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**MONTEREY PENINSULA WATER MANAGEMENT DISTRICT**  
**WATER USE PERMIT**  
**(ISSUED PURSUANT TO ORDINANCE NO. 39)**

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1. This Water Use Permit is issued by the Monterey Peninsula Water Management District (Water Management District) to Pebble Beach Company pursuant to Water Management District Ordinance No. 39, entitled "An Ordinance Authorizing the Monterey Peninsula Water Management District to Implement a Water Dedication Plan and to Invite Proposals to Finance a Wastewater Reclamation Project".

2. This Water Use Permit evidences an irrevocable dedication of three hundred sixty five (365) acre-feet of potable water per year (the Water Entitlement) as a property right enuring to the use and benefit of the Benefitted Properties described in Attachment A. This Water Use Permit shall, by non-discretionary ministerial action, cause the present Expansion/Extension of the California-American Water Company (Cal-Am), a distribution system within the Water Management District, to enable present water use on the Benefitted Properties upon each of the following:

- (a) Commercial Operation of the CAWD/PBCSD Reclamation Project has begun, and
- (b) the proposed location of water use has been designated, and
- (c) all applicable connection fees and charges have been paid, and
- (d) provided the request is received before January 1, 2075.

This Water Use Permit shall take the place of and be used instead of any Expansion/Extension permit upon any of the Benefitted Properties.

3. The Water Management District General Manager shall authorize expansion or extension of the Cal-Am distribution system to provide water service and connections for the Benefitted Properties in accord with this Water Use Permit. Water service and connections for the Benefitted Properties shall include but not be limited to the installation of necessary water meters and mains. Water service and connections, however, shall only occur after the owner presents to the Water Management District proof of the following:

- (a) The annual capacity of water use to be exercised through the proposed expansion,

including the number and nature of projected connections (for each of the Benefitted Properties) and the projected water use capacity required by each connection proposed.

- (b) Nature (industrial/commercial/residential) and location of the intended uses for the water.
- (c) Valid municipal or county building permit which will allow construction upon the Benefitted Property; or

A complete set of architectural drawings with respect to the proposed improvements to the Benefitted Property; or

Other documentation sufficient to determine the quantity and capacity for annual water use of the Benefitted Property as well as the number and type of each requested connection.

- (d) Evidence of payment of customary fees and connection charges required of water users within the Cal-Am service area by both Cal-Am and the Water Management District.

4. Pebble Beach Company shall be entitled to request of the Water Management District, and thereby cause, an amendment to this Water Use Permit in order to increase or change the number and type of connections or water use with respect to any of the Benefitted Properties, provided however, that in no event shall the aggregate amount of capacity for annual water use for the total Benefitted Properties exceed 365 acre-feet per year. Reallocation of connections pursuant to an amendment of this Water Permit shall be allowed only among the Benefitted Properties described in Attachment A.

5. Water Use Permits may be assigned, in whole or in part, only in connection with a transfer of title to all or part of the Benefitted Properties, and, in such case, the assignment shall be to the successors-in-interest to such Benefitted Properties. The holder/assignor of this Water Use Permit, upon transfer of title to any of the Benefitted Properties, shall notify the General Manager of the Water Management District of the assignment. Upon notification of assignment the General Manager shall:

- (a) Issue a separate and distinct Water Use Permit to the assignee for that portion of the Benefitted Properties transferred; and
- (b) Vacate this Water Use Permit to reflect the assignment, and thereafter reissue a separate and distinct Water Use Permit to the assignor for the remaining unassigned water.

6. This Water Use Permit shall not limit the power or authority of the Water Management District to curtail water use in the event of a water emergency as defined in Section 332 of the Monterey Peninsula Water Management Law, or pursuant to any other water emergency authorized in accord with law. Should a water emergency occur, the Water Management District shall not discriminate between Water Use Permit holders and other users of the same class if water use must be curtailed.

7. This Water Use Permit shall not relieve or reduce any obligation of the recipient of water to pay customary fees (including connection charges, use fees, surcharges, taxes, utility taxes, and/or any other customary monetary obligations) which maybe imposed by the California Public Utilities Commission, Cal-Am, the Water Management District, or other Public Participants upon water users of the same class within the Cal-Am Water Company service area. This obligation shall include but not be limited to Water Management District fees and charges due under Rule 24, Water Management District Rules and Regulations, or any successor rule or ordinance.

8. This Water Use Permit shall not enable the holder to use the Water Entitlement, or any portion thereof, until after the Commercial Operation Date of the CAWD/PBCSD Reclamation Project. Use of the entitlement shall also be contingent on continuing financial assurance or guarantee by the Pebble Beach Company. This Water Use Permit shall be revocable only in accord with the provisions of Water Management District Ordinance 39.

9. This Water Use Permit shall not entitle the water user to preferential access to water over any other water user who is presently entitled to the use of water from the Cal-Am water distribution system, notwithstanding any other provision of law. Once a new water connection is established through use of all or a portion of a Water Entitlement, the water user shall be treated in a manner equal to any other Cal-Am user.

10. This Water Use Permit shall not entitle Cal-Am to sell water subject to the Water Entitlement at charges in excess of their usual charges for potable water sold in similar quantities to similar users for similar uses.

11. The effect of this Water Use Permit shall be to memorialize the Water Entitlement granted to Pebble Beach Company by the Monterey Peninsula Water Management District with respect to the Benefitted Properties specified in Attachment A.

12. Notwithstanding any other provision of this Water Use Permit, on or after January 1, 2075, that portion of this Water Use permit which embodies an annual Water Entitlement in excess of requirements for planned uses on the Benefitted Properties shall be subject to revocation and termination in the sole discretion of the Water Management District. Prior to any termination and revocation pursuant to this paragraph, however, the Fiscal Sponsor shall be entitled to notice and a hearing, and any termination shall be subject to appeal to the Board pursuant to Rule 70 of the Water Management District Rules and Regulations. The revocation and termination of any Water Use Permit shall not diminish or otherwise adversely affect present actual use of water by reason of a prior expansion or extension of the Cal-Am water distribution system through any connection previously made pursuant to such Water Use Permit.

13. The Entitlement memorialized in this Water Use Permit shall be divisible as herein provided.

14. All words and phrases used in this Water Use Permit shall be given definitions as set forth in the following order of precedence: (1) Ordinance 39, (2) any agreement which implements Ordinance 39, and (3) Rule 11 of the Water Management District Rules and Regulations.

Issued this 10th day of December, 1992.

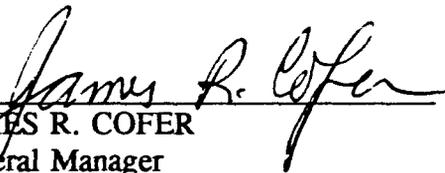
  
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JAMES R. COFER  
General Manager  
Monterey Peninsula Water  
Management District

EXHIBIT A

BENEFITTED PROPERTIES AND WATER ENTITLEMENT

	DMF LUP DESIG	WATER ENTITLEMENT (AF/YR)
PBC	B	18.52
	C	17.68
	D	11.20
	F	34.84
	G	46.31
	H	19.44
	I	23.49
	J	8.90
	K	8.91
	L	14.58
	M	27.54
	N	11.75
	O	6.89
	P	8.10
	Q	18.23
	R	30.38
	U	5.66
	V	21.06
	Qry. Drive	21.76 1.51
	Lodge	1.48
Equest.	1.12	
B.Club	1.00	
PB Ten	1.00	
SpyHill	1.65	
S.Bay	1.00	
P.Hay	1.00	
Lohr	S	10.00
Griffin	W	5.00

**Definitions**

"DMF LUP Area Desig." refers to the Benefitted Property by reference to the lettered development area in the Monterey County Del Monte Forest Land Use Plan, or as follows: "Qry" refers to the 5-acre quarry area adjacent to the PBC Corporation Yard. "Drive" refers to the 17 Mile Drive. "Lodge" refers to the Lodge at Pebble Beach. "Equest." refers to the PBC Equestrian Center. "B.Club" refers to the PBC Beach Club. "PB Ten." refers to the PBC Tennis Club. "SpyHill" refers to Spyglass Hill Golf Course and Clubhouse. "S.Bay" refers to the Spanish Bay Inn, Links and Residences. "P.Hay" refers to Peter Hay 3 Par Course.

Legal Descriptions for all of the Benefitted Properties are attached as a part of this Exhibit A.

The Water Entitlement is listed in acre feet per year (AF/YR).