

THIS SUBDIVISION IMPROVEMENT AGREEMENT ("Agreement") is made and entered into by and between the City of Cathedral City, a California municipal corporation (hereinafter referred to as "City"), and Jones Cree Ventures LLC, a California Limited Liability Company, (hereinafter referred to as "Subdivider"). City and Subdivider are sometimes referred to hereinafter individually as a "Party", and collectively as the "Parties".

RECITALS

A. Subdivider is the owner of certain real property located in the City of Cathedral City legally described on Exhibit "A" attached hereto and incorporated and made part of this Agreement by this reference (the "Property").

B. Subdivider has presented to City for approval and recordation a final subdivision map of a proposed subdivision pursuant to provisions of the Subdivision Map Act of the State of California (the "Act") and the ordinances and regulations of the City relating to the filing, approval and recordation of subdivision maps. The Act, and the ordinances and regulations of the City are collectively referred to in this Agreement as the "Subdivision Laws", and Subdivider acknowledges familiarity with the Subdivision Laws and hereby agrees to comply therewith.

C. Pursuant to the Approval Action, a tentative map of the Subdivision has been approved, subject to the Subdivision Laws and the requirements and conditions contained on the tentative map approved thereby (hereinafter the "Tentative Map"). The Tentative Map and the Approval Action are on file in the Office of the City Clerk, and such Tentative Map and all requirements and conditions imposed thereon by the Approval Action are incorporated into this Agreement by this reference as if set forth fully herein.

D. The Subdivision Laws establish as a condition precedent to the approval of a final map that Subdivider must have complied with the requirements and conditions of the Tentative Map by either completing in accordance with City Standards, as hereinafter defined, all of the public and private improvements and land development work required by the Subdivision Laws and the Tentative Map; or (2) have entered in a secured agreement with the City to complete such public and private improvements.

E. In consideration the approval of a final map for the Subdivision by the City Council, Subdivider desires to enter into this Agreement to complete at its own expense all of the improvements for the proposed Subdivision. Subdivider has secured this Agreement with sufficient improvement securities in a form approved by the City Attorney (referred to collectively hereinafter as "Improvement Securities" and individually as "Improvement Security") to guarantee the construction and completion of all of the improvements.

F. Improvement Plans (the "Plans") for the construction, installation, and completion of the public and private improvements have been prepared by Subdivider and approved by the City Engineer. The City has adopted standards (hereinafter "Standards") for the construction and installation of improvements within the City, and the Plans have been prepared in conformance with the Standards in effect on the date of the Tentative Map Approval Action. The Plans are on file in the Office of the City Engineer and are incorporated into this Agreement by this reference as if set forth fully herein. All references in this Agreement to the Plans shall be deemed to include reference to any specifications for all of the improvements as approved by the City Engineer.

G. An estimate of the cost for construction of the public and private improvements and performing the land development work in connection with the improvements according to the Plans has been made and approved by the City Engineer. The estimated cost of these improvements is set forth on Page One (1) of this Agreement, and the basis for the estimate is attached hereto as Exhibit "B" and incorporated and made part of this Agreement by this reference. The amounts of the Improvement Securities required to be posted with this Agreement are also based upon the estimate in Exhibit "B".

H. Subdivider recognizes that by approving the final map for the Subdivision, the City will confer substantial rights upon Subdivider, including the right to sell, lease, or finance lots within the Subdivision and will take the final act necessary to subdivide the Property. Subdivider also acknowledges that as a result of taking such action, the City will be damaged to the extent of the cost of installation of the improvements should Subdivider fail to perform its obligations in accordance with the provisions of this Agreement.

NOW, THEREFORE, in consideration of the City Council's approval and recordation of the final map of the Subdivision, Subdivider and City hereby agree as follows:

1. Subdivider's Obligation to Construct Improvements.

(a) In constructing and installing the Improvements (as hereinafter defined), Subdivider shall comply with all the requirements and conditions of the Tentative Map, and any amendments thereto, as well as the provisions of the Subdivision Laws.

(b) Subdivider shall complete, at its own expense, all the public and private improvements and related work on Tract Map No. 36747, as required by the Approval Action and conditions of approval of the Tentative Map in conformance with the approved Plans and City Standards, including without limitation, Condition No. 4.33 and those improvements set forth in Exhibit "B" (hereinafter collectively the "Improvements"), within twenty-four (24) months of the date of final map approval by the City Council. Subdivider understands and agrees that even if the single family residences within the tract are constructed in phases, final building inspections of any of the residences in any construction phase shall be made only upon the completion of all the private on-site street improvements, including final pavement capping, and completion of improved access from such phase to a publicly-maintained street, in

accordance with Condition of Approval No. 4.33, unless such requirement is amended by the City Engineer (in his/her sole discretion) and upon Subdivider's posting of an additional security as a guarantee of the completion of any missing paving or other improvements, in an amount and form as approved by the City Engineer. Nothing in this subsection (b) shall be construed or interpreted as extending or permitting extension of the date for completion of the Improvements beyond the date that is twenty-four (24) months after the date of final map approval by the City Council.

(c) Subdivider shall furnish the necessary materials for completion of the Improvements in conformity with the Plans and City Standards.

(d) Subdivider shall acquire and dedicate, or pay the cost of acquisition by the City, of all right-of-way, easements and other interests in real property required for construction or installation of the Improvements, free and clear of all liens and encumbrances. Subdivider's obligations relating to acquisition by City of off-site rights-of-way, easements and other interests in real property shall be subject to a separate agreement between Subdivider and City. Subdivider shall also be responsible for obtaining any public or private drainage easements or authorizations therefor to accommodate the Subdivision.

(e) Subdivider shall diligently prosecute construction of the Improvements and complete same by the deadline stated in Subsection 1(b) above, unless a time extension is granted by the City as authorized in Section 20 of this Agreement.

(f) Subdivider shall furnish and install all monuments and stakes as specified on the final map for the Subdivision in accordance with the provisions of the Subdivision Laws and submit centerline tie sheets to the City Engineer, within thirty (30) days after completion of the Improvements, or as specified the separate monument agreement with the City, but in any event prior to their acceptance by the City.

2. Improvement Securities.

(a) Subdivider shall at all times guarantee Subdivider's performance of this Agreement by furnishing and maintaining good and sufficient Improvement Securities with the City as required by the Subdivision Laws on forms approved by City for the purposes and in the amounts as follows:

(i) One Million Five Hundred Sixty Six Thousand One Hundred and 00/100 DOLLARS (\$ 1,566,100.00) to ensure faithful performance of the construction and installation of the Improvements required by this Agreement ("Performance Security"), which amount is 100% of the estimated cost of the Improvements as set forth in Exhibit "B"; and

(ii) Seven Hundred Eighty Three Thousand Fifty and 00/100 DOLLARS (\$ 783,050.00) to secure payment to any contractor, subcontractor, persons renting equipment or furnishing labor materials for the Improvements required to be constructed or installed pursuant to this Agreement ("Labor & Materials Security"), which amount is 50% of the estimated cost of the Improvements; and

(iii) One Hundred Fifty Six Thousand Six Hundred Ten and 00/100 DOLLARS

(\$ 156,610.00) in the form of a Warranty Bond or cash deposit with the City to guarantee or warranty the Improvement work done pursuant to this Agreement for a period of one (1) year following acceptance/certification thereof by City, against any defective work or labor done or defective materials furnished ("Warranty Security"). The Warranty Security is 10% of the estimated cost of the Performance Security amount described above, and such Warranty Security must be provided by Subdivider to City prior to the City's release of any bonds or Improvement Securities filed with this Agreement; and

(iv) Six Thousand Eight Hundred and 00/100 DOLLARS (\$ 6,800.00), in the form of a cash deposit, which is 100% of the estimated cost of setting final subdivision monuments ("Monumentation Security").

(b) The Improvement Securities required by this Agreement shall be kept on file with the City Clerk. If surety bonds are used, they must be issued by a surety company currently admitted to transact surety insurance business in California by the California Department of Insurance, with a Best's Insurance Guide rating of no less than A-. The terms of any documents evidencing such Improvement Securities as set forth in this Section 2 or referenced on Page One (1) of this Agreement, are incorporated into this Agreement by this reference as if set forth fully herein. If any Improvement Security is replaced by another type or kind of approved Improvement Security, subject to the approval of the form thereof by the City Attorney, the replacement shall be filed with City Clerk and, upon filing, shall be deemed to have been made a part of and incorporated into this Agreement. Upon filing of a satisfactory replacement Improvement Security with the City Clerk, the former Improvement Security shall be released.

(c) Subdivider agrees to keep its Improvement Securities in full force and effect until they are reduced or released by City. If any Improvement Security provided by Subdivider is cancelled or terminated for any reason by the action of a surety, financial institution or other party, it shall be the responsibility of the Subdivider to immediately, upon written notice from City, provide a substitute Improvement Security which conforms to all the requirements of this Section 2 in the same amount or amounts.

(d) Any additions, changes, alterations, or modifications of this Agreement or to the Plans, Specifications and Improvements referred to herein, including any extension of time within which the work hereunder may be completed, shall not release or exonerate any surety or sureties on the Improvement Security given in connection with this Agreement.

3. Alterations to Improvement Plans; Modification of City Standards.

(a) Any changes, alterations or additions to the Plans or to the Improvements, not exceeding 10% of the original estimated cost of the Improvements, which are mutually agreed upon by City and Subdivider, shall not require Subdivider to increase any Improvement Securities provided under this Agreement. In the event such changes, alterations, or additions exceed 10% of the original estimated cost of the Improvements, Subdivider shall provide additional Performance Security as required by Section 2 of this Agreement for 100% of the total estimated cost of the Improvements as changed, altered, or amended, minus any

completed partial releases allowed by Section 7 of this Agreement. Subdivider shall also provide additional Labor & Materials Security as required by Section 2 of this Agreement for 50 % of the total estimated cost of the Improvements as changed, altered, or amended.

(b) Subdivider shall construct all Improvements in accordance with the City Standards in effect as of the date of the Approval Action specified on Page One (1) hereof. The City reserves the right to modify the Standards applicable to the Subdivision and this Agreement, when necessary to protect the public safety or welfare or to comply with applicable State or Federal law or City zoning ordinances. If Subdivider requests and is granted an extension of time for completion of the Improvements, the City may apply the Standards in effect at the time the extension is granted.

4. Modification of Drainage Plan. Subdivider agrees that if during the course of construction and installation of Improvements it shall be determined by the City Engineer that revision of the drainage plan is necessary in the public interest, it will undertake such design and construction changes as may be reasonable and as are indicated by the City Engineer and approved by City. Said changes, if any, shall be confined to the Property.

5. Acquisition and Dedication of Easements or Rights-of-Way.

(a) If any of the public improvement and land development work contemplated by this Agreement is to be constructed or installed on land not owned by Subdivider, no construction or installation shall be commenced before:

(i) The offer of dedication to City of appropriate rights-of-way, easements or other interest in real property, and appropriate authorization from the property owner to allow construction or installation of the improvements or work, or

(ii) The dedication to, and acceptance by, the City of appropriate rights-of-way, easements or other interests in real property, as determined by the City Engineer/Public Works Director, or;

(iii) The issuance by a court of competent jurisdiction pursuant to the State Eminent Domain Law of an order of possession. Subdivider shall comply in all respects with the order of possession.

(b) Nothing in this Section 5 shall be construed as authorizing or granting an extension of time to Subdivider.

6. Inspections; Final Acceptance and Certification of Improvements.

(a) Subdivider shall at all times maintain proper facilities and safe access for inspection of the Improvements by City inspectors and to the shops wherein any work is in preparation.

(b) Upon completion of the Improvements covered in this Agreement, the Subdivider shall request a final inspection by the City Engineer or his/her authorized representative. Following receipt of such request, the City Engineer shall inspect the Improvements, make certain determinations and take certain actions as follows:

(i) If the City Engineer, or his/her authorized representative, determines that the Improvements requiring dedication to and acceptance by the City for public use (the "Public Improvements") have been completed in accordance with this Agreement, then the City Engineer shall certify the completion of the Public Improvements by placing a resolution on the next most convenient City Council agenda seeking: (1) formal acceptance of the Public Improvements; (2) release of the Improvement Securities; and (3) authorization to file and record a Notice of Completion. Said determination by the City Engineer and agendization of the acceptance and release shall not be unreasonably withheld or delayed. Any certification and/or acceptance of the Public Improvements shall not constitute a waiver of any defects by City.

(ii) For Improvements not requiring dedication to or acceptance by the City (the "Private Improvements"), the City Engineer or his/her authorized representative shall inspect such improvements, and/or shall have the discretion to accept a certification from Subdivider's registered civil engineer stating that the Private Improvements have been completed in accordance with the approved Plans, City Standards and the Tentative Map. If the City Engineer, or his/her authorized representative, makes a finding, based on his/her own inspection (and/or any certification submitted by Subdivider's registered civil engineer) that the Private Improvements have been installed and constructed in accordance with the approved Plans, City Standards and the Tentative Map, the City Engineer shall recommend certification of the completion of the Private Improvements by placing an item on the next most convenient City Council agenda requesting certification and authorization to release the Improvement Securities. Said determination by the City Engineer and agendization of the certification and release shall not be unreasonably withheld or delayed.

(c) Subdivider shall bear all costs of inspection and certification of the Improvements.

7. Release of Improvement Securities.

(a) The Performance Security shall be fully released only upon the final completion and certification of all Public and Private Improvements, and after acceptance of the Public Improvements by the City Council. Partial releases may be permitted subject to the provisions of Subsections (a)(i) and (a)(ii) hereof. Upon final completion of the Public and Private Improvements under this Agreement, and after City Council acceptance/certification, the City shall file a Notice of Completion in accordance with the California Civil Code.

(i) The City Engineer may release a portion of the Performance Security, as work on the Improvements progresses, upon written application thereof by the Subdivider; provided, however, that no such release shall be considered by City until the value of the work remaining to be completed is twenty percent (20%) or less of the estimate of the total amount of work to be done as shown in Exhibit "B". Upon approval of a partial release or the reduction of Performance Security, the City shall not reduce such Performance Security to an amount less than two hundred percent (200%) of the

value of the work remaining to be done. City and Subdivider agree that not more than two requests for reduction or partial release of Performance Security shall be considered between the start of construction and the completion and acceptance/certification of the Improvements by the City.

(ii) In no event shall the City Engineer authorize a release of the Performance Security which would reduce such security to an amount below that required to guarantee the completion of the Improvements and any other obligations imposed upon Subdivider by this Agreement.

(iii) No partial reduction or release of the Performance Security shall constitute or be construed as the City's acceptance of any Improvements or related work. Such partial reductions or releases (if any) will merely reflect that a certain portion of the required work has been done.

(b) The Labor & Materials Security shall, ninety (90) days after the City's recordation of the Notice of Completion described Subsection 7(a), be reduced to an amount equal to the total claimed by all claimants for whom liens have been filed and of which notice has been given to City, plus an amount reasonably determined by the City Engineer to be required to assure the performance of any other obligations secured by the Labor & Materials Security and to cover legal costs. The balance shall be released upon the settlement of all claims and obligations for which the Labor & Materials Security was given. If no claims or liens have been filed and no notice has been given to City within said ninety (90) day period, then the Labor & Materials Security shall be released in full.

(c) The Warranty Security shall not be released until after the expiration of the one-year (1-year) warranty period and until any claims filed during the warranty period have been settled. As provided in Section 11, below, the warranty period shall not commence until final acceptance/certification of the Improvements and related work by the City Council.

(d) The Monumentation Security may be released in full by the City Engineer in accordance with the terms of the separate monument agreement with the City, or if there is none, upon submittal of the following:

(i) a written certification from the professional engineer or surveyor responsible for setting the monuments stating that all the final monuments for the Subdivision have been set in accordance with the Professional Land Surveyors Act and the Subdivision Map Act, and that the professional engineer or surveyor has been paid in full by Subdivider for such services; and

(ii) centerline tie sheets prepared in a manner acceptable to the City Engineer showing the locations of centerline monuments in existing public or private streets.

(e) The City may retain from any Improvement Securities released an amount sufficient to cover costs and reasonable expenses and fees, including reasonable attorneys' fees.

8. Injury to Public Improvements, Public Property or Public Utilities Facilities.

Subdivider shall replace or repair, or cause the repair or replacement of any and all public or private improvements, public utilities facilities and survey or subdivision monuments which are

destroyed or damaged as a result of any work under this Agreement. Subdivider shall bear the entire cost of replacement or repairs of any and all public or private improvements or utility property damaged or destroyed by reason of any work done under this Agreement, whether such property is owned by the United States or any agency thereof, or the State of California, or any agency or political subdivision thereof, or by the City or any public or private utility corporation or by any combination of such owners. Any repair or replacement shall be made to the reasonable satisfaction, and subject to the approval of the City Engineer and the owner of any such public or private improvement.

9. **Permits.** Subdivider shall, at Subdivider's expense, obtain all necessary permits and licenses for the construction and installation of the Improvements, give all necessary notices and pay all fees and taxes required by law.

10. **Notice of Breach/Default of Subdivider.**

(a) Default of Subdivider shall include, but not be limited to: (1) Subdivider's failure to timely complete construction of the Improvements; (2) Subdivider's failure to timely cure any defect in the Improvements; (3) Subdivider's failure to perform substantial construction work for a period of twenty (20) calendar days after commencement of the work; (4) Subdivider's insolvency, appointment of a receiver, or the filing of any petition in bankruptcy either voluntary or involuntary which Subdivider fails to discharge within thirty (30) days; (5) the commencement of a foreclosure action against the Property or a portion thereof, or any conveyance in lieu or in avoidance of foreclosure; (6) Subdivider's failure to keep the Improvement Securities in full force and effect; (7) Subdivider's failure to notify the City of any sale, transfer or other disposition of the Property to a purported new subdivider; (8) Subdivider's failure to maintain insurance; or (9) the failure of Subdivider or Subdivider's contractors, subcontractors, agents or employees to comply with any other terms and provisions of this Agreement.

(b) In the event of any such default, the City Engineer or the City Council may serve written notice to Subdivider specifying in reasonable detail the nature of the default. Subdivider shall have thirty (30) days from receipt of said notice to cure the default; provided that, if the default is not reasonably susceptible to being cured within said thirty (30) days, Subdivider shall have a reasonable period of time to cure the default so long as Subdivider commences to cure the default within said thirty (30) days and diligently prosecutes the cure to completion.

(c) If following service of such written notice of default, Subdivider fails to cure or commence curing the default to the satisfaction of City within the cure period specified in Subsection 10(b), above, the City Engineer or the City Council may serve notice of Subdivider's default upon Subdivider and where applicable Subdivider's surety, or the holder(s) of any other Improvement Securities, in accordance with the notice provisions set forth in Section 22 of this Agreement.

(d) In the event of service of the notice of default specified in Subsection 10(c), above, Subdivider's surety shall have the duty to take over and complete the Improvements

and related work required under this Agreement; provided; however, that if the surety, within twenty (20) days after the serving upon it of such notice of default, does not give the City written notice of its intention to take over the construction of said Improvements or does not, within ten (10) days after giving City notice of such election, commence to complete the Improvements, City may take over the work and prosecute the Improvements to completion, by contract or by any other method City may deem advisable, for the account and at the expense of Subdivider, and Subdivider's surety shall be liable to City for any costs or damages occasioned City thereby; and, in such event, City, without liability for so doing, may take possession of, and utilize in completing the Improvements, such materials, appliances, plant and other property belonging to Subdivider as may be on the site of the work and necessary for the completion of same.

(e) The City reserves to itself all remedies available to it at law or in equity for Subdivider's default under this Agreement. The City shall have the right, subject to this Section, to draw upon or utilize the appropriate Improvement Securities to mitigate City's damages in event of default by Subdivider. The right of City to draw upon or utilize the Improvement Securities is additional to and not in lieu of any other remedy available to City. It is specifically recognized that the estimated costs and amounts of Improvement Securities may not reflect the actual cost of construction or installation of the Improvements, and therefore, City's damages for Subdivider's default shall be measured by the actual cost of completing the required Improvements. The sums provided by the Improvement Securities may be used by City for the completion of the Improvements in accordance with the Plans.

(f) Failure of Subdivider to comply with the terms of this Agreement, including but not limited to, construction of all the Improvements as set forth herein and as required by the Tentative Map, shall constitute Subdivider's consent to: (1) the filing by City of a notice of violation against all of the lots in the Subdivision; (2) a rescission by the City Council of the map approval; (3) action by City to otherwise revert the Subdivision to acreage; and (4) withholding of Building permits, utility connections and/or Certificates of Occupancy. The remedies provided by this Subsection (f) are in addition to and not in lieu of any other remedies available to City at law or in equity. Subdivider agrees that the choice of remedy or remedies for Subdivider's default or breach shall be in the sole discretion of City.

(g) In the event that Subdivider fails to perform any obligation hereunder, Subdivider agrees to pay all costs and expenses incurred by City in securing performances of such obligations, including costs of suit and reasonable attorney's fees.

(h) The failure of City to take an enforcement action with respect to a default, or to declare a default or breach, shall not be construed as a waiver of that default or breach, or of any subsequent default or breach of Subdivider. Any failure by the City to enforce any provision of this Agreement shall not be construed as a waiver of the right to compel enforcement of such provision(s) and further shall not act to release any surety from its obligations under this Agreement.

11. Warranty.

(a) For a period of one (1) year after final acceptance/certification by the City Council of the Improvements, Subdivider shall guarantee or warranty the Improvements against any defective work or labor done or defective materials furnished. If within the warranty period any work relating to the Improvements or any part of thereof furnished, installed, constructed or caused to be done, furnished, installed or constructed by Subdivider fails to fulfill any of the requirements of this Agreement or the Plans, Subdivider shall without delay and without any cost to City, commence to repair or replace or reconstruct any defective or otherwise unsatisfactory part or parts of the work or structure within thirty (30) days of receiving written notice from City of the defect and diligently prosecute the repair or replacement work to completion.

(b) Should Subdivider fail to act promptly or in accordance with the repair/replacement requirements set forth herein, Subdivider hereby authorizes City, at City's option, to perform the repair/replacement work twenty (20) days after mailing written notice to Subdivider and to Subdivider's surety, and Subdivider agrees to pay City for the cost of such work.

(c) Should the City determine that an emergency or a threat to the public safety and welfare exists from the condition of the Improvements which require repairs, replacements or remedial measures to be made before Subdivider can be notified, City may, in its sole discretion, make the necessary repairs or replacements or perform the necessary work and Subdivider shall pay to City the cost of such repairs.

12. Subdivider Not Agent of City. Neither Subdivider nor any of Subdivider's agents, officers, employees, or contractors are or shall be considered to be agents of City in connection with the performance of Subdivider's obligations under this Agreement.

13. Injury to Improvement Work; Risk of Loss. Until such time as the Public Improvements are accepted by City, Subdivider shall be responsible for and bear the risk of loss to any of the Public Improvements constructed or installed and shall be responsible for the care, maintenance of and any damage to such Public Improvements. Neither City, nor any of its agents, officers or employees shall be liable or responsible for any accident, loss or damage, regardless of cause, happening or occurring to the Public Improvements specified in this Agreement prior to the completion and acceptance of the Public Improvements by City. All such risks shall be the responsibility of and are hereby assumed by Subdivider. Subdivider is responsible for and shall bear the risk of loss for all Private Improvements at all times.

14. Other Agreements. Nothing contained in this Agreement shall preclude City from expending monies pursuant to agreements concurrently or previously executed between the Parties, or from entering into agreements with other subdividers for the apportionment of costs of water and sewer mains, or other improvements, pursuant to the provisions of City

ordinances providing therefor, nor shall anything in this Agreement commit to any such apportionment.

15. Subdivider's Obligation to Warn Public During Construction. Until final acceptance/certification of the Public Improvements pursuant to Section 6(b)(i), and final certification of construction of the Private Improvements pursuant to Section 6(b)(ii), Subdivider shall give good and adequate warning to the public of each and every dangerous condition existent in said Improvements, and will take all reasonable actions to protect the public from such dangerous conditions on or around the work site.

16. Vesting of Ownership. Upon acceptance of the Public Improvements and related work on behalf of the City, and after recordation of the Notice of Completion, ownership of the Public Improvements and any improvement constructed on any public street pursuant to this Agreement shall vest in City.

17. Indemnity/Hold Harmless.

(a) Neither the City, nor any official, officer, employee, contractor or agent thereof, shall be liable for any injury to persons or property occasioned by reason of the acts or omissions of Subdivider, its agents, subcontractors or employees in the performance of this Agreement. Subdivider hereby agrees to, and shall defend and hold harmless City, its elective and appointive boards, commissions and officers, and its agents, contractors and employees from and against any and all claims, demands, causes of action, damages, costs, expenses, actual attorneys' fees, consultant's fees, expert's fees, losses or liability, in law or in equity, of every kind and nature whatsoever arising out of or in connection with Subdivider's operations, or any subcontractor's operations, to be performed under this Agreement for Subdivider's or subcontractor's tort negligence including active or passive, or strict negligence, including but not limited to personal injury including, but not limited to bodily injury, emotional injury, sickness or disease, or death to persons and/or damage to property of anyone, including loss of use thereof, caused or alleged to be caused by any act or omission of Subdivider or any subcontractor, or anyone directly or indirectly employed by any of them or anyone for the full period of time allowed by law, with the exception of the sole negligence or willful misconduct of City.

(b) Subdivider's indemnity, defense and hold harmless obligations under this Section 17 are not conditioned or dependent upon whether City, or its elective and appointive boards, commissions and officers, or its agents, contractors and employees, prepared, supplied or reviewed any Plans or related specifications in connection with the Improvements, or whether City or Subdivider has insurance or other indemnification covering any of these matters.

(c) Subdivider's obligation to indemnify, hold harmless and defend City shall extend to injuries to persons and damages to or alleged taking of property resulting from the design or construction of the Improvements, and shall likewise extend to adjacent property owners asserting claims based upon the diversion of waters caused by the Subdivider's design or construction of public drainage systems, streets, and other public facilities or improvements.

City's acceptance and/or certification of the Improvements shall not constitute an assumption by City of any responsibility or liability for any damage or alleged taking of property referenced herein. City shall not be responsible or liable for the design or construction of the Improvements constructed or installed pursuant to the Plans, unless the particular Improvement design was required by City over the written objection of Subdivider, which objection stated that the Improvement design was potentially dangerous or defective and set forth a safe and feasible alternative design. After City's acceptance/certification of the Improvements, Subdivider shall remain obligated to correct or eliminate all dangerous conditions caused by defects in design or construction; provided, however, that the Subdivider shall not be responsible for routine maintenance. Subdivider acknowledges and agrees that Subdivider shall be responsible and liable for the design and construction of the Improvements and other work done pursuant to this Agreement, and except as may be provided above, City shall not be liable for any acts or omissions in approving, reviewing, checking, correcting or modifying any Plans, or in inspecting, reviewing or approving any work or construction of Improvements. Subdivider's Improvement Securities shall not be required to secure Subdivider's obligations under this Section 17.

18. Sale or Disposition of Subdivision; Assignment.

(a) Subdivider acknowledges and agrees that sale, transfer or other disposition of the Property prior to completion of the Improvements required hereunder will not relieve Subdivider from the obligations set forth in this Agreement, and Subdivider shall be required to notify City sixty (60) day in advance of any sale or transfer of ownership of the Property or any proposed assignment of this Agreement. If Subdivider sells or otherwise transfers the Property to any other person or entity prior to final completion of the Improvements, or wishes to assign this Agreement, Subdivider may request a novation of this Agreement and a substitution of Improvement Securities by the new owner or proposed assignee (hereinafter collectively for purposes of this Section, "Successor"). Subdivider shall be required to provide any documentation reasonably required by City to determine the appropriateness of any proposed Successor.

(b) Any proposed Successor must demonstrate to the City its ability to perform and complete the obligations of Subdivider under this Agreement, as determined by objective standards of financial capability, creditworthiness and experience required for such performance, and the City shall have the right to compel the Successor to disclose all documents, information and other material which, in City's sole reasonable discretion, may establish or tend to establish that the proposed Successor meets the standards specified herein. Following approval by City and full execution of a novation (or other such release or assignment and assumption agreement(s) entered into by Subdivider, Successor and City), posting of satisfactory Improvement Securities and submission of required insurance by Successor, City shall release or reduce the securities posted by Subdivider in accordance with the provisions of such novation. Nothing in the novation (or other such release or assignment and assumption agreement entered into by Subdivider, Successor and City) shall relieve

Subdivider of its obligations under any other Section of this Agreement for work or Improvements performed by Subdivider prior to the novation.

19. **Time of the Essence.** Time is of the essence in this Agreement.

20. **Time for Completion of Improvements; Extensions.**

(a) Subdivider shall commence and diligently prosecute to completion construction of all the Improvements required by this Agreement. In the event good cause exists as recommended by the City Engineer and approved by the City Manager, the time for completion of the Improvements as specified in Subsection 1(b) of this Agreement may be extended as permitted by City ordinance, provided the Subdivider submits the extension request to City in writing prior to the expiration of the time period specified in said Subsection 1(b). Any such extension granted shall be subject to the limitations and conditions set forth in Subsections 20(b) and (c), below, and shall be made by a writing executed by the City Manager in a form as approved by the City Attorney.

(b) Any such extension may be granted without notice to Subdivider's surety and shall not affect the validity of this Agreement or release the surety or sureties on any Improvement Securities given for this Agreement. However, City reserves the right to require as part of any extension amendment a written assurance from the surety acceptable to the City Attorney that the Improvement Securities required by Section 2 of this Agreement shall remain enforceable throughout the term of any extension.

(c) The City Manager shall be the sole and final judge as to whether or not good cause has been shown to entitle Subdivider to an extension. In addition, the time for completion of the Improvements shall be extended for any delay resulting from an act of City, or from an act of God, which Subdivider could not have reasonably foreseen, or by storm or inclement weather which prevents the conducting of work, or by strikes, boycotts, similar actions by employees or labor organizations, which prevent the conducting of work, and which were not caused by or contributed to by Subdivider, provided that Subdivider provides City with written notice of the delaying event within fifteen (15) days of the commencement of the delay. In the event of such delaying event, Subdivider shall use all reasonable efforts to remedy same and resume completion of the Improvements as promptly as practicable.

(d) As a condition of granting an extension of time to complete the Improvements required by this Agreement, the City Manager may require Subdivider to furnish new or additional Improvement Securities guaranteeing performance of this Agreement as extended in an increased amount as necessary to compensate for any increase in construction costs as determined by the City Engineer.

21. **No Vesting of Rights.** Performance by Subdivider of this Agreement shall not be construed to vest Subdivider's rights with respect to any change in any zoning or building law or ordinance.

22. Notice. All notices required by or provided for under this Agreement shall be in writing and delivered in person or sent by certified or registered mail, postage prepaid and addressed as provided in this Section. Notice shall be effective on the date it is delivered in person, or, if mailed, on the date of deposit in the United States Mail. Notices shall be addressed as follows unless a written change of address is filed with City:

Notice to City:	City of Cathedral City 68-700 Avenida Lalo Guerrero Cathedral City, CA 92234 Attn: City Manager
With a Copy to:	Charles Green, City Attorney Green de Bortnowsky, LLP 23801 Calabasas Road, Suite 1015 Calabasas CA91302-1595
Notice to Subdivider:	Jones Cree Ventures LLC c/o GHA Enterprises Inc. Attn: Mario J. Gonzales 30875 Date Palm Drive Cathedral City, CA 92234 Phone: 760-969-1400

With a Copy To:

Notice to surety:

23. Severability. The provisions of this Agreement are severable. If any portion of this Agreement is held invalid by a court of competent jurisdiction, the remainder of the Agreement shall remain in full force and effect unless amended or modified in writing by the mutual consent of the Parties.

24. Captions. The captions of this Agreement are for convenience and reference only and shall not define, explain, modify, limit, exemplify, or aid in the interpretation, construction or meaning of any provisions of this Agreement.

25. Insurance.

(a) Subdivider shall, at all times during the term of this Agreement or any extension thereof, obtain, carry, maintain, and keep in full force and effect, at its sole cost and expense, policies of insurance of the types and in at least the minimum amounts described below:

(i) Commercial General Liability policy with a minimum combined single limit of One Million Dollars (\$1,000,000) for each occurrence and Two Million Dollars (\$2,000,000) in the aggregate for bodily injury, death, personal injury and property damage arising out of or in connection with the activities of the Subdivider and its contractors and subcontractors in performance of the work under this Agreement. Coverage shall be at least as broad as Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 0001) and shall, in addition to the other coverages specified in this subsection, include coverage for independent contractors, ongoing operations, products and completed operations and personal and advertising injury.

(ii) Commercial Vehicle/Automotive Liability policy covering personal injury and property damage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence combined single limit, covering any vehicle utilized by Subdivider in performing the services required by this Agreement.

(iii) Workers' Compensation and Employer's Liability policy for all Subdivider's employees, with Workers' Compensation limits as required by State law and Employer's Liability coverage of \$1,000,000 per accident for bodily injury or disease. In case any work is sublet, Subdivider shall require any contractor or subcontractor similarly to provide Workers' Compensation and Employer's Liability Insurance for all contractor's or subcontractor's employees, unless such employees are covered by the protection afforded by Subdivider.

(1) In case any class of employees engaged in work under this Agreement at the work site(s) is not protected under any Workers' Compensation law, Subdivider shall provide and shall cause each contractor or subcontractor to provide, adequate insurance for the protection of employees not otherwise protected.

(2) Subdivider hereby indemnifies City for any damages or claims resulting from failure of either Subdivider or any contractor or subcontractor to take out or maintain such liability or Workers' Compensation insurance.

(b) Insurer Rating; Acceptability. Except as set forth otherwise herein, the policies required by this Section shall be issued by a California-admitted insurer with a rating of at least a B+;VII in the latest edition of Best's Insurance Guide. A Commercial General Liability policy issued by an insurer that is on the California Department of Insurance's List of Approved Surplus Line Insurers ("LASLI") will be acceptable, if no coverage from an admitted insurer can be obtained by Subdivider, and further provided that such insurer maintains a Best's rating of at least "A-; X" and remains on the LASLI during the term hereof. Workers' Compensation coverage issued by the State Compensation Insurance Fund shall be acceptable if no other

coverage can be obtained by Subdivider, and further provided such insurer remains admitted in California and is otherwise financially acceptable to City.

(c) Deductibles. Any deductibles or self-insured retentions must be declared in writing by Subdivider to City and subsequently approved by City prior to its execution of this Agreement and prior to commencement of any work hereunder. At City's option, Subdivider shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Subdivider shall procure a bond guaranteeing payment of losses and expenses.

(d) Certificates and Endorsements Verification. At the time Subdivider executes this Agreement, Subdivider shall submit to the City original certificates of insurance and endorsements evidencing the coverages required by this Section. The certificates and endorsements for each insurance policy shall be signed by a person authorized by that insurer to bind coverage on its behalf. All certificates and endorsements must be approved by City Attorney prior to the City's approval or execution of this Agreement. The City reserves the right to require complete, certified copies of all required insurance policies at any time and/or to require Subdivider to shall provide reports or status updates to evidence compliance of its contractors and subcontractors with the provisions of this Section.

(e) Required Endorsements.

(i) The Commercial General Liability and Commercial Vehicle/Automotive Liability policies are to contain or be endorsed to contain the following provisions:

(1) Additional Insureds. The City of Cathedral City, its officials, officers, employees, agents and independent contractors shall be named as additional insured with respect to liability arising out of automobiles owned, leased, hired or borrowed by or on behalf of the Subdivider; and with respect to liability arising out of work or operations performed by or on behalf of the Subdivider including materials, parts or equipment furnished in connection with such work or operations.

(2) Primary Insurance. For any claims related to this project, the Subdivider's insurance coverage shall be primary insurance as respects the City of Cathedral City, its officials, officers, employees, agents and independent contractors. Any insurance or self-insurance maintained by the City of Cathedral City, its officials, officers, employees, agents and independent contractors shall be excess of the Subdivider's insurance and shall not contribute with it. This endorsement is not applicable to the Commercial Vehicle/Automotive Liability Policy.

(3) Waiver of Subrogation. Endorsements waiving all rights of subrogation against the City of Cathedral City, its officials, officers, employees, agents and independent contractors shall be provided.

(ii) The Workers' Compensation policy shall be endorsed to waive all rights of subrogation against the City of Cathedral City, its officials, officers, employees, agents and independent contractors.

(f) Other Insurance Requirements. All policies required under this Agreement shall contain provisions stating that such policies cannot be canceled or reduced except on at least thirty (30) days prior written notice to Subdivider (ten (10) days' notice for cancellation due to

non-payment). Subdivider further agrees to: (1) provide to City copies of any notices relating to cancellation or reduction of insurance within two (2) days of receipt; and (2) cause all certificates of insurance to include language indicating that the issuers or producers of such policies will endeavor to provide copies of any such notices directly to City.

(g) **Commencement of Work.** Subdivider shall not commence work under this Agreement until Subdivider has obtained all insurance required pursuant to this Section, and such insurance has been approved by City; nor shall Subdivider allow any contractor or subcontractor to commence work on the Improvements until all similar insurance required of the contractor or subcontractor has been obtained. Certificates, endorsements, and where applicable, full copies of policies shall be maintained on file with the City Clerk.

26. Attorneys' Fees. In the event any action at law or in equity is brought to enforce the terms of this Agreement, the prevailing Party shall be entitled to litigation costs and reasonable attorneys' fees.

27. Incorporation of Recitals. The Recitals to this Agreement are hereby incorporated into in the terms of this Agreement

28. Entire Agreement. This Agreement constitutes the entire agreement of the Parties and supersedes any prior written or oral agreements between them with respect to the subject matter hereof. All modifications, amendments, or waivers of the terms of this Agreement must be in writing and signed by the appropriate representatives of the Parties.

29. Governing Law; Venue. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California. In the event that suit shall be brought by either Party to this contract, the Parties agree that venue shall be exclusively vested in the State courts of the County of Riverside, California or where appropriate, in the United States District Court, Southern District of California, Riverside, California.

30. Runs with the Land; Recordation.

(a) The Parties agree that the terms and provisions set forth in this Agreement shall be deemed provisions, terms and/or covenants running with the Property in accordance with applicable law, including without limitation, California Civil Code section 1468, and shall pass to and be binding upon the heirs, successors and assigns of the Parties to this Agreement, and on any successor owner of the Property.

(b) The provisions of Subsection 30(a) notwithstanding, Subdivider shall remain jointly and severally liable with its heirs, successors, assigns or successor owners of the Property for the responsibilities and liabilities imposed by this Agreement unless a novation agreement is executed in accordance with the provisions of Section 18 of this Agreement.

(c) Upon execution, this Agreement shall be recorded in the Official Records of Riverside County, and by such recordation, it is the intention of the Parties to give notice to and bind their successors, heirs and assigns hereto.

31. **Miscellaneous.** Subdivider further agrees to provide to City, on or before occupancy of first residential structure, a copy of the final Public Report or such other evidence acceptable to the City Attorney, that the construction of any common private improvements is guaranteed with the State of California Bureau of Real Estate.

32. **Authority of Executing Parties.** Each person executing this Agreement on behalf of a Party represents and warrants that such person is duly and validly authorized to do so all behalf of the entity it purports to bind and that he/she is authorized to enter into contracts on behalf of Subdivider. The undersigned, on behalf of Subdivider, binds Subdivider, its partners, successors, executors, administrators, and assigns with respect to the terms and provisions of this Agreement.

[END OF THIS PAGE; SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Agreement is executed by the Parties hereto on the date above first written.

Subdivider:

City:

JONES CREE VENTURES LLC,
A California Limited Liability Company

CITY OF CATHEDRAL CITY
a Municipal Corporation

By: Gonzales Investments, LLC
A California Limited Liability Company,
Its Managing Member

Stanley E. Henry, Mayor
City of Cathedral City

By: _____
Mario J. Gonzales, its Managing Member

ATTEST:

By: Bilt-Mor Developments LLC,
A California Limited Liability Company,
Its Managing Member

City Clerk, City of Cathedral City

By: Bill R. Waddle
Bill R. Waddle, its Managing Member

APPROVED AS TO FORM:

City Attorney

APPROVED AS TO CONTENT:

John Corella, City Engineer

APPROVED:

Charles P. McClendon,
City Manager

(Proper Notarization of Subdivider's Signature is required and shall be attached)

EXHIBIT "A"

Legal Description of Real Property Subject to this Agreement

Tract No. 36747, being a subdivision of:

Parcel1: (APN 681-310-010)

The West ½ of the South ½ of Lot 20, in Section 29, Township 4 South, Range 5 East, San Bernardino Meridian, in the City of Cathedral City, County of Riverside, State of California, as shown by map of Palm Colony Lands, on file in Book 14, Page 652 of Maps, San Diego County Records.

Parcel 2: (APN 681-310-011)

The East ½ of the South ½ of Lot 20, in Section 29, Township 4 South, Range 5 east, San Bernardino Meridian, as shown by map of Palm Valley Lands, on file in Book 14, Page 652 of Maps, San Diego County Records.

Excepting therefrom the Southerly 330 feet thereof.

(legal description is from First American Title Company Preliminary Report, Update #6, dated May 28, 2015)

EXHIBIT "B"

TRACT NO. 36747

CONSTRUCTION ESTIMATE

(Based upon Fomotor Engineers Estimate dated 3-10-2015)
(copy attached)

Item	Description	Total
PRIVATE IMPROVEMENTS		
1	Grading	\$318,698.00
2	Storm drains	\$220,840.00
3	On-site streets	\$229,712.00
	Subtotal:	\$769,250.00
	10% contingencies:	\$76,925.00
	Total:	\$846,175.00
	Rounded:	\$846,200.00
PUBLIC IMPROVEMENTS		
1	Off-site streets	\$372,761.00
2	Water improvements	\$175,260.00
3	Sewer improvements	\$106,420.00
	Subtotal:	\$654,441.00
	15% contingencies:	\$65,444.00
	Total:	\$719,885.00
	Rounded:	\$719,900.00
	Grand Total:	\$1,566,100.00
MONUMENTS		
1	set monuments per final map	\$6,800.00
SUMMARY OF REQUIRED SUBDIVISION SECURITIES:		
	Performance Bond, at 100% of construction costs:	\$1,566,100.00
	Labor and materials Bond (payment bond), at 50%:	\$783,050.00
	Warranty Bond (10% of performance):	\$156,610.00
	Monument cash bond:	\$6,800.00

ALL PURPOSE NOTARY ACKNOWLEDGMENT

A Notary Public or other Officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California

COUNTY OF Riverside

On _____ before me, Karen Hansen, a Notary Public,

Appeared Bill R Waddle

who proved to me on the basis of satisfactory evidence to be the person~~(s)~~ whose name~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and by his/~~her/their~~ signature~~(s)~~ on the instrument the person~~(s)~~; or the entity upon behalf of which the person~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

Karen Hansen

Signature of Notary Public

OPTIONAL _____

DESCRIPTION OF ATTACHED DOCUMENT

Type or Title of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) other than above: _____

CAPACITY (IES) OF SIGNER(S)

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title: _____

- ☐ Partnership/LLC
☐ Attorney in Fact
☐ Trustee
☐ Guardian / Conservator
☐ Other

Signer is Representing: _____

Right Thumbprint of Signer:

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title: _____

- ☐ Partnership/LLC
☐ Attorney in Fact
☐ Trustee
☐ Guardian / Conservator
☐ Other

Signer is Representing: _____

Right Thumbprint of Signer:

ALL PURPOSE NOTARY ACKNOWLEDGMENT

A Notary Public or other Officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF California

COUNTY OF Riverside

On _____ before me, Karen Hansen, a Notary Public,

Appeared Mario J. Gonzalez

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity (ies), and by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.



WITNESS my hand and official seal.

Karen Hansen
Signature of Notary Public

OPTIONAL _____

DESCRIPTION OF ATTACHED DOCUMENT

Type or Title of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) other than above: _____

CAPACITY (IES) OF SIGNER(S)

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title: _____

- ☐ Partnership/LLC
☐ Attorney in Fact
☐ Trustee
☐ Guardian / Conservator
☐ Other

Signer is Representing: _____

Right Thumbprint of Signer: _____

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title: _____

- ☐ Partnership/LLC
☐ Attorney in Fact
☐ Trustee
☐ Guardian / Conservator
☐ Other

Signer is Representing: _____

Right Thumbprint of Signer: _____