

Attachment C

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ANTHONY LOMBARDO & ASSOCIATES

A PROFESSIONAL CORPORATION

ANTHONY L. LOMBARDO
KELLY MCCARTHY SUTHERLAND
JOSEPH M. FENECH
CODY J. PHILLIPS

144 W. GABILAN STREET
SALINAS, CA 93901
(831) 751-2330
FAX (831) 751-2331

October 25, 2022

Our File No. 5112.000

Armando Fernandez, Civil Engineer
Monterey County-HCD
1441 Schilling Pl. 2nd Floor
Salinas, CA 93901

Re: September Ranch Replacement Security

Dear Mr. Fernandez:

Our office represents Carmel Reserve LLC in the development of the September Ranch subdivision project, PLN050001 (and extended by PLN110173). The final map for Phase 1 of the subdivision was recorded in December of 2020, the owners are beginning the process of developing the property pursuant to the Subdivision Improvement Plans and the Subdivision Improvement Agreement ("SIA") that was recorded on the project site for the development of the infrastructure for the project.

The SIA, recorded at Document #2020076784 in the Monterey County Recorder's Office, requires the following security be provided for the project:

- 1) A cash deposit in the amount of \$6,500,000.00.
- 2) A second deed of trust benefitting the County in the amount of \$6,000,000.00.
- 3) A deed restriction recorded against the property prohibiting the sale of the entire property, any individual lot or lots created by the recordation of the final map for the subdivision so long as the second deed of trust is in place.
- 4) A warranty bond in the amount of 20% of the estimated cost of improvements (to be provided to the County upon acceptance of the dedicated improvements by the County).
- 5) 100% of the cost of setting subdivision monuments.

The above referenced security was accepted by the County concurrent with the filing of the final map for Phase 1. Section 8(f) of the SIA also provides that the security may be replaced with alternate security acceptable to the County. That Section reads in relevant part:

If any security is replaced by another approved security, the replacement shall be filed with the Resource Management Agency and, upon filing, shall be deemed to be part of and incorporated into this Agreement. Upon filing of a replacement security with the Resource Management Agency, the former security may be released. Any such replacement of security and release of former security must be acceptable to the County and approved by the County in advance of any such replacement.

By this letter, and pursuant to the above referenced Section 8(f) of the SIA, the owner hereby requests that the County's cash deposit and second deed of trust be replaced by the Subdivision Faithful Performance Bond, Subdivision Labor & Materials Bond, and Subdivision Maintenance Bond totaling \$12,316,128.00 plus the Subdivision Monument Bond in the amount of \$13,730.00 as referenced in the SIA.

The process for such replacement security is summarized here and is further described in the attached Exhibit A:

- 1) The Board of Supervisors approves the replacement security.
- 2) The surety sends the bond documents to Carmel Reserve for execution and notarization.
- 3) After signing, Carmel Reserve sends the bond to the County via overnight mail.
- 4) The County releases the \$6,500,000.00 cash deposit to the surety within 3-5 days of receiving the bond documents.
- 5) The County reconveys its interest in the 2nd Deed of Trust to Carmel Reserve, and releases the deed restriction prohibiting the sale of property on the subdivision site.

Once you have had a chance to review the foregoing, please let me know if you would like to have a call to discuss further.

Sincerely,



Cody J. Phillips
Enclosure

memo



To: Wei Huang
Carmel Reserve, LLC

From: Jennifer K. Green, Vice President, Construction Solutions

CC: Tony Lombardo, Cody Phillips

Date: 10/25/2022

Re: Bond Process for Carmel Reserve, LLC

Dear Wei,

Per your request, the following is the process of which I have worked with other municipalities/counties in the past pertaining to the bonding process:

1. Client(Principal) receives approval from Board for project which includes Bond Amount, Project Agreement including cost breakdown, and Bond Forms (usually provided by municipality/County).
 - a. Surety noted Bond Amount must be Approved by Board. Surety will not provide an approval for the Bond to be issued without receiving the Agreement noting the Required Bond Amount.
 - b. Once Bond is Issued, Bond cannot be re-issued. Premium is due at time of Bond Issuance.
2. Client (Principal) provides this information to the Broker in order to obtain approval from Surety to issue bonds. Surety must have indemnity agreement and 1st part of Collateral (provided by Carmel Reserve, LLC) in place prior to issuance of bonds. The collateral that needs to be in place prior to the issuance of the bonds does not include the \$6.5 million cash deposit on file with the County.
 - a. For this project, the County may release the remaining collateral (\$6.5 million cash deposit) & wire it to the Surety Company within 3-5 business days after receipt of executed bond.
3. Broker issues bonds on behalf of Surety company for the amount approved. The bond amount is the amount referenced in the agreement. Note: Bonds follow the contract/agreement and must be issued for the same amount.
4. Bonds are then overnighted to Client/Principal. Principal must sign and notarize bonds prior to forwarding to Obligee (County).

Sincerely,
HUB International Insurance Services, Inc.

Jennifer K. Green, CRIS
Vice President
Construction Solutions

EXHIBIT A

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