air District) | \$31,760 |
| Omni-Means - Engineering Design (Air District) | \$210,950 |
| Omni-Means - Engineering Design | \$808,556 |
| Omni-Means - 9% Design Contingency (Already Spent) | \$103,481 |
| DESIGN TOTAL | \$1,262,037 |
| AT&T Utility Relocation | \$377,163 |
| COZEEP | \$72,000 |
| TAMC Public Outreach | \$117,675 |
| Consultant CM/RE - Construction Management | \$912,700 |
| 10% CM/RE Contingency | \$91,270 |
| Omni-Means - Engineering Construction Support | \$396,217 |
| 5% Engineering Contingency | \$19,919 |
| Construction Contract | \$6,207,574 |
| 8% Construction Contingency | \$515,613 |
| CONSTRUCTION TOTAL | \$8,710,131 |
| EXPENSES TOTAL (DESIGN + CONSTRUCTION TOTALS) | \$9,972,168 |
| PROJECT REVENUE & ORDER OF FUNDING | |
| FUNDING | |
| 1. MBUAPCD (Air District AB2766) | \$350,000 |
| 2. Pebble Beach Company (PBC) Initial Funding Commitment | \$1,333,256 |
| 3. City Funding Commitment - City Reimbursement Grant TAMC RSTP Competitive 2015/16 + RDIF = \$1,874,329 TAMC RDIF 2015/16 = \$450,000 | \$2,324,329 |
| 4. City Funding Commitment - City Supplemental Funds | \$500,000 |
| 5. City RSTP Reimbursement Grant (TAMC - County 2018/19) | \$1,329,671 |
| 6. City Second RSTP Reimbursement Grant (TAMC - Pacific Grove \$100K and County \$68,168) | \$168,168 |
| 7. PBC Supplemental Funding Commitment | \$3,466,744 |
| 8. PBC Contingency | \$500,000 |
| REVENUE TOTAL | 9,972,168 |
| REVENUE SHORTFALL | 0 |

