

ANNEXATION AGREEMENT

This Annexation Agreement ("Agreement") is made and entered into this 6th day of June, 2023, by and between the Santa Margarita Ranch, LLC, a Delaware limited liability company ("Owner") and the County of San Luis Obispo on behalf of County Service Area No. 23 of the County of San Luis Obispo ("CSA"). Owner and CSA are hereinafter referred to collectively as the "Parties."

Recitals

WHEREAS, Owner is the Owner of certain real property, more particularly described in Exhibit A to this Agreement, attached hereto and incorporated by this reference ("Owner's Property"); and

WHEREAS, on December 23, 2008, the San Luis Obispo County Board of Supervisors approved Owner's application for a Tentative Map for Tract 2586 (the "Project"), which Project is intended to be finalized in three (3) phases, ultimately resulting in Owner's Property being subdivided into approximately 111 residential parcels (the "Residential Parcels"), one remainder parcel and three (3) open space parcels; and

WHEREAS, Annexation of the Residential Parcels to the CSA would (i) accommodate the community water system that Owner intends to construct in order to serve domestic water to the proposed residences, and (ii) would satisfy one of the conditions of approval of said Project; and

WHEREAS, Owner desires the annexation to the CSA of only the Residential Parcels in the Project (the "Annexation Property"); More particularly, the Annexation Property shall consist of the following: (i) the 38 residential lots which will be created by the recording of the final map for Tract 2586-Phase 1 ("Phase 1"), (ii) the approximately 44 residential lots which will be created by the recording of the final map for Tract 2586 - Phase 2 ("Phase 2"), and (iii) the approximately 28 residential lots which will be created by the recording of the final map for Tract 2586 - Phase 3 ("Phase 3"). The locations of all 111 residential lots are currently approximately depicted on Exhibit A; and

WHEREAS, the CSA is willing to consent to said annexation (the "Annexation") on the terms and conditions specified in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements stated herein, the parties agree as follows:

1. **Annexation Application**. Subject to the terms and conditions of this Agreement and all applicable laws, the CSA shall present an application for the Annexation, the form of which has been mutually approved by the Parties, to the Board of Supervisors for its consideration, and, if authorized by the Board of Supervisors, the CSA shall file an application

with the San Luis Obispo Local Agency Formation Commission ("LAFCO") to annex the Annexation Property into the boundaries of the CSA. Concurrent with the preparation of the Final Tract Map for each Phase, Owner shall provide to the CSA metes and bounds descriptions of each of the Residential Parcels in the applicable Phase. Further, (i) no part of the Annexation Property may be outside of the boundaries of Owner's Property as described in Exhibit A attached hereto, (ii) the Annexation Property shall only be Residential Parcels and shall not exceed 111 Parcels; (iii) the Annexation Property resulting from the finalization of Phase 2 and Phase 3, shall all be contained within the boundaries of Lot 39 of Phase I.

2. Water System Improvements.

A. Owner's Improvements. Prior to the final map for each Phase being approved and recorded, Owner shall construct or bond for all water system improvements to be located on Owner's Property ("Owner's Improvements"), as will be necessary or required for the CSA to provide water service to the portion of the Annexation Property in each Phase, as applicable, including but not necessarily limited to:

- a. The tract water distribution system with all appurtenances;
- b. A 6-inch bi-directional cross-connect water line sized to provide up to 200 gallons per minute; i.e., as a redundant system that can provide water in either direction between the existing CSA system and the tract water distribution system;
- c. Booster station with transfer pump, backup generator, and control building;
- d. Bolted steel 288,000-gallon storage tank;
- e. SCADA equipment for telemetry and operations;
- f. Water quality sample stations at each well and tank and a minimum of two additional sample stations within the distribution system; and
- g. Additionally, provisions for a future Iron and Manganese Filtration system, if, after one year of service from the "Wells" described in Paragraph 2.F. below, and a minimum of 10.6 million gallons of production from the Wells, the water produced from the Wells exceed the drinking water standard for iron and manganese.

B. Offsite Improvements. Owner shall construct all water system improvements not to be located on Owner's Property ("Offsite Improvements") but which are necessary to connect Owner's Improvements to the County Service Area No. 23 systems, and those improvements or additions to CSA No. 23's equipment and facilities which are

determined by the CSA's Director of Public Works ("DOPW") to be reasonably necessary.

C. Review of Improvement Plans. Owner has submitted Improvement Plans for Owner's Improvements and Offsite Improvements, which were prepared by North Coast Engineering Principal Greg Jaeger RCE 58030 and dated May 25, 2021, and have been approved by the DOPW. Owner's Improvements and Offsite Improvements shall be constructed in substantial conformance with the approved Improvement Plans.

D. Inspection. Owner shall employ a California licensed professional civil engineer as an Engineer of Record ("EOR") (i) to provide inspection during the course of construction, (ii) to certify to the DOPW that the required Owner's Improvements and Offsite Improvements were installed in substantial conformance with the approved Improvement Plans, and (iii) to submit as-built plans to the DOPW. If the EOR is replaced during the course of construction, the DPOW shall be notified in writing; and each subsequent EOR shall certify as to their respective involvement. The DOPW, or his designated representative, may make such additional inspections as is deemed necessary and shall be available to review field conditions and/or proposed changes with the EOR.

E. Easements. Owner shall provide such easements for Owner's Improvements as deemed necessary by the DOPW.

F. Dedication of Owner's Improvements, Offsite Improvements and Wells - Phase 1. Owner shall offer to dedicate to the CSA no later than the filing of the final map for Phase 1 (i) all Offsite Improvements and Owner's Improvements required for CSA to serve water to the portion of the Annexation Property in Phase 1 and (ii) two groundwater wells, commonly known as Wells #5 and #6, located on the Owner's Property as depicted on Exhibit A attached hereto and incorporated herein by this reference (the "Wells"). Owner and CSA agree and acknowledge that Wells #5 and #6 have been tested and provide a combined flow rate of 200 gallons per minute per County testing standards. Concurrent with the approval of the final map for Phase 1, the CSA shall accept said offers of dedication and thereafter be responsible for the maintenance, repair, and replacement of the accepted Offsite Improvements and Wells.

G. Dedication of Owner's Improvements and Offsite Improvements - Phases 2-3. Owner shall offer to dedicate to the CSA, no later than the filing of the final map for each subsequent Phase of the Project, all Offsite Improvements and Owner's Improvements required for the CSA to serve the Annexation Property contained within each applicable subsequent Phase. Concurrent with the approval of the final map for each subsequent phase, the CSA shall accept said offers of dedication and thereafter be responsible for the maintenance, repair, and replacement of the accepted Offsite Improvements.

3. Operation and Maintenance Costs and Letters of Credit.

A. Establishment of a Zone of Benefit. Subsequent to the annexation, the

CSA intends to establish a separate and distinct zone of benefit for the Annexation Property ("CSA 23A"). The CSA reserves the right to make changes in the boundaries of CSA 23A or CSA 23 that the CSA determines are appropriate, and to make any other changes that the CSA determines are appropriate, including, but not limited to, the creation of new County Service Areas or new zones of benefit within existing County Service Area. The CSA also reserves the right to assign this Agreement without the consent of the Owner, to any other public or governmental entity that would be providing water service to any portion of the Owner's Property; provided that after such assignment, the water service to the Annexation Property is not materially disproportionately different than the water service delivered from the CSA or the assignee of this Agreement to their respective other water users.

B. Existing Water Service Charges and Fees. Owner acknowledges and agrees not to oppose, either directly or indirectly, any LAFCO conditions of annexation requiring the CSA to levy and collect previously established water service fees and charges ("Existing Fees") on the Annexation Property.

C. Capital Improvement Charge. Owner acknowledges that an additional fee levied and collected only from CSA 23A (the "CIP Fee") shall be necessary for the operation, maintenance, repair, replacement, reconstruction, and/or capital improvements related to the Offsite Improvements and Owner's Improvements that serve CSA 23A. The CSA intends to adopt the CIP Fee concurrently with the establishment of CSA 23A. The CIP fee will reflect accepted legal standards for repairs, maintenance and replacement of infrastructure.

D. Excess Operation and Maintenance Costs. Owner acknowledges that Existing Fees and the CIP Fee will not result in the collection of sufficient revenue to cover the costs of the operation, maintenance, repair, replacement, reconstruction, and/or capital improvements relating to the CSA 23 water system ("OMRC Costs") prior to completion of the Project and connection of the entire Annexation Property to the CSA 23 water system. Until completion of the Project and connection of the entire Annexation Property to the CSA 23 water system, Owner shall be charged and shall pay all OMRC Costs that exceed the CSA 23 and CSA 23A revenue collected from the Existing Fees and CIP Fee ("Excess OMRC Costs"). CSA shall periodically provide Owner an invoice for Excess OMRC Costs and amounts unpaid thirty (30) days from the date of the CSA's invoice shall bear interest at the rate of 1.5% per month beginning thirty (30) days after the date of said invoice.

E. OMRC Letter of Credit. In order to secure the obligation of the Owner to pay for any and all Excess OMRC Costs, the Owner shall provide the CSA with an irrevocable, unconditional, and non-transferable standby letter of credit (the "OMRC LOC") upon the CSA's acceptance of the offers of dedication of Offsite Improvements and Owner's Improvements required for the CSA to serve the Annexation Property in Phase 1. The OMRC LOC shall be in the total amount of \$250,000 and substantially similar to the form attached as Exhibit B. On July 1 of each fiscal year thereafter, the CSA will evaluate the OMRC LOC to determine if it should be decreased. The parties intend that the amount of the OMRC LOC shall be reduced annually by the number of lots on Owner's Property that have been

connected to the CSA 23 water system as of July 1 multiplied by a revenue factor of \$2,252 (\$250,000 for 111 lots). Upon the CSA's determination that a reduction is warranted due to the connection of additional lots to the CSA 23 water system, the CSA shall provide written notice of the amount of the reduction to the Owner. Upon receipt of such notice, the Owner may terminate the existing OMRC LOC after providing a new OMRC LOC in the reduced amount.

F. **Filtration System Letter of Credit.** In order to secure the obligation of the Owner to pay for the engineering, construction, and administration cost and expenses of a water filtration system, if necessary, the Owner shall provide the CSA with an irrevocable, unconditional, and non-transferable standby letter of credit (the "Filtration LOC") upon the CSA's acceptance of the offers of dedication of Offsite Improvements and Owner's Improvements required for the CSA to serve the Annexation Property in Phase 1. The Filtration LOC shall be in the total amount of \$189,000 and substantially similar to the form attached as Exhibit C. After a minimum of one year of well water service and sampling and a combined minimum of 30.24 AF or 10,670,244 gallons of water have been distributed in the CSA 23 water system, the CSA shall determine, in its sole discretion, whether a water filtration system is necessary. The CSA shall promptly provide written notice of said determination to Owner. If the CSA determines that the water filtration system is necessary, the Owner may not terminate the Filtration LOC until the CSA's acceptance of the completed water filtration system. If the CSA determines that the water filtration system is unnecessary, the Owner may terminate the Filtration LOC upon receipt of written notice of said determination from the CSA.

G. **Annual Water Consumption Reporting.** Upon request, the CSA will provide to SMR Mutual Water Company the aggregate water consumption total of all metered Tract 2586 residential parcels combined for the previous calendar year.

4. **Inspection, Checking, and Processing Costs.** The Owner shall reimburse the CSA for the cost of (i) checking of the Improvement Plans, (ii) inspection of Owner's Improvements and Offsite Improvements by the CSA Director of Public Works, or his designated representative, and (iii) processing the annexation of the Annexation Property, including but not limited to, costs associated with processing the request for consideration by the County Board of Supervisors and filings with the State of California Board of Equalization. For all services rendered by CSA personnel, the Owner shall be charged and pay to the CSA the actual cost of those services, as computed in the CSA's FMS cost accounting system. The CSA shall invoice the Owner for said costs, if any, and amounts unpaid thirty (30) days from the date of the CSA's invoice shall bear interest at the rate of 1.5% per month beginning thirty (30) days after the date of said invoice.

5. **Rules and Regulations.** Owner acknowledges that the Annexation Property shall be subject to all the benefits of CSA and also shall be subject to all the liabilities of CSA, including but not limited to CSA rules and regulations, resolutions and ordinances and Federal, California State and San Luis Obispo County laws, regulations, compliance orders, and cease and desist orders that may either exist at the time of the Annexation or that may come into

existence subsequent to the Annexation. Owner further acknowledges that while annexation to CSA provides Annexation Property with the right of access to the public water system, the Annexation requirements do not exempt the Annexation Property from connection requirements or from charges or assessments for new facilities or resources acquired after the date of this Agreement.

6. **Right of Entry.** Permission is hereby granted to the CSA and its authorized agents to enter upon the portion of Owner's Property which contain the Owner's Improvements and ingress/egress across Owner's Property for the purpose of inspection of any and/or all work to be done under the Agreement.

7. **Term of Agreement.** The term of this Agreement shall begin upon the date that the last signatory executes this Agreement as indicated by the date stated under that signatory's signature line. The Agreement shall remain in effect until modified or terminated by mutual consent of the Parties. In the event the application for the Annexation is withdrawn or approval of the Annexation is not granted by LAFCO or the Board of Supervisors for any reason whatsoever, this Agreement shall terminate and have no force and effect, except that the obligations regarding defense and indemnity shall survive termination.

8. **Defense and Indemnity.** The Owner shall defend, indemnify and save harmless the CSA, the County, its officers, agents and employees, from any and all claims, demands, damages, costs, expenses, judgements, attorney fees or any liability directly arising out of the Annexation of the Annexation Property or attempted performance of the provisions hereof, including but not limited to those predicated upon theories of violation of statute, ordinance, or regulation, professional malpractice, negligence, or recklessness including negligent or reckless operation of motor vehicles or other equipment, furnishing of defective or dangerous products or completed operations, premises liability, inverse condemnation, violation of civil rights, or any act or omission to act, whether or not it be willful, intentional or actively or passively negligent on the part of the Owner or its agents, employees or other independent consultants directly responsible to Owner; providing further that the foregoing shall apply to any wrongful acts or any active or passively negligent acts or permissions to employees or other independent contractors and County, its agents, employees or independent professional contractors involved in this project. Nothing contained in the foregoing indemnity provision shall be construed to require indemnification for claims, demands, damages, cost, expenses, judgements, attorney fees resulting solely from the negligence or willful misconduct of the County or CSA. Nothing contained in the foregoing indemnity provisions shall be construed to require Owner to indemnify County or CSA, against any responsibility or liability in contravention of Section 2782 of the Civil Code.

9. **Compliance with Laws.** Owner shall comply with all federal, state, and local laws and ordinances applicable to the Agreement and annexation process, including, but not limited to, the California Environmental Quality Act.

10. **Successors and Assigns.** It is understood and agreed by and between CSA and Owner that this Agreement shall bind the heirs, executors, administrators, successors and assigns of the Owner to the Owner's Property.

11. **Notices.** Any notice which any party may or is required to give shall be given by personal service or by depositing such notice with the U.S. Postal Service, postage pre-paid, to the mailing addresses listed below, or at such other person (s) and/or address as may be designated by the party in writing from time to time. Notice shall be effective upon the date of person delivery or three (3) days after date of mailing.

CSA

Department of Public Works
Laura Holder, Contract Administrator
County Government Center, Room 206
San Luis Obispo, CA 93408.

Owner

Santa Margarita Ranch, LLC
Attn: Rob Rossi
22720 El Camino Real
Santa Margarita, CA 93453

Copy:

Paul Metchik, Attorney at Law
1316 Broad Street
San Luis Obispo, CA 93401.

12. **Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California. In the event that suit is brought by a party to this Agreement, the parties agree that trial of such action shall be vested exclusively in the courts of the County of San Luis Obispo, State of California.

13. **Entire Agreement and Modification.** This Agreement constitutes the entire understanding of the parties regarding the conditions and requirements for water service to the Owner's Property. Except for the Engineering Reimbursement Agreement dated May 28, 2020, this Agreement supersedes prior understandings, whether oral or written respecting said water service, and no change, amendment, or alteration shall be effective unless in writing and signed by both parties.

14. **Waiver.** Waiver by one party of any default, breach, or condition precedent shall not be construed as a waiver of any other default, breach, or condition precedent or any other right under this Agreement.

15. **Counterparts and Signatures.** This Agreement may be executed in counterparts, each of which will be deemed an original but together will constitute one agreement. By

signature below the person or persons executing this Agreement on behalf of the respective Party represents that they have the authority to execute this Agreement on behalf of the respective Party and has the authority to bind the Party to the performance of its obligations hereunder.

[Signatures on following pages]

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first written above.

OWNER:

SANTA MARGARITA RANCH, LLC
A DELAWARE LIMITED LIABILITY COMPANY

By: PACIFIC IMPROVEMENT, LLC.
A CALIFORNIA LIMITED LIABILITY COMPANY
MEMBER/MANAGER

By: 
Robin L. Rossi, Manager

BY: MAJOR DOMO, LLC.
A CALIFORNIA LIMITED LIABILITY COMPANY
MEMBER/MANAGER

By: 
Douglas Filipponi, Manager

By: 
Karl Wittstrom, Manager

Dated: _____

**SAN LUIS OBISPO COUNTY
SERVICE AREA NO. 23**

By: 
Chairperson, Board of Supervisors
Acting on behalf of County Service Area No. 23

Dated: June 14, 2023

ATTEST:

JOHN NILON, Interim Administrative Officer and
Ex-Officio Clerk of the Board of Supervisors

By: *Sandy Curran*
Deputy Clerk

APPROVED AS TO FORM AND LEGAL EFFECT:

RITA L. NEAL
County Counsel

By: *David Loh*
Deputy County Counsel

Dated: April 19, 2023

STATE OF CALIFORNIA) ss.

COUNTY OF SAN LUIS OBISPO)

I, **JOHN NILON**, Interim Ex-Officio Clerk of the Board of Supervisors thereof, do hereby certify the foregoing to be a full, true and correct copy of an order entered in the minutes of said Board of Supervisors, and now remaining of record in my office.

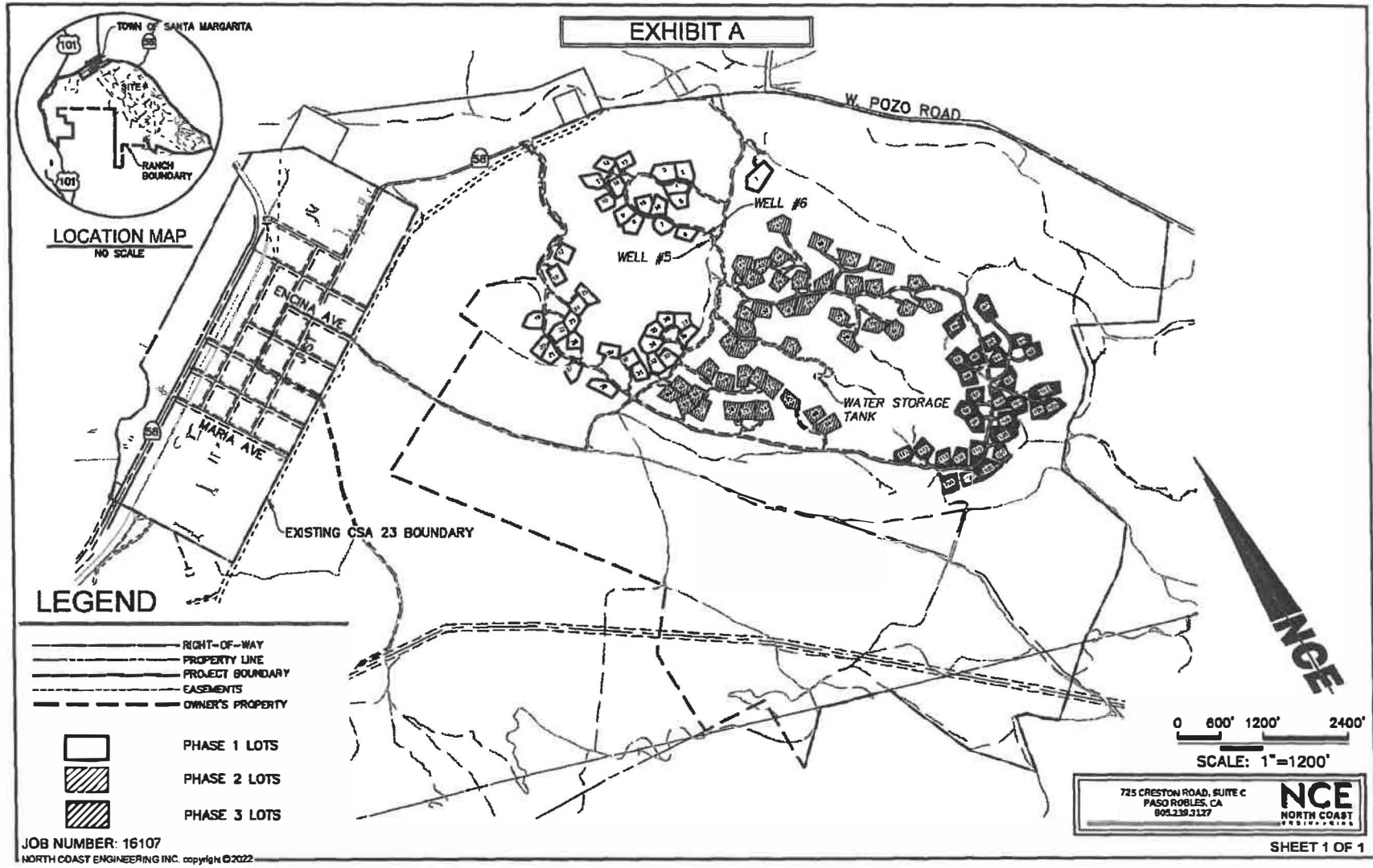
Witness, my hand and seal of said Board of Supervisors on June 21, 2023.

JOHN NILON,
Interim Ex-Officio Clerk of the Board of Supervisors

By: *Sandy Curran*
Deputy Clerk

EXHIBIT A

OWNERS PROPERTY



APPROXIMATE COMPASS BEARING FROM THE CENTER OF THE EARTH TO THE CENTER OF THE SUN AT THE TIME OF THE PHOTOGRAPHY IS 11.293844 DEGREES

EXHIBIT B

Irrevocable Letter Of Credit
Issuing Bank Letterhead and Address

STANDBY LETTER OF CREDIT NO. **XXXXXXXX**

Date: **[insert issue date]**

Beneficiary:

County of San Luis Obispo
Department of Public Works, Rm 206
San Luis Obispo, CA 93408
John Diodati, Director of Public Works

Applicant:

Santa Margarita Ranch, LLC
750 Pismo Street
San Luis Obispo, CA 93401
Attn: Rob Rossi

Letter of Credit Amount: US \$ 250,000.00

Ladies and Gentlemen:

By order of Santa Margarita Ranch, LLC, a Delaware Limited Liability Company (the "Applicant"), **[insert the "Bank"]** (the "Bank") hereby issues in favor of the San Luis Obispo County, aka the County of San Luis Obispo (the "Beneficiary") this irrevocable standby letter of credit No. **XXXXXXXX** (the "Letter of Credit"), for the account of Applicant, for drawings up to but not to exceed the aggregate sum of U.S. two hundred fifty thousand dollars and zero cents (\$250,000.00) (the "Letter of Credit Amount").

This Letter of Credit is available with the Bank by sight payment, at the Bank's offices located at **[insert address]**, effective immediately. The issuer shall promptly honor the sight drafts drawn on it, for all or any portion of the Letter of Credit Amount in an amount determined by the Beneficiary in its sole discretion.

Funds under this Letter of Credit are available to the Beneficiary against presentation of the following documents:

1. Beneficiary's signed and dated sight draft in the form of Exhibit B-1 hereto, referencing this Letter of Credit No. **XXXXXXXX** and stating the amount of the demand; and
2. One of the following statements signed by the Director (or acting Director) of the Department of Public Works and Transportation of the County of San Luis Obispo:

- A. "The amount of the accompanying sight draft under Letter of Credit No. **XXXXXXXX** (the "Draft Amount") is owed to the County of San Luis Obispo ("County") by Santa Margarita Ranch, LLC ("Applicant") or its assignee, pursuant to Section 3(E) of that certain Annexation Agreement between Beneficiary and Applicant dated _____, 2023 which entitles County to draw the Draft Amount under Letter of Credit No. **XXXXXXXX**."; or
- B. "Letter of Credit No. **XXXXXXXX** will expire in thirty (30) days or less and Applicant has not provided replacement security acceptable to Beneficiary."; or
- C. "The Bank's rating has been downgraded to a rating below A-3, as determined by Moody's Investors Corporation Service or the equivalent, and Applicant has not provided replacement security acceptable to Beneficiary within 30 days of such downgrading.

Special Conditions:

- 1. Partial and multiple drawings under this Letter of Credit are allowed;
- 2. All banking charges associated with this Letter of Credit are for the account of the Applicant;
- 3. This Letter of Credit is not transferable; and
- 4. A drawing for an amount greater than the Letter of Credit Amount is allowed, however, payment shall not exceed the Letter of Credit Amount.

The Bank engages with Beneficiary that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation at the Bank's offices located at **[insert address]**.

All demands for payment shall be made by presentation of originals or copies of documents; or by facsimile transmission of documents to **[phone number]**, Attention: **Name/department**, with originals or copies of documents to follow by overnight mail. If presentation is made by facsimile transmission, Beneficiary may contact the Bank at **[phone number]** to confirm receipt of the transmission. Beneficiary's failure to seek such a telephone confirmation does not affect the Bank's obligation to honor such a presentation.

The Bank's payments against complying presentations under this Letter of Credit will be made no later than on the third (3rd) banking day following a complying presentation.

Except as stated herein, this Letter of Credit is not subject to any condition or qualification. It is the Bank's individual obligation, which is not contingent upon reimbursement and is not affected by any agreement, document, or instrument between us and the Applicant or between the Beneficiary and the Applicant or any other party.

Except as otherwise specifically stated herein, this Letter of Credit is subject to and governed by the *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, International Chamber of Commerce (ICC) Publication No. 600 (the "UCP 600"); provided that, if this Letter of Credit expires during an interruption of the Bank's business as described in Article 36 of the UCP 600, we will honor drafts presented in compliance with this Letter of Credit within thirty (30) days after the resumption of the Bank's business and effect payment accordingly.

For telephone assistance regarding this Letter of Credit, please contact the Bank at _____.

Sincerely,

The Bank

By: _____
Authorized Signature

Name: _____
Print or type name

Title: _____

EXHIBIT B-1

Irrevocable Letter Of Credit

TO **[INSERT NAME AND ADDRESS OF PAYING BANK]**

AMOUNT: _____ DATE: _____

AT SIGHT OF THIS DEMAND PAY TO THE ORDER OF SAN LUIS OBISPO COUNTY THE AMOUNT OF U.S. \$250,000.00 (U.S. DOLLARS)

DRAWN UNDER **[INSERT NAME OF ISSUING BANK]** LETTER OF CREDIT NO. XXXXXX.

REMIT FUNDS AS FOLLOWS:

[INSERT PAYMENT INSTRUCTIONS]

DRAWER

By: _____

Authorized Signature

Name: _____

Print or type name

Title: _____

EXHIBIT C

Irrevocable Letter Of Credit
Issuing Bank Letterhead and Address

STANDBY LETTER OF CREDIT NO. XXXXXXXXX

Date: [insert issue date]

Beneficiary:

County of San Luis Obispo
Department of Public Works, Rm 206
San Luis Obispo, CA 93408
Attn: John Diodati, Director of Public Works

Applicant:

Santa Margarita Ranch, LLC
750 Pismo Street
San Luis Obispo, CA 93401
Attn: Rob Rossi

Letter of Credit Amount: US \$ 189,000.00

Ladies and Gentlemen:

By order of Santa Margarita Ranch, LLC (the "Applicant"), [insert the "Bank"] (the "Bank") hereby issues in favor of the San Luis Obispo County, aka the County of San Luis Obispo (the "Beneficiary") this irrevocable standby letter of credit No. XXXXXXXX (the "Letter of Credit"), for the account of Applicant, for drawings up to but not to exceed the aggregate sum of U.S. one hundred eighty nine thousand dollars and zero cents (\$189,000.00) (the "Letter of Credit Amount").

This Letter of Credit is available with the Bank by sight payment, at the Bank's offices located at [insert address], effective immediately. The issuer shall promptly honor the sight drafts drawn on it, for all or any portion of the Letter of Credit Amount in an amount determined by the Beneficiary in its sole discretion.

Funds under this Letter of Credit are available to the Beneficiary against presentation of the following documents:

1. Beneficiary's signed and dated sight draft in the form of Exhibit C-1 hereto, referencing this Letter of Credit No. XXXXXXXX and stating the amount of the demand; and
2. One of the following statements signed by the Director (or acting Director) of the Department of Public Works and Transportation of the County of San Luis Obispo:

- D. "The amount of the accompanying sight draft under Letter of Credit No. **XXXXXXXX** (the "Draft Amount") is owed to the County of San Luis Obispo ("County") by Santa Margarita Ranch, LLC ("Applicant") or its assignee, pursuant to Section 3(F) of that certain Annexation Agreement between Beneficiary and Applicant dated____, 2023 which entitles County to draw the Draft Amount under Letter of Credit No. **XXXXXXXX**."; or
- E. "Letter of Credit No. **XXXXXXXX** will expire in thirty (30) days or less and Applicant has not provided replacement security acceptable to Beneficiary."; or
- F. "The Bank's rating has been downgraded to a rating below A-3, as determined by Moody's Investors Corporation Service or the equivalent, and Applicant has not provided replacement security acceptable to Beneficiary within 30 days of such downgrading.

Special Conditions:

1. Partial and multiple drawings under this Letter of Credit are allowed;
2. All banking charges associated with this Letter of Credit are for the account of the Applicant;
3. This Letter of Credit is not transferable; and
4. A drawing for an amount greater than the Letter of Credit Amount is allowed, however, payment shall not exceed the Letter of Credit Amount.

The Bank engages with Beneficiary that drafts drawn under and in compliance with the terms of this Letter of Credit will be duly honored upon presentation at the Bank's offices located at **[insert address]**.

All demands for payment shall be made by presentation of originals or copies of documents; or by facsimile transmission of documents to **[phone number]**, Attention: **Name/department**, with originals or copies of documents to follow by overnight mail. If presentation is made by facsimile transmission, Beneficiary may contact the Bank at **[phone number]** to confirm receipt of the transmission. Beneficiary's failure to seek such a telephone confirmation does not affect the Bank's obligation to honor such a presentation.

The Bank's payments against complying presentations under this Letter of Credit will be made no later than on the third (3rd) banking day following a complying presentation.

Except as stated herein, this Letter of Credit is not subject to any condition or qualification. It is the Bank's individual obligation, which is not contingent upon reimbursement and is not affected by any agreement, document, or instrument between us and the Applicant or between the Beneficiary and the Applicant or any other party.

Except as otherwise specifically stated herein, this Letter of Credit is subject to and governed by the *Uniform Customs and Practice for Documentary Credits, 2007 Revision*, International Chamber of Commerce (ICC) Publication No. 600 (the "UCP 600"); provided that, if this Letter of Credit expires during an interruption of the Bank's business as described in Article 36 of the UCP 600, we will honor drafts presented in compliance with this Letter of Credit within thirty (30) days after the resumption of the Bank's business and effect payment accordingly.

For telephone assistance regarding this Letter of Credit, please contact the Bank at

Sincerely,

The Bank

By: _____
Authorized Signature

Name: _____
Print or type name

Title: _____

EXHIBIT C-1

Irrevocable Letter Of Credit

TO **[INSERT NAME AND ADDRESS OF PAYING BANK]**

AMOUNT: _____ **DATE:** _____

AT SIGHT OF THIS DEMAND PAY TO THE ORDER OF SAN LUIS OBISPO COUNTY THE AMOUNT OF U.S. \$189,000.00 (U.S. DOLLARS)

DRAWN UNDER **[INSERT NAME OF ISSUING BANK]** LETTER OF CREDIT NO. XXXXXX.

REMIT FUNDS AS FOLLOWS:

[INSERT PAYMENT INSTRUCTIONS]

DRAWER

By: _____

Authorized Signature

Name: _____

Print or type name

Title: _____