

Third Amendment (Full Allocation) to the Nacimiento Project Water
Delivery Entitlement Contract between the District and
the City of San Luis Obispo

**THIRD AMENDMENT (FULL ALLOCATION)
TO NACIMIENTO PROJECT
WATER DELIVERY ENTITLEMENT CONTRACT**

This Third Amendment (Full Allocation) to the Nacimiento Project Water Delivery Entitlement Contract (“Amendment”) is entered into by and between the San Luis Obispo County Flood Control and Water Conservation District, a Flood Control and Water Conservation District duly established and existing under the San Luis Obispo County Flood Control and Water Conservation District Act, Act 7205 of the Uncodified Acts of the California Water Code (the “District”), and the City of San Luis Obispo (the “Participant”).

RECITALS

WHEREAS, the Participant has contracted with the District pursuant to that certain Nacimiento Project Water Delivery Entitlement Contract, effective August 17, 2004, and as subsequently amended by the Memorandum of Understanding dated May 24, 2005 (First Amendment to Nacimiento Project Water Delivery Entitlement Contract) and as subsequently amended by the Second Amendment to Nacimiento Project Water Delivery Entitlement Contract dated August 28, 2007 (collectively, the “Contract”) for an annual Delivery Entitlement to Nacimiento Project Water; and

WHEREAS, the Contract is a Like-Contract that is substantially identical to the Nacimiento Project Water Delivery Entitlement Contracts between the District and the Other Participants; and

WHEREAS, Article 29, subdivision (A) of the Contract contains a list of priorities for the District’s use of its Reserve Water, giving fourth priority to “adding to and supplementing the Delivery Entitlements for the Participant and/or the Other Delivery Entitlements for the Other Participants who are Initial Participants as provided for by Article 6(D)” and giving fifth priority to providing a water supply to “additional and New Participants [as defined in Article 29, subdivision (C) of the Contract] who were not Initial Participants;” and

WHEREAS, pursuant to Article 6, subdivision (D) and Article 29, subdivision (B) of the Contract, the Participant has the right to acquire additional Delivery Entitlement from the District by entering into an amendment to the Contract with the District subject to certain requirements, including, without limitation, the requirement that the Participant pays the District a Purchase of Reserve Water Delivery Entitlement and Reserved Capacity Fee which shall be applied as a credit to the obligations of the Participant and the Other Participants based on their respective Unit Percentage Share; and

WHEREAS, the Participant and the Other Participants (i.e. All Participants) have elected to exercise their rights under Article 6, subdivision (D) and Article 29, subdivision (B) of the

Contract and each purchase a portion of the currently unsubscribed Reserve Water (6,095 acre-feet) in accordance with their Delivery Entitlement Shares minus the combined entitlement of two New Participants, namely SMR Mutual Water Company (80 acre feet per year) and Bella Vista MHP, LLC (10 acre feet per year), such that the Total Delivery Entitlement Obligation shall equal 15,750 acre feet per year and the total amount of Reserve Water shall equal 0.0 acre feet per year; and

WHEREAS, pursuant to Article 17, subdivision (B)(5) of the Contract, when there is no longer any Reserve Water, the District will no longer have any obligation to apply any portion of the *ad valorem* taxes allocated to the Nacimiento Water Fund of the District to the Reserved Capacity Construction Cost Component; and

WHEREAS, given that the Participant and the Other Participants are simultaneously purchasing a share of Reserve Water equal to their Delivery Entitlement Shares, the Participant's and each Other Participant's Reserved Capacity Fee is equal to the credit to which they are entitled under Article 29, subdivision (B) of the Contract; and

WHEREAS, the purpose of this Amendment is to increase the Participant's Delivery Entitlement consistent with Article 29, subdivision (B) of the Contract and all other contractual requirements, including, without limitation, those set forth in Article 32 of the Contract.

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED by and between the Participant and the District as follows:

Section 1. Recitals. The foregoing recitals are true and correct and are incorporated herein by this reference.

Section 2. Defined Terms. Capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in Article 1 of the Contract.

For purposes of this Amendment, "Other Participants" shall exclude SMR Mutual Water Company and Bella Vista MHP, LLC. The Nacimiento Project Water Delivery Entitlement Contracts with SMR Mutual Water Company and Bella Vista MHP, LLC provide that they are not entitled to any credit against their respective financial obligations as a result of this Amendment and the Like-Amendments.

"Like-Amendment" shall mean an Amendment (Full Allocation) to Nacimiento Project Water Delivery Entitlement Contract that is substantially identical to this Amendment, except for Participant information, dates, Unit Participations, Participant's Unit Percentage Share and Delivery Entitlement Share.

Section 3. Notice. Participant acknowledges that it received the notice required by Article 29, subdivision (B) of the Contract in connection with each Other Participant's acquisition of its proportionate share of Reserve Water.

Section 4. Amendment to Article 16, Subdivision (C)(5). The second sentence of Article 16, subdivision (C)(5) of the Contract is hereby amended and restated in its entirety and shall hereafter be and read as follows:

There is apportioned to the Participant 34 and 806/1000 percent (34.806%) of the District's said remaining costs, including the Required Additional Project Costs and Master Water Contract Costs.

Section 5. Amendment to Table 1. Table 1 (Parametric Information for the Water Delivery Entitlement Contract of the Nacimiento Project) is hereby replaced with the revised Table 1 (Parametric Information for the Water Delivery Entitlement Contract for the Nacimiento Project) attached hereto as Exhibit A and incorporated herein by this reference. Said revised Table 1 reflects the Participant's increased Delivery Entitlement and the Participant's revised cost share obligations upon the Effective Date of this Amendment.

Section 6. Effective Date. The Effective Date of this Amendment shall be the date upon which the Participant and all Other Participants have executed and delivered this Amendment and the Like-Amendments to the District, and the District has executed this Amendment and each Like-Amendment.

Section 7. Severability. Any provision of this Amendment that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 8. Governing Law. This Amendment shall be interpreted, governed and enforced in accordance with the laws of the State of California applicable to contracts made and performed in such State.

Section 9. Counterparts. This Amendment may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

IN WITNESS WHEREOF, the parties hereto have each executed this Amendment on the dates set forth below:

CITY OF SAN LUIS OBISPO

By *Katie Huff*
Authorized Representative

Date *March 25, 2016*

**APPROVED AS TO FORM:
CITY ATTORNEY**

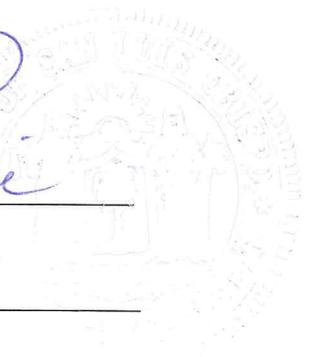
By *[Signature]*

Date *3/24/2016*

**ATTEST:
CITY CLERK**

By *[Signature]*

Date *3/28/16*



**SAN LUIS OBISPO COUNTY FLOOD
CONTROL AND WATER
CONSERVATION DISTRICT**

By _____
Chairperson, Board of Supervisors

Date _____

**APPROVED AS TO FORM AND
LEGAL EFFECT:**

RITA L. NEAL
District Counsel

By *[Signature]*
Deputy District Counsel

Date *March 30, 2016*

**ATTEST:
DISTRICT CLERK**

By _____
Deputy District Clerk

Date _____

Exhibit A - TABLE 1

Parametric Information for the Water Delivery Entitlement Contract of the Nacimiento Project

Date Table 1 is effective:	April 19, 2016
Name of Participant: (from Contract front page)	City of San Luis Obispo
Initial or Other Participant (Article 1 definition)	Initial Participant
Contract Amendment Number	3
Delivery Entitlement acre-feet each Water Year [Article 6(A)]	5482
Delivery Entitlement Share (Article 1 definition)	34.806%
Nacimiento Project Water acre-feet each Water Year (Article 1 definition)	15750
Total Delivery Entitlement Obligation acre-feet each Water Year (Article 1 definition)	15750
Reserve Water acre-feet each Water Year (Article 1 definition)	0
Maximum instantaneous rate of flow cubic feet per second [Article 6(B)]	8.20
Maximum monthly delivery volume of water acre-feet [Article 6(B)]	498.40

Project Segment	Participant's Unit Percentage Share of Capital Reserve Costs and Operation and Maintenance Costs [Article 16(C)(1)]	Participant's Unit Percentage Share of All Other Construction Costs [Article 16(C)(3)(c)]
Systemwide Operating Cost	34.806%	N/A
Unit No. A	34.806%	34.806%
Unit No. A1	34.806%	34.806%
Unit No. B	59.188%	46.997%
Unit No. C	34.806%	34.806%
Unit No. C1	34.806%	34.806%
Unit No. D	59.188%	46.997%
Unit No. E	61.902%	48.354%
Unit No. F	97.684%	66.245%
Unit No. F1	59.188%	46.997%
Unit No. F2	97.684%	66.245%
Unit No. G	97.684%	66.245%
Unit No. G1	99.096%	66.951%
Unit No. G2	99.096%	66.951%
Unit No. H	99.096%	66.951%
Unit No. H1	99.096%	66.951%
Unit No. T2	N/A	N/A
Unit No. T4	N/A	N/A
Unit No. T6	N/A	N/A
Unit No. T9	N/A	N/A
Unit No. T11	99.096%	99.096%

N/A means Not Applicable