

**FIRST AMENDMENT TO
JOINT EXERCISE OF POWERS AGREEMENT
FENNER VALLEY WATER AUTHORITY**

THIS FIRST AMENDMENT TO THE JOINT EXERCISE OF POWERS AGREEMENT ("First Amendment") is made and entered into on October 4, 2017 by and among Santa Margarita Water District, a California water district ("SMWD") and Fenner Valley Mutual Water Company, a California nonprofit mutual benefit corporation ("FVMWC") (each individually a "Member" and collectively "Members"), to amend the provisions related to the formation and governance of the Fenner Valley Water Authority ("Authority").

RECITALS

- A. Members entered into a Joint Exercise of Powers Agreement on November 14, 2014.
- B. Members wish to amend the terms of that Joint Exercise of Powers Agreement to provide additional flexibility in how Members choose and appoint the Board of Directors and their Alternates.

TERMS OF AGREEMENT

In consideration of the mutual promises and covenants herein contained, the Members agree to delete Article 6, Section 6.3 ("Directors") in its entirety, replaced to read in full as follows:

6.3 Directors. The initial Board shall consist of three (3) Directors and three (3) Alternate Directors. Each Member shall appoint one Director and one Alternate Director to the Board. The Managing Member shall appoint one additional Director and one additional Alternate Director. Alternate Directors shall have no vote, and shall not participate in any discussions or deliberations of the Board, if the Director is present and qualified to participate. If a Director is not present, or if a Director has a disqualifying conflict of interest which precludes participation by the Director in any decision-making process of the Board, the Alternate Director appointed to act in his or her place shall assume all rights of the Director, and shall have the authority to act in his or her absence, including casting votes on matters before the Board. Alternate Directors appointed by the Managing Member may serve in the place of either Director appointed by the Managing Member in either Director's absence or disqualification. Each Director and Alternate Director shall be appointed prior to the initial meeting of the Board, as set forth in Section 7.1, reappointed prior to the first Board meeting following December 1 of each year, and shall take office at that meeting.

[signature page follows]

IN WITNESS WHEREOF, the member hereto have executed this First Amendment by authorized officials thereof on the dates indicated below.

SANTA MARGARITA WATER DISTRICT

DATED: 10/21/17

By:  _____

APPROVED AS TO FORM:

Title: Vice. President Justin McCusker


By:  _____

Address: 26111 Antonio Parkway
Rancho Santa Margarita, CA 92688

Title: General Counsel

FENNER VALLEY MUTUAL WATER COMPANY

DATED: 10.23.2017

By:  _____

APPROVED AS TO FORM:

Title: Director, CFO & Secretary

By:  _____

Address: 550 South Hope Street, Suite 2850
Los Angeles, CA 90071

Title: General Counsel