



**REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, February 6, 2020
2:00 p.m.**

Kenneth Hahn Hall of Administration
500 W. Temple Street
Room 739
Los Angeles, CA 90012

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Christian Cruz at least two (2) working days before the meeting at ccruz@cleanpoweralliance.org or (213) 269-5870. Notification in advance of the meeting will enable us to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it.

PUBLIC COMMENT POLICY: *The General Public Comment item is reserved for persons wishing to address the Board on any Clean Power Alliance-related matters not on today's agenda. Public comments on matters on today's Consent Agenda and Regular Agenda shall be heard at the time the matter is called. Comments on items on the Consent Agenda are consolidated into one public comment period. As with all public comment, members of the public who wish to address the Board are requested to complete a speaker's slip and provide it to Clean Power Alliance staff at the beginning of the meeting but no later than immediately prior to the time an agenda item is called.*

Each speaker is limited to two (2) minutes (in whole minute increments) per agenda item with a cumulative total of five 5 minutes to be allocated between the General Public Comment, the entire Consent Agenda, or individual items in the Regular Agenda. Please refer to Policy No. 8 – Public Comment for additional information.

In addition, members of the Public are encouraged to submit written comments on any agenda item to PublicComment@cleanpoweralliance.org. To enable an opportunity for review, written comments should be submitted at least 72 hours but no later than 24 hours in advance of the

noticed Board meeting date. Any written materials submitted thereafter will be distributed to the Board at the Board meeting. Any written submissions must specify the Agenda Item by number, otherwise they will be considered General Public Comment.

Members of the public may also participate in this meeting remotely at the following addresses:

Calabasas City Hall – Council Conference Room
100 Civic Center Way, Calabasas, CA 91301

Ventura County Government Center
Channel Islands Conference Room, 4th Floor Hall of Administration
800 South Victoria Avenue, Ventura, CA 93009

Whittier City Hall – Admin Conference Room
13230 Penn Street, Whittier, CA 90602

I. WELCOME AND ROLL CALL

II. GENERAL PUBLIC COMMENT

III. CONSENT AGENDA

1. Approve Minutes from January 9, 2020 Board of Directors Meeting
2. Approve 2020 Legislative & Regulatory Policy Platform
3. Ratify the Office Lease Agreement between CPA and 801 South Grand Avenue (LA), LLC executed by the Executive Director
4. Authorize the Executive Director to Execute Amendment No. 1 to the Legal Services Agreement between CPA and Clean Energy Counsel
5. Authorize the Executive Director to Execute Amendment No. 1 to the Legal Services Agreement between CPA and Keyes and Fox, LLP
6. Receive and file the Quarterly Risk Management Team (RMT) Report
7. Receive and file an update from the January 16, 2020 Community Advisory Committee meeting

IV. REGULAR AGENDA

8. Approve Policy No. 13 for Changes to Default Rate Product
9. Adopt Procurement Approach for Greenhouse Gas Free Energy

V. ELECTION OF BOARD OFFICERS

1. Elect Diana Mahmud, City of South Pasadena, as Board Chair for the term April 1, 2020 to June 30, 2022 (*Written Ballots to be opened at the Los Angeles location*)
2. Elect Sheila Kuehl, County of Los Angeles, District 3, as Board Vice-Chair representing the Los Angeles County members for the term April 1, 2020 to June 30, 2022 (*Written Ballots to be opened at the Los Angeles location*)
3. Elect Linda Parks, County of Ventura, District 2, as Board Vice-Chair representing the Ventura County members for the term April 1, 2020 to June 30, 2022 (*Written Ballots to be opened at the Los Angeles location*)

VI. CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION
Potential initiation of litigation pursuant to paragraph (4) of subdivision (d) of Government Code Section 54956.9: (1)

VII. MANAGEMENT UPDATE

VIII. COMMITTEE CHAIR UPDATES

Director Lindsey Horvath, Chair, Legislative & Regulatory Committee

Director Julian Gold, Chair, Finance Committee

Director Carmen Ramirez, Chair, Energy Planning & Resources Committee

IX. BOARD MEMBER COMMENTS

X. REPORT FROM THE CHAIR

XI. ADJOURN – TO REGULAR MEETING ON MARCH 5, 2020

Public Records: Public records that relate to any item on the open session agenda for a regular Board Meeting are available for public inspection. Those records that are distributed less than 72 hours prior to

the meeting are available for public inspection at the same time they are distributed to all, or a majority of, the members of the Board. The Board has designated Clean Power Alliance, 555 W. 5th Street, 35th Floor, Los Angeles, CA 90013, as the location where those public records will be available for inspection. The documents are also available online at www.cleanpoweralliance.org.

REGULAR MEETING of the Board of Directors of the
Clean Power Alliance of Southern California
Thursday, January 9, 2020, 2:00 p.m.

MINUTES

*The L.A. Grand Hotel Downtown
2nd Floor Pacific Ballroom 3, 333 South Figueroa St, Los Angeles, CA 90071*

*Calabasas City Hall – Council Conference Room
100 Civic Center Way, Calabasas, CA 91301*

*Ventura County Government Center
Channel Islands Conference Room, 4th Floor Hall of Administration
800 South Victoria Avenue, Ventura, CA 93009*

*Whittier City Hall – Admin Conference Room
13230 Penn Street, Whittier, CA 90602*

I. WELCOME AND ROLL CALL

Chair Diana Mahmud called the meeting to order at 2:05 p.m.
Interim Board Secretary Christian Cruz conducted roll call.

Roll Call				
1	Agoura Hills	Deborah Klein Lopez	Director	Remote
2	Alhambra	Jeff Maloney	Alternate	Present
3	Arcadia	Sho Tay	Director	Present
4	Beverly Hills			Absent
5	Calabasas	John Bingham	Alternate	Remote
6	Camarillo	Susan Santangelo	Director	Remote
7	Carson	Reata Kulcsar	Alternate	Present
8	Claremont	Corey Calaycay	Director	Present
9	Culver City	Meghan Sahli-Wells	Director	Present
10	Downey	Sean Ashton	Director	Present
11	Hawaiian Gardens	Ramie Torres	Alternate	Remote
12	Hawthorne	Alex Monteiro	Director	Present
13	Los Angeles County	Sheila Kuehl	Vice-Chair	Present
14	Malibu			Absent
15	Manhattan Beach	Nancy Hersman	Director	Present

16	Moorpark	Janice Parvin	Director	Remote
17	Ojai	Michelle Ellison	Alternate	Remote
18	Oxnard	Carmen Ramirez	Director	Remote
19	Paramount			Absent
20	Redondo Beach	Christian Horvath	Director	Present
21	Rolling Hills Estates	Jeannie Naughton	Alternate	Present
22	Santa Monica	Kevin McKeown	Director	Present
23	Sierra Madre	John Capoccia	Director	Present
24	Simi Valley	Samantha Argabrite	Alternate	Remote
25	South Pasadena	Diana Mahmud	Chair	Present
26	Temple City			Absent
27	Thousand Oaks	Helen Cox	Alternate	Remote
28	Ventura City	Joe Yahner	Alternate	Remote
29	Ventura County	Linda Parks	Vice-Chair	Remote
30	West Hollywood	Robyn Eason	Alternate	Present
31	Westlake Village	Kelly Honig	Director	Remote
32	Whittier	Vicki Smith	Alternate	Remote

II. GENERAL PUBLIC COMMENT

One general public comment was submitted via email prior to the meeting by Mr. Mark Galanty and distributed to the Board of Directors. There were no general public comments made during the meeting.

III. CONSENT AGENDA

1. Approve Minutes from December 5, 2019 Board of Directors Meeting
2. Authorize the Executive Director to execute Amendment No. 1 to the Power Purchase Agreement (PPA) with Golden Fields Solar III LLC and execute a Consent and Agreement for collateral assignment
3. Approve Submittal of Letter of Intent for CPA to participate in and contribute funding to the California Electric Vehicle Incentive Program (CALeVIP)

Motion: Director Kevin McKeown, Santa Monica

Second: Director Alex Monteiro, Hawthorne

Vote: Items 1 through 3 were approved by roll call vote, with Director Santangelo and Director Naughton abstaining from Item 1.

IV. REGULAR AGENDA

4. Adopt Resolution 20-01-001 to Approve CPA's Approach to the Default of Residential Customers to Time-of-Use (TOU) Rates

Ted Bardacke, Executive Director, introduced this item and Matt Langer, Chief Operating Officer, provided a presentation, highlighting that IOUs will begin residential TOU in October 2020 and CPA customers will transition to TOU for the SCE delivery portion of the bill beginning in late 2021. Currently, most residential customers are on a tiered flat rate, where customers pay a specific amount regardless of when energy is used during the day. Mr. Langer reviewed the four staff recommendations, as follows.

First, CPA will default its residential customers to TOU for the generation portion of their bill and for that transition to take place concurrently with the SCE shift to TOU for the distribution portion of the bill. TOU is intended to help customers use energy when it is most cost effective during the day. Additionally, Mr. Langer pointed out, that it is important to transition concurrently to TOU with SCE because there are state funds for education, outreach, and marketing available to inform customers of the shift to TOU. This would also help in abating customer confusion.

Second, CPA would offer TOU generation rates with the same TOU periods as SCE delivery rates. This would help avoid customer confusion that would be caused by mismatching TOU periods.

Third, CPA would offer 12 months of bill protection, for the generation part of the bill, to protect customers financially following the default TOU transition. IOUs are required to offer this kind of bill protection and 12 months is the industry standard. Customers who end up with a higher bill will receive a refund for the difference between the old tier and the new TOU rate. However, the financial impact to CPA could be anywhere between \$75,000 and \$1.2 million. It is a wide range because it is hard to anticipate how customers will adjust their energy use.

Fourth, CPA would allow customers to opt-out of CPAs default TOU generation rate and remain on tiered flat rates.

Vice Chair Kuehl asked if customers are allowed to opt-out from generation and delivery TOU rates and would this mean a customer would have to opt-out twice. Mr. Langer stated that could be the case, but staff would look into this and provide further clarification. Vice Chair Kuehl also asked about the bill protection and if staff can better clarify for customers that once the 12-month bill protection expires the customer will be required to pay for the incurred costs. Mr. Langer clarified that customers will receive a summary on TOU reporting if the customer saved money or if they would have paid more on TOU rather than the tiered flat rate, which will educate them on what rate would work best for them to avoid overcharges once bill protection expires. Chair Mahmud suggested that CPA be very clear, in the year-end summary that the customer will now be required to pay the total amount for service once the bill protection expires and to recommend they change their rate, if they are expected to pay more so they don't incur large bills.

Director Kulcsar asked if a customer calls CPA customer service to opt-out will that customer also be automatically opted out from SCE TOU. Mr. Langer indicated that a customer would be referred to SCE in order to do so, as CPA does not have the capacity to opt-out customers from SCE TOU delivery charges. Director Kulcsar also asked if the end-of-year summary will have all the information from both SCE delivery and CPA generation clearly be outlined, to which Mr. Langer replied yes.

Director Ashton asked that if a customer who is well above their normal charge for energy use, does CPA have to cover the entire cost difference or can we cap the bill protection pay out. Mr. Langer clarified that the intent is not to cap the amount. However, there are very few customers who tend to incur much larger costs than they would have if they were on a tiered flat rate.

Director McKeown asked how we can make it easy for a customer to understand the change and why it would be a benefit. Mr. Langer stated that there will be co-branding in the messaging distributed to customers with useful information that will lay out the change easily.

Director Sahli-Wells asked about the value to NEM customers and if they would be impacted adversely by this change. Mr. Langer stated that they would not be impacted negatively. Existing solar customers will have grandfather provisions, but after a certain time they too will need to transition to TOU.

Director Torres asked if customer will only be able to opt-out in the first 12-months during the bill protection period. Mr. Langer stated that a customer can opt-out at any time. Director Torres also asked how CARE and FERA customers will be impacted. Mr. Langer clarified that these customers will be exempt from the TOU default, but they can select a TOU rate if they choose.

Vice-Chair Parks asked about bill protection and how it will impact customer energy use behavior. Mr. Langer stated that there will be customers who are not as engaged, and bill protection will help during the transition. Once customers understand the TOU shift it is expected customer energy use behavior will also change. Additionally, customers will need to adjust in order to minimize impacts of large bills.

Director Santangelo asked can we use the usage data prior to the TOU switch to do some customer outreach and inform them on potential savings by moving to TOU. Mr. Langer stated that CPA staff is working with SCE on ongoing communication to inform customers on savings or potential costs based on the previous energy usage. Mr. Bardacke also stated that CPA will be monitoring this internally as well. If staff begins to see trends, CPA can then proactively reach out to customers who might be negatively impacted.

Director Klein Lopez asked about reaching out to customers quarterly and not only at the beginning of the TOU shift or at the end of the 12-month protection, so we can update them on if their rate is trending positively or negatively. Mr. Langer stated that staff will look into that kind of additional outreach can be conducted.

Director Cox asked if a customer does not stay at TOU rate and shifts back to the tiered flat rate then would they not get the benefit of bill protection. Mr. Bardacke clarified that a customer does not have to stay at the TOU rate for the full 12-months in order to enjoy the full bill protection.

Chair Mahmud commented that she has been on TOU for more than a year and it has saved her money and helped to modify her behavior, for the better. Chair Mahmud asked if staff has confirmed with SCE if CPA will be charged for the bill comparisons that will be done. Mr. Langer stated that CPA will not get charged for that. Chair Mahmud also asked about how CPA will address a customer whose energy consumption rises substantially during the 12-month protection period. Mr. Langer clarified that we will be looking at actual usage while a customer is in TOU and compare that to what the cost would have been, if the customer would have remained on a tiered flat rate, and proactively engage with them if their energy usage is trending negatively.

Public Comments: Steven Nash commented on public outreach and requested CPA staff ask SCE to include in the billing a chart of energy usage during peak time to give customers a better visual.

Mr. Harvey Eder commented on the Air District and how the solar new deal was not evaluated by the Air District. Mr. Eder also commented that he was not allowed to enter the 9th circuit court by the FBI and Federal Marshal.

Motion: Director Christian Horvath, Redondo Beach

Second: Director Alex Monteiro, Hawthorne

Vote: Item 4 was amended to add language to the Resolution to encourage staff to work with SCE to obtain quarterly reports for customers to appraise them of any changes in their billing, and this item was approved by a unanimous roll call vote.

V. MANAGEMENT UPDATE

Ted Bardacke, Executive Director, provided a brief update. Mr. Bardacke highlighted that CPA staff will answer questions during various City Council meetings, for those who are interested in joining CPA. Mr. Bardacke also discussed the advice letter submitted by CPA to the CPUC, in December, to fully fund two programs to target low income customers and disadvantaged communities. CPA would offer the 100% green to these two groups for an additional 20% discount on top of the CARE and FERA discount. As part of this, CPA will work to identify communities and projects to provide community solar. The additional solar capacity will provide an additional 3 megawatts. This is a procurement decision, which will need Board approval to go into a long-term Power Purchase Agreement. Additionally, this funding from the CPUC will cover a customer bill discount. Mr. Bardacke also updated the Board on the CBO Grant program to engage small businesses and disadvantaged communities about clean energy and to promote enrollment in CPA financial assistance programs. Mr. Bardacke also highlighted major items that will be brought to the Board over the next few months such as the GHG free procurement strategy, Integrated Resources Plan, and SCE April rate changes.

VI. COMMITTEE CHAIR UPDATES

Director Ramirez commented that the Energy Committee will be meeting next week to discuss the Utility Scale RFO.

VII. BOARD MEMBER COMMENTS

Director Ashton commented that he is the President of the Independent Cities Association, which is having a winter seminar from January 31st – February 2nd in Santa Barbara around public safety issues.

VIII. REPORT FROM THE CHAIR

Chair Mahmud welcomed new CPA member Westlake Village. Chair Mahmud also notified the Board that nomination for Board Chair and Vice Chairs has opened and will close at 5PM on January 17th. Chair Mahmud announced that nominations from the floor would be taken at this time.

Vice Chair Kuehl nominated Chair Mahmud to continue as CPA Chair for another term. Director Ashton nominated Vice Chair Kuehl to continue as Los Angeles County Vice Chair for another term. Director Ramirez nominated Vice Chair Parks to continue a Ventura County Vice Chair for another term.

IX. ADJOURN – TO REGULAR MEETING ON FEBRUARY 6, 2020

Chair Mahmud adjourned the meeting at 4:10 p.m.



Staff Report – Agenda Item 2

To: Clean Power Alliance (CPA) Board of Directors

From: Gina Goodhill, Director of Policy
CC Song, Director of Regulatory Affairs

Subject: CPA 2020 Legislative and Regulatory Policy Platform

Date: February 6, 2020

RECOMMENDATION

Approve the 2020 CPA Legislative and Regulatory Policy Platform as recommended by the Legislative & Regulatory Committee.

PROPOSED POLICY PLATFORM

In December 2018, the Board approved a 2019 Legislative and Regulatory Policy Platform to serve as a framework for CPA's advocacy and policy efforts. Having a Board-approved platform has allowed both Board members and staff to pursue actions at the legislative and regulatory levels in a consistent manner and with the understanding that they are pursuing actions in the best interest of the organization and its mission, its member agencies, and its customers. Since the Policy Platform was approved in 2018, CPA has hired a Director of Policy and a Director of Regulatory Affairs and there are new opportunities and challenges in the legislative and regulatory arenas that are not reflected in the 2019 Platform.

As a result, staff proposed an updated 2020 Legislative and Regulatory Policy Platform to the Legislative & Regulatory Committee at its January 22, 2020 meeting. The Committee made edits to the proposed changes and then voted unanimously to recommend that the Board approve the Platform.

The proposed 2020 Platform (Attachment 1) reflects several changes to the 2019 Platform and incorporates feedback from the Committee, shown in redline in the attachment.

Key proposed updates reflect changing circumstances, including:

- 1) Funding opportunities from the state that CPA may have the ability to access
- 2) A changing energy landscape that could include new rules and roles for the IOUs
- 3) An increased focus on resiliency in the face of extreme weather events and de-energizations

Attachment: 1) Proposed 2020 Legislative and Regulatory Platform



2019-2020 Legislative and Regulatory Policy Platform
Adopted December 13, 2018

Overview and Purpose

The Clean Power Alliance (CPA) Legislative and Regulatory Policy Platform serves as a guide to the CPA Board of Directors and CPA staff in their advocacy efforts and engagement on policy matters of interest to CPA. The Platform allows both Board members and staff to pursue actions at the legislative and regulatory levels in a consistent manner and with the understanding that they are pursuing actions in the best interest of the organization and its mission, its member agencies, and its customers. The Platform will also enable the organization to move swiftly to respond to events in Sacramento (Legislative / Executive) and San Francisco (California Public Utilities Commission). The Platform also provides firm guidance to the Executive Director on what the support or oppose positions that should be taken on legislative and regulatory matters that come before the California Community Choice Association (CalCCA) Board of Directors.

Except under the circumstances approved by the CPA Board on June 7, 2018, when the Chair, Vice-Chairs, Legislative & Regulatory Committee Chair, and Executive Director may act on behalf of the organization, all CPA positions on individual bills will be presented to the full Board for approval.

Policy Principles

The Legislative and Regulatory Policy Platform is centered around four basic principles:

1. Protecting CPA's local control and autonomy by its members, especially with regards to finances, ~~and~~ power procurement, and local customer programs.
2. Ensuring fair treatment of CPA customers by the CPUC and other state agencies.
3. Supporting recognition that electricity is an essential service and that CPA should have the ability to set electric rates that are affordable for all.
4. Pursuing environmental initiatives that exceed prescriptive State mandates, promote the growth in renewable energy capacity at the local level, encourage clean energy adoption by CPA customers, and reduce fossil fuel dependency.

Policy Platform

1) Local Control, Finance, and Power Procurement

CPA will pursue legislative and regulatory activity that:

- a. Supports the authority of CPA and its Board to retain local control over its activities
- b. Supports the protection of CPA's procurement autonomy
- c. Supports the ability of CPA to maintain control over its financial decisions
- d. Support the ability of CPA to expand its service offerings and activities in response to a changing energy landscape
- e. Support the ability of CPA to access state incentives for its customers and member agencies

2) Equitable Treatment of CPA Customers

CPA will pursue legislative and regulatory activity that:

- a. Supports the fair treatment of CPA customers by the CPUC and the legislature
- b. Supports the development of a State regulatory environment that is appropriate empowering for community-owned energy providers

3) Ratepayer Advocacy and Social Justice

CPA will pursue legislative and regulatory activity that:

- a. Supports the protection of all ratepayers, particularly low-income customers, disadvantaged communities, and other vulnerable populations in CPA service territory
- b. Supports supplier diversity among CPA activities
- c. Supports workforce development with a focus on new stable, well-paying local jobs, and participation in the Green Economy
- d. Supports the ability for CPA to set appropriate benchmarks for performance measurement using accepted industry standards

4) Environmental Leadership

CPA will pursue legislative and regulatory activity that:

- a. Supports the ability of CPA and its members to meet and exceed State goals for greenhouse gas emissions reductions (e.g. encouraging movement towards 100% renewable energy), climate action planning, and fossil fuel independence
- b. Supports the ability for CPA to promote growth in renewable energy capacity, resiliency and electrification at the local level



Staff Report – Agenda Item 3

To: Clean Power Alliance (CPA) Board of Directors

From: Ted Bardacke, Executive Director

Subject: Ratification of New Office Lease Agreement

Date: February 6, 2020

RECOMMENDATION

Ratify the Office Lease Agreement between CPA and 801 South Grand Avenue (LA), LLC executed by the Executive Director.

BACKGROUND

During Closed Session of the CPA Board meeting on December 5, 2019, staff presented a Letter of Intent (LOI) with CIM Group (“Landlord”) to lease office space at 801 S. Grand. The LOI described financial and other lease terms for 11,241 rentable square feet (“RSF”) with an Annual Base Rent of \$38.50 per RSF, a Term of 96 months beginning July 1, 2020, a Tenant Improvement Allowance of \$105 per RSF, and 10 months of free rent on 10,110 RSF and 24 months of free rent on 1,131 RSF. The LOI also included terms for items such as options for renewal, expansion and sub-leasing, signage, parking and the provision of electric vehicle chargers and secure bicycle storage.

Without objection, the Board provided direction to the Executive Director to execute a lease according to the terms of the LOI and to return to the Board for ratification of the lease once it was finalized.

DISCUSSION

On January 17, 2020, the Executive Director executed the lease with the Landlord and the Landlord executed the lease on January 24, 2020. All items stipulated in the LOI were adhered to. The lease also covers additional items such as a cap on annual

operating expense increases, insurance requirements, and makes clear the Landlord's obligations to cooperate with CPA's open public meeting needs. The lease also includes a detailed Work Letter describing the process for design, construction, and acceptance of the tenant improvements, along with wage and work standard provisions for contractors that would be consistent with public contracting standards. CPA was represented in the lease negotiations by the law firm of Jarvis, Fay & Gibson LLP.

Consistent with the direction provided by the Board in December of 2019, staff is presenting the attached lease for ratification. CPA staff expects to move in to 801 S. Grand over the summer of 2020, with the first Board meeting to be held in the new space in September of this year.

FISCAL IMPACT

Expenses associated with the Office Lease Agreement will be incurred once CPA takes possession of the premises in July 2020. These expenses will be included in CPA's fiscal year 2020/21 and subsequent annual budgets.

Attachment: 1) Office Lease Agreement between CPA and 801 S Grand

801 SOUTH GRAND OFFICE LEASE

THIS OFFICE LEASE ("Lease") is made as of January ²⁴~~17~~, 2020 ("Effective Date"), by and between Landlord and Tenant, upon the following terms and conditions:

SECTION 1: BASIC LEASE PROVISIONS.

These Basic Lease Provisions set forth the basic terms of this Lease. In the event of any inconsistency between the terms set forth in these Provisions and any other provision of this Lease, the Basic Lease Provisions shall prevail.

1.1	<u>Tenant:</u>	<p><u>Name:</u> CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA, a California joint powers agency</p> <p><u>Address for Notices:</u></p> <p><u>Prior to the Commencement Date:</u></p> <p>555 W. 5th Street, 35th Floor Los Angeles, California 90013 Attention: Executive Director Telephone (213) 269-5870</p> <p><u>From and after the Commencement Date:</u></p> <p>801 S. Grand Avenue, Suite 400 Los Angeles, California 90017 Attention: Executive Director Telephone (213) 269-5870</p>
1.2	<u>Landlord:</u>	<p><u>Name:</u> 801 SOUTH GRAND AVENUE (LA), LLC, a Delaware limited liability company</p> <p><u>Address for Notices:</u> 4700 Wilshire Boulevard Los Angeles, California 90010 Attention: Terry Wachsner Telephone: (323) 860-4900 Fax: (323) 860-4901</p>
1.3	<u>Premises:</u>	Suite 400 on the fourth (4 th) floor of the Building, as shown on <u>Exhibit "A"</u> attached hereto (the " <u>Premises</u> "). The Premises shall contain approximately 11,241 rentable square feet of area.
1.4	<u>Project:</u>	The project (" <u>Project</u> ") is mixed-use project comprised of a residential component (the " <u>Residential Component</u> ") and an office component (the " <u>Office Component</u> "), which are contained in the 22-story building commonly known as 801 South Grand Avenue, Los Angeles, California (including the 3 level subterranean parking garage underneath the building, and the 6-level parking structure

		adjacent to the Building (the " <u>Parking Structure</u> "). The Office Component consists of approximately 207,057 rentable square feet.																																				
1.5	<u>Tenant's Proportionate Share:</u>	5.43%																																				
1.6	<u>Term:</u>	<p>Ninety-six (96) Lease Months, measured from the Commencement Date.</p> <p><u>Commencement Date:</u> The later of (i) July 1, 2020 or (ii) the Possession Date.</p> <p><u>Expiration Date:</u> The last day of the 96th Lease Month after the Commencement Date.</p> <p><u>Option to Extend:</u> Two (2) five (5) year options to extend in accordance with Addendum Section 1.6.</p>																																				
1.7	<u>Base Rent:</u>	<table><tr><th>Lease Month</th><th>Annual Rent</th><th>Monthly Rent</th><th>Annual Rent PSF</th></tr><tr><td>1-12*</td><td>\$389,235.00</td><td>\$32,436.25</td><td>\$38.50</td></tr><tr><td>13-24*</td><td>\$400,912.05</td><td>\$33,409.34</td><td>\$39.66</td></tr><tr><td>25-36</td><td>\$459,134.71</td><td>\$38,261.23</td><td>\$40.84</td></tr><tr><td>37-48</td><td>\$472,908.75</td><td>\$39,409.06</td><td>\$42.07</td></tr><tr><td>49-60</td><td>\$487,096.01</td><td>\$40,591.33</td><td>\$43.33</td></tr><tr><td>61-72</td><td>\$501,708.89</td><td>\$41,809.07</td><td>\$44.63</td></tr><tr><td>73-84</td><td>\$516,760.16</td><td>\$43,063.35</td><td>\$45.97</td></tr><tr><td>85-96</td><td>\$532,262.97</td><td>\$44,355.25</td><td>\$47.35</td></tr></table> <p>*Based on 10,110 rentable square foot (See <u>Section 2.1</u>)</p> <p>Subject to abatement, as further defined in <u>Section 3.1</u>.</p>	Lease Month	Annual Rent	Monthly Rent	Annual Rent PSF	1-12*	\$389,235.00	\$32,436.25	\$38.50	13-24*	\$400,912.05	\$33,409.34	\$39.66	25-36	\$459,134.71	\$38,261.23	\$40.84	37-48	\$472,908.75	\$39,409.06	\$42.07	49-60	\$487,096.01	\$40,591.33	\$43.33	61-72	\$501,708.89	\$41,809.07	\$44.63	73-84	\$516,760.16	\$43,063.35	\$45.97	85-96	\$532,262.97	\$44,355.25	\$47.35
Lease Month	Annual Rent	Monthly Rent	Annual Rent PSF																																			
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73-84	\$516,760.16	\$43,063.35	\$45.97																																			
85-96	\$532,262.97	\$44,355.25	\$47.35																																			
1.8	<u>Security Deposit:</u>	\$88,710.49, subject to <u>Section 3.4</u> below. In lieu of a cash Security Deposit, Tenant may provide a Letter of Credit as provided in <u>Section 3.4.1</u> below.																																				
1.9	<u>Base Year:</u>	The calendar year 2020.																																				
1.10	<u>Permitted Use:</u>	General office use consistent with a professional high-rise building <u>See Addendum.</u>																																				
1.11	<u>Brokers:</u>	Jones Lang LaSalle																																				
1.12	<u>Guarantors:</u>	None.																																				
1.13	<u>Parking Passes</u>	Tenant shall have the right to rent up to twenty-two (22) parking passes for the Parking Structure, at the rates and subject to the terms of <u>Addendum Section 1.13</u> .																																				
1.14	<u>Definitions:</u>	All capitalized terms used in this Lease shall have the meanings specified in this <u>Section 1</u> or in <u>Section 48</u> or in this Lease or in any exhibit or Addendum to this Lease.																																				

1.15	<u>Exhibits:</u>	<p>The following Exhibits are attached to this Lease and incorporated herein by this reference:</p> <p><u>Exhibit A</u> - Floor Plan showing the location of the Premises <u>Exhibit A-1</u> - Must Take Space <u>Exhibit B</u> - Statement of Commencement Date <u>Exhibit C</u> - Work Letter <u>Exhibit C-1</u> - Responsible Contractor Program <u>Exhibit D</u> - Rules and Regulations for the Project <u>Exhibit E</u> - Form of Estoppel Certificate</p>
1.16	<u>Addendum:</u>	Attached: <u> X </u> Yes; <u> </u> No.

SECTION 2: LEASE OF PREMISES.

2.1 **Lease to Tenant.** Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term, subject to the other provisions of this Lease. The term "rentable square feet" as used in the Lease will be the area of the Premises as determined by Landlord in accordance with the Building Owners and Management Association Method for Measuring Floor Area in Office Buildings, ANSI Z65.1-2010, as modified for the Project (the "BOMA Standard"). Notwithstanding anything to the contrary contained herein, during the first twenty-four (24) Lease Months of the Term, Tenant shall not be required to pay Base Rent on a portion of the Premises containing approximately 1,131 rentable square feet, as delineated on Exhibit "A-1" attached hereto ("Must Take Space"); provided, however, that (i) Tenant may conduct business from the Must Take Space commencing on the Commencement Date and (ii) Tenant shall commence paying Base Rent for the Must Take Space on the first day of the twenty-fifth (25th) Lease Month and thereafter for the remainder of the Term as provided in Section 3.1 below.

2.2 **Common Areas.** Tenant shall have the nonexclusive right to use the Common Areas, subject to Matters of Record and the Rules and Regulations. Tenant's rights are subject to Landlord's right to make changes to the Common Areas or the use of such Common Areas which Landlord deems reasonable, perform maintenance and repairs and otherwise use the Common Areas as Landlord may deem appropriate in its reasonable judgment, provided that such changes or use do not materially and adversely impact Tenant's use of and/or access to the Premises.

2.3 **Title.** Tenant's leasehold estate in the Premises under this Lease is subject to: (a) the Matters of Record; and (b) the effect of all Laws applicable to the use and occupancy of the Premises.

2.4 **Acceptance of Premises.** Subject only to completion of the Tenant Improvements described in the "Work Letter" attached hereto as Exhibit "C", Tenant accepts the Premises, the Common Areas and Project in their "as-is, where-is" condition. Tenant hereby agrees and warrants that it has investigated and inspected the condition of the Premises and the suitability of same for Tenant's purposes, and Tenant does hereby waive and disclaim any objection to, cause of action based upon, or claim that its obligations hereunder should be reduced or limited because of the condition of the Premises or the Building or the suitability of same for Tenant's purposes. Except as expressly set forth in the Work Letter, Tenant acknowledges that neither Landlord nor any agent nor any employee of Landlord has made any representations or warranty with respect to the Premises or the Building or with respect to the suitability of either for the conduct of Tenant's business and Tenant expressly warrants and represents that Tenant has relied solely on its own

investigation and inspection of the Premises and the Project in its decision to enter into this Lease and let the Premises in the above-described condition except as to latent defects and subject to problems or conditions of which Tenant gives Landlord notice within thirty (30) days after the Commencement Date. Within ten (10) days following the Landlord's written request, Tenant shall complete, execute and return to Landlord a Statement of Commencement Date in the form of Exhibit "B" hereto.

2.5 Delivery of Possession. Landlord shall deliver to Tenant possession of the Premises, following Substantial Completion of the Tenant Improvements in accordance with the terms of delivery set forth in the Work Letter, and free and clear of all other tenants and occupancies ("Possession Date"). The projected delivery date is July 1, 2020. Landlord shall not be liable for any delay in delivery of possession of the Premises, except that the Commencement Date for the Premises shall be determined from the date of delivery (which Landlord shall confirm in a written notice specifying the actual Commencement Date, Expiration Date and any other reasonably necessary information). If the Possession Date occurs prior to July 1, 2020, Tenant shall have the right to occupy the Premises subject to the terms of this Lease provided that Tenant shall not be liable for any Base Rent or any portion of the Operating Costs for such period of occupancy prior to July 1, 2020. Notwithstanding the foregoing, in the event that Landlord has not delivered possession of the Premises to Tenant in the condition required herein on or before November 1, 2020 (subject to extension for Force Majeure and/or Tenant Delay), then Tenant shall have the right to terminate the Lease upon at least thirty (30) days' prior written notice to Landlord; provided, however, that if the Possession Date occurs within such 30-day period, Tenant's termination notice shall be deemed null and void and the Lease will not be terminated pursuant to this sentence. In the event that Landlord fails to deliver the Premises on or before December 1, 2020, then either party shall have the right to terminate the Lease upon written notice to the other party.

2.6 Quiet Possession. So long as Tenant is not in Default, Tenant shall be entitled to quietly have, hold, and enjoy the Premises during the Term, subject to Landlord's rights under this Lease.

2.7 Use of Premises. Tenant and Tenant's Employees shall use the Premises solely for the Permitted Use and Tenant shall, at its sole cost and expense, observe and promptly comply with all Rules and Regulations, signage criteria and any Laws or Matters of Record now in force or which may hereafter be in force with respect to Tenant's particular manner of use, occupancy and possession of the Premises. Tenant shall at all times keep the Premises in a clean condition, and shall further comply with all requirements of any board of fire underwriters or other similar body now or hereafter constituted which pertain to Tenant's manner of use. In no event shall Landlord be liable to Tenant for any damage or claims suffered or incurred as a result of the failure of Tenant, or any other Person (other than Landlord) to conform to the foregoing.

2.8 Changes to Project. Landlord reserves the right, in its sole discretion, at any time to make or allow permanent or temporary changes or replacements to the Project, including but not limited to the Common Areas. Such activities may require the temporary alteration of means of ingress and egress to the Project and the installation of scaffolding and other temporary structures while the work is in progress. Such work shall be performed in a manner reasonably designed to minimize interference with Tenant's conduct of business from the Premises. None of the same shall be considered to be a constructive eviction of Tenant from the Premises, create any liability on the part of Landlord, or give Tenant any right to rent abatement or otherwise alter the rights or obligations (including Rent) of Tenant under this Lease.

2.9 Name of Project. Landlord may change the name and/or the address of the Project at its sole discretion.

2.10 Relocation of Premises. Intentionally Omitted.

SECTION 3: RENT.

3.1 **Payment of Base Rent; Abatement.** Commencing on the Commencement Date, Tenant shall pay to Landlord the Base Rent specified in Section 1.7, in advance on or before the first day of each calendar month during the Term without demand, deduction or setoff, except as otherwise expressly set forth herein. "Lease Month" shall mean each full calendar month during the term (and if the Commencement Date does not occur on the first day of a calendar month, the period from the Commencement Date to the first day of the next calendar month shall be included in the first Lease Month for purposes of determining the duration of the Term and the monthly Rent rate applicable for such partial month) and the term "Lease Year" shall mean each consecutive period of twelve (12) Lease Months. Notwithstanding anything to the contrary contained in the Lease, and provided that Tenant faithfully performs all of the terms and conditions of the Lease, Landlord hereby agrees to abate Tenant's obligation to pay Monthly Base Rent for the second (2nd) through eleventh (11th) full calendar months of the Term ("**Abatement Period**"). During the Abatement Period, Tenant shall still be responsible for the payment of all of its other monetary obligations under the Lease except for the abatement of Base Rent for the Must Take Space specified in Section 2.1. Tenant shall pay Base Rent for one month of the Term concurrently with Tenant's execution of this Lease.

3.2 **Payment of Additional Rent.** In addition to the Base Rent, Tenant shall pay as Additional Rent:

3.2.1 All personal property taxes assessed against and levied upon any Personal Property prior to delinquency.

3.2.2 Tenant's Proportionate Share of increases of the Operating Costs incurred during the Term, payable in accordance with Section 3.3.

3.2.3 All additional charges for any services, goods or materials furnished by Landlord at Tenant's written request or relating to Tenant's specific use of the Premises.

3.2.4 All Excess Consideration payable to Landlord pursuant to Section 7.6 hereof.

3.2.5 All other sums payable by Tenant hereunder.

3.3 **Payment of Operating Costs.** In addition to the Base Rent, commencing on the first day of the thirteenth (13th) Lease Month of the Term, and continuing on the first day of each subsequent calendar month during the Term, Tenant shall pay in monthly installments an amount equal to Tenant's Proportionate Share of the excess of Operating Costs for such year over Operating Costs for the Base Year (the "**Excess Expense**") in accordance with the following provisions:

3.3.1 Within ninety (90) days following the end of each calendar year (from and after the Base Year), Landlord shall deliver to Tenant a good faith estimate of the Excess Expenses for the next calendar year (the "**Excess Expense Estimate**"). The Excess Expense Estimate shall show the amount previously paid by Tenant for Excess Expenses for the previous calendar year. In addition to the Base Rent provided for in Section 3.1, above, on the first day of each calendar month during each calendar year, Tenant shall pay Tenant's Proportionate Share of the Excess Expense Estimate for said calendar year. **See Addendum.**

3.3.2 Landlord may periodically revise the Excess Expense Estimate to reflect changed circumstances, and Tenant shall make subsequent Operating Cost payments based upon the revised Excess Expense Estimate.

3.3.3 Within one hundred fifty (150) days after each calendar year in the Term, Landlord shall deliver to Tenant a statement of the actual Excess Expenses (the "Annual Statement"). The Annual Statement shall state the amount by which Tenant has underpaid or overpaid Tenant's Proportionate Share of the Excess Expenses. Tenant shall pay any deficiency to Landlord within thirty (30) days after receipt of the Annual Statement. The amount of any overpayment shall be refunded to Tenant or credited against Rent next coming due.

3.3.4 Tenant shall have one hundred eighty (180) days after delivery of the Annual Statement to object in writing to the accuracy of the Annual Statement. If Tenant does not make its written objection within that period, the Annual Statement shall be binding upon Tenant. Whether or not Tenant objects to the Annual Statement, Tenant shall pay any amount specified in the Annual Statement within the 30 day period following the delivery of the Annual Statement. See Addendum.

3.3.5 In the event Landlord elects to rehabilitate the Project, excluding any construction of additional leasable space, the costs of such rehabilitation shall be shared by Tenant as an Operating Cost; provided, however, such rehabilitation costs shall be amortized over the useful life of the rehabilitation (as determined in accordance with general accepted accounting principles (GAAP)) using the interest rate actually charged by the actual rehabilitation lender as arranged by Landlord.

3.3.6 Even though the Term has expired or this Lease has been terminated and Tenant has vacated the Premises, when the final determination is made of Tenant's Proportionate Share of Excess Expenses pursuant to this Section 3.3 for the year in which the Term expires or this Lease terminates, Tenant shall promptly pay any amount due over the estimated amount of the same previously paid by Tenant for such year, and conversely, any overpayment made shall be promptly refunded by Landlord to Tenant; provided, however, that all or any part of any such refund may be applied by Landlord in payment of any delinquent or past due sums, including Base Rent or any other amounts due from Tenant.

3.4 Security Deposit. Concurrently with the execution of this Lease, Tenant shall deposit with Landlord the amount specified in Section 1.8 as a Security Deposit. Landlord shall not be required to pay interest on the Security Deposit or keep the Security Deposit separate from its general funds. Upon any Default by Tenant, Landlord may use the Security Deposit to the extent necessary to make good any arrears of sums payable by Tenant under this Lease, or to compensate Landlord for any damage, injury, expense or liability caused by Tenant's Default. If any portion of the Security Deposit is so used or applied, Tenant shall, within five (5) days after written demand therefor, deposit a certified or bank cashier's check with Landlord in an amount sufficient to restore the Security Deposit to its amount immediately preceding such use or application of funds and Tenant's failure to do so shall be a Default under this Lease. The balance of the Security Deposit (if any) shall be returned within sixty (60) days after Tenant's obligations have been fulfilled. Tenant hereby waives any rights or benefits that may be available to Tenant by reason of California Civil Code Section 1950.7.

3.4.1 Letter of Credit. In lieu of a cash Security Deposit, Tenant may elect to deliver to Landlord an unconditional, irrevocable and renewable letter of credit ("Letter of Credit") in favor of Landlord in form reasonably satisfactory to Landlord, issued by a bank reasonably satisfactory to Landlord with a branch located in California, in the principal amount ("Stated Amount") specified below, as security for the faithful performance and observance by Tenant of the terms, provisions and conditions of this Lease. Tenant shall pay all

expenses, points and/or fees incurred by Tenant in obtaining the Letter of Credit. The Stated Amount shall be \$88,710.49. The Letter of Credit shall state that an authorized officer or other representative of Landlord may make demand on Landlord's behalf for the Stated Amount of the Letter of Credit, or any portion thereof, and that the issuing bank must immediately honor such demand, without qualification or satisfaction of any conditions, except the proper identification of the party making such demand. In addition, the Letter of Credit shall indicate that it is transferable in its entirety by Landlord as beneficiary at no cost to Landlord and that upon receiving written notice of transfer, and upon presentation to the issuing bank of the original Letter of Credit, the issuer or confirming bank will reissue the Letter of Credit naming such transferee as the beneficiary. If the term of the Letter of Credit held by Landlord will expire prior to the last day of the Lease Term and it has not been extended, or a new Letter of Credit for an extended period of time has not been substituted, in either case at least (30) days prior to the expiration of the Letter of Credit, then Landlord shall be entitled to make demand for the Stated Amount of said Letter of Credit and, thereafter, to hold such funds in accordance with this Section 3.4.1. The Letter of Credit and any such proceeds thereof shall be held by Landlord as security for the faithful performance by Tenant of all of the terms, covenants and conditions of this Lease. Upon Default by Tenant, Landlord may (but shall not be required to) draw upon all or any portion of the Stated Amount of the Letter of Credit, and Landlord may then use, apply or retain all or any part of the proceeds to the extent necessary to make good any arrears of sums payable by Tenant under this Lease, or to compensate Landlord for any damage, injury, expense or liability caused by Tenant's Default. If any portion of the Letter of Credit proceeds are so used or applied, Tenant shall, within ten (10) days after demand therefor, post an additional Letter of Credit in an amount to cause the aggregate amount of the unused proceeds and such new Letter of Credit to equal the Stated Amount required in this Section 3.4.1 above. Landlord shall not be required to keep any proceeds from the Letter of Credit separate from its general funds. Should Landlord sell its interest in the Premises during the Lease Term and if Landlord deposits with the purchaser thereof the Letter of Credit or any proceeds of the Letter of Credit, thereupon Landlord shall be discharged from any further liability with respect to the Letter of Credit and said proceeds. Any remaining proceeds of the Letter of Credit held by Landlord after expiration of the Lease Term, after any deductions described in this Section 3.4.1 above, shall be returned to Tenant or, at Landlord's option, to the last assignee of Tenant's interest hereunder, within sixty (60) days following the expiration of the Lease Term.

3.5 Late Charges. Tenant hereby acknowledges that late payment by Tenant to Landlord of rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult, if not impossible, to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Landlord by the terms of any mortgage or trust deed covering the Premises. Accordingly, if any installment of rent or any sum due from Tenant shall not be received by Landlord or Landlord's designee within five (5) days after said amount is past due, then, in addition to all other remedies provided herein, Tenant shall pay to Landlord a late charge equal to the greater of (i) five percent (5%) of such overdue amount (but in no event greater than the maximum amount permitted by law), or (ii) a service charge equal to the sum of \$50.00 plus \$10.00 per day for each day after the due date for which Tenant's failure to pay continues, plus, in either event, all reasonable attorneys' fees incurred by Landlord by reason of Tenant's failure to pay rent and/or other charges when due hereunder. The parties hereby agree that such late charges represent a fair and reasonable estimate of the cost that Landlord will incur by reason of the late payment by Tenant, and that it does not constitute a forfeiture or penalty. Acceptance of such late charges by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, nor prevent Landlord from exercising any of the other rights and remedies granted hereunder. Landlord may, at its option, include all late charges accrued during any calendar year in the estimated charges to be paid by Tenant for the ensuing year, and may deduct all late charges from the Security Deposit. Notwithstanding the foregoing, there shall be no such late charge for the first such late payment in any 12-month period, so long as Tenant pays such overdue amount within five (5) days after written notice from Landlord.

SECTION 4: ALTERATION AND IMPROVEMENTS.

4.1 Alterations by Tenant. At its sole cost and expense, Tenant shall have the right to make Tenant Alterations which have received Landlord's prior written approval (which will not be unreasonably withheld, delayed or conditioned ("Landlord Approval")), so long as each of the following conditions is met:

4.1.1 The proposed Tenant Alterations:

- (a) are for general office use and will not adversely affect the utility of the Premises for future tenants;
- (b) will not alter the exterior appearance of the Project;
- (c) are not of a structural nature and will not weaken or impair the structural strength of the Project; and
- (d) will not adversely affect or increase demands on any of the mechanical, electrical, sanitary, or other Systems and Equipment;
- (e) will not unreasonably interfere with the normal and customary business operations of other tenants in the Building or Project; and
- (f) comply with all Laws.

4.1.2 Landlord Approval is obtained for complete construction drawings and specifications for the proposed Tenant Alterations, and any material change thereto.

4.1.3 Landlord shall have approved of Tenant's contractor and subcontractors, such approval to be granted or withheld in Landlord's reasonable discretion. Landlord may, among other things, take into account the desirability of maintaining harmonious labor relations in the Building when considering such approval. For the construction of any Tenant's work paid for by Landlord, Tenant shall require that its contractors comply with CIM Group LLC's Responsible Contractor Policy, a summary of which is attached hereto as Exhibit C-1. A list of responsible contractors is available from Landlord. Tenant shall provide Landlord with a copy of the contract with its contractor prior to commencement of Tenant's work, which contract shall comply with this RC Policy, and Landlord shall have the right to disapprove such contractor or the contract on reasonable grounds.

4.1.4 Landlord shall have been furnished with original certificates of insurance from a company approved by Landlord, showing Landlord as an additional insured on public liability, automobile liability, property damage, and worker's compensation policies, with such limits as Landlord may reasonably require; and

4.1.5 Landlord shall have been furnished with copies of all building and/or other applicable permits or licenses required for the prosecution of the work.

4.2 Work Done by Tenant. Any Tenant Alterations shall comply with the following:

4.2.1 All work shall be in compliance with all Laws. Any work not acceptable to any governmental authority or agency having jurisdiction over such work or not reasonably satisfactory to Landlord shall be promptly corrected by Tenant at Tenant's expense.

4.2.2 Tenant and Tenant's Employees shall not install plumbing, mechanical, electrical wiring or fixtures, ceilings, partitions, or other alterations which, in Landlord's judgment, reasonably exercised, may adversely affect any of the Project systems or their performance (including, but not limited to, the heating, ventilating and air-conditioning

systems). Tenant shall have the right to use the existing wiring/cabling in the Premises at no additional cost.

4.2.3 All work by Tenant and Tenant's Employees shall be performed diligently until completed and pursuant to any reasonable scheduling requirements imposed by Landlord.

4.3 No Liability of Landlord. Landlord shall have no liability for any faulty work or defect regardless of Landlord's approval of Tenant Alterations or plans and specifications.

4.4 Reimbursement to Landlord. Tenant shall reimburse Landlord for any actual, out of pocket third party expense incurred by Landlord in approving the plans and specifications for Tenant Alterations and in reviewing the progress of their construction, and any reasonable out of pocket expense incurred by Landlord by reason of faulty work or inadequate cleanup.

4.5 Property of Landlord. All Tenant Alterations shall remain in the Premises at the expiration or earlier termination of the Term, and shall become the property of Landlord, without any compensation to Tenant, provided, however, at Landlord's reasonable written election made by Landlord at the time of the applicable Landlord Approval, Tenant shall remove those Tenant Alterations required by Landlord to be removed from the Premises and Tenant shall repair any damage caused by the removal, normal wear and tear excepted.

4.6 Notice of Work Commencement. Before commencing any work with respect to the Tenant Alterations, Tenant shall notify Landlord in writing not less than five (5), nor more than ten (10), business days prior to the date such work commences. Landlord shall have the right to post all appropriate notices of non-responsibility.

4.7 Mechanics' Liens. Except as otherwise provided in this Lease, Tenant shall pay for all labor and materials supplied to the Premises for Tenant. Tenant shall not permit any mechanics' or similar liens to be filed against the Land or the Project, or against Tenant's leasehold interest in the Premises for Tenant Alterations. Tenant shall indemnify, defend and hold harmless Landlord, Landlord's Employees, the REA Parties and their respective successors, assigns, partners, directors, officers, shareholders, employees, agents, lenders, ground lessors and attorneys, and the Project, from and against any and all Claims incurred by such indemnified persons, or any of them, as the result of any mechanics' lien owing to Tenant Alterations and filed against the Land, Project or against Tenant's leasehold interest in the Premises. If Tenant causes a lien on the Project, Tenant shall, at its sole cost and expense, either (i) remove such lien or (ii) provide a bond in accordance with the California Civil Code. No action to remove a lien, as provided herein, shall affect Tenant's right to contest the legitimacy of the lien and seek appropriate legal remedies against the party placing such lien on the Project.

4.8 Completion Bond. Landlord may require Tenant, at Tenant's sole cost, to obtain and provide to Landlord a lien and completion bond in a form and by a surety acceptable to Landlord, and in amount not less than one hundred twenty-five percent (125%) of the estimated cost of such Tenant Alterations.

SECTION 5: REPAIR AND MAINTENANCE.

5.1 Tenant's Obligations. During the Term, Tenant shall keep the Premises and all signs installed by Tenant in good condition and repair as a result of Tenant's use or manner of use. All damage to the Premises or the Project caused by Tenant or Tenant's Employees, or the failure of Tenant or Tenant's Employees to comply with this Lease and the Rules and Regulations, shall be repaired at Tenant's expense, failing which Landlord, upon ten (10) days' prior written notice to Tenant and the continued failure of Tenant to remedy same, may make any repairs,

which are not promptly made by Tenant and charge Tenant for the cost thereof, together with interest thereon at the Default Rate. Tenant waives all rights to make repairs to the Premises at the expense of Landlord, or to deduct the cost thereof from Rent. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises and all alterations, additions and improvements in the same condition as when received, ordinary wear and tear and casualty excepted.

5.2 Landlord's Obligations. During the Term, Landlord shall maintain and repair the Systems and Equipment, the Common Areas, and the structural elements of the Project. Landlord's obligations under this Section will not affect Landlord's right to recover from Tenant the costs for any damage or repair to the Project for which Tenant is liable hereunder. The Building has not undergone inspection by a Certified Access Specialist ("CASp") (as defined in Section 1938 of the California Civil Code). However, a CASp can inspect the Premises and determine if the Premises comply with all applicable construction-related accessibility standards under State law. Although State law does not require a CASp inspection of the Premises, Landlord shall not prohibit Tenant from obtaining a CASp inspection prior to the occupancy by Tenant if Tenant requests same in writing. Upon Landlord's receipt of Tenant's written request, the parties shall agree upon the time and manner of such inspection, and the parties agree that the payment of the CASp inspection shall be made by Tenant. The parties shall mutually agree on any costs to Tenant of making any repairs necessary to correct violations of construction-related accessibility standards within the Premises, provided, Landlord's obligations under this Section 5.2 shall not affect Landlord's right to recover from Tenant the costs for any damage or repair to the Project for which Tenant is liable hereunder, nor relieve Tenant from Tenant's obligations as to any Tenant Alterations in the Premises. Notwithstanding anything to the contrary contained herein, Landlord hereby represents and warrants to Tenant that, as of the Effective Date, Landlord has no actual knowledge (without duty of inquiry or investigation) of any violation of accessibility standards under applicable Law related to the Building, the Premises and/or the Project, except to the extent arising out of (i) any special accommodation required for Tenant's Employees (or the employees of any other tenant of the Project) or (ii) due to Tenant's specific use of the Premises. See Addendum.

SECTION 6: BUILDING SERVICES.

6.1 Provision by Landlord. Landlord shall furnish the Premises with the following Basic Services, provided Landlord reserves the right to adopt such reasonable non-discriminatory modifications and additions hereto as it deems appropriate.

6.1.1 Landlord shall, subject to limitations and provisions hereinafter set forth in this Section 6.1:

(a) Provide automatic elevator facilities on Monday through Friday from 8:00 a.m. to 6:00 p.m., and Saturdays 9:00 a.m. to 1:00 p.m. ("**Business Hours**"), excepting Holidays, and have one automatic elevator available at all other times.

(b) Provide to the Premises, during Business Hours (and at other times for an additional charge to be fixed from time to time by Landlord), heating, ventilation, and air conditioning ("**HVAC**") as is necessary for the comfortable occupancy of Premises for general office purposes, subject to any energy conservation or other regulations which may be applicable from time to time and as set forth in the HVAC Specifications attached hereto. Landlord shall not be responsible for maintaining comfortable room temperatures if Tenant's lighting and receptacle loads exceed those listed in Section 6.1.1(c) hereof, or if the Premises contain other heat generating equipment in excess of those normally found in space used for, or are used for other than, general office purposes. The current

rate for after-hours' HVAC costs is \$65.00 per hour. Currently, the Building's HVAC is controlled by DDC or Neumatic thermostats.

(c) Furnish to the Premises, during Business Hours, electric current for lighting and the operation of general office machines such as personal computers, dictating equipment, and the like, which use 110 volt electric power, which lighting shall not exceed the capacity of Building standard office lighting and receptacles. Landlord shall make available to the Premises at all times not less than six (6) watts per square foot of usable area, exclusive of HVAC, subject to any lower limits imposed by any governmental or quasigovernmental authority. Tenant agrees, should its electrical installation or electrical consumption be materially in excess of the foregoing use or extend beyond the times specified in Section 6.1.1(a), to reimburse Landlord for the cost of such utilities. In such event, Landlord may install, upon written notice to Tenant, at Tenant's expense, any necessary meters for measuring Tenant's utility consumption, however Landlord shall provide prior notice to Tenant of such excessive usage and Tenant shall have a reasonable opportunity to cure such excessive usage before a meter is installed..

(d) Furnish water for pantry, cleaning, decorative features, drinking, and restrooms provided by Landlord; but if Tenant requires, uses or consumes water for any purpose in addition to pantry, cleaning, decorative features, ordinary drinking, and restroom purposes, Landlord may, subject to the terms of Sections 6.1.2, install, at Tenant's cost, a water meter and thereby measure Tenant's water consumption for all purposes, and Tenant shall pay for such water usage at Landlord's standard charge for such service, however Landlord shall provide prior notice to Tenant of such excessive usage and Tenant shall have a reasonable opportunity to cure such excessive usage before a meter is installed.

(e) Provide janitorial services to the Premises, Monday through Friday (except Holidays), such services to be consistent with janitorial services provided by landlords of similar high rise office buildings in the vicinity of the Building, provided that the Premises are used exclusively as offices and are kept reasonably in order by Tenant. Tenant shall pay to Landlord the cost of removal of any of Tenant's refuse and rubbish, to the extent that the same exceeds the refuse and rubbish usually attendant upon the use of the Premises for general office purposes.

(f) Provide Building security, equipment, personnel, procedures and systems to the Building. Security services are currently provided at the Building seven days per week, 24 hours per day. Notwithstanding the provision of such services, Tenant acknowledges that Landlord does not guarantee absolute security to Tenant or its employees.

6.1.2 With respect to any meter installed as contemplated in Sections 6.1.1(c) or (d) hereof, Tenant shall keep the meter and installation equipment in good working order and repair at Tenant's own cost and expense, subject to the terms of Section 6.1.3. If Tenant is in Default, Landlord may cause the meter and equipment to be repaired and collect from Tenant the actual out-of-pocket costs for such repairs incurred by Landlord. Tenant agrees to pay for utilities consumed as shown by the meter, as and when billings therefor are rendered, and in the event of Tenant's default in making such payment, Landlord may, on five (5) days' notice to Tenant, pay the charges and collect the same from Tenant as Additional Rent.

6.1.3 Except as part of the Tenant Improvements, no electrical equipment, air conditioning or heating units, or plumbing additions shall be installed, nor shall any

changes to the Building's HVAC, electrical or plumbing systems be made without prior written approval of Landlord, which consent shall be subject to Landlord's reasonable discretion and not unreasonably withheld provided it will be reasonable for Landlord not to grant such consent if such changes would cause a material adverse effect on the Building's Systems and Equipment or result in a material increase in costs to the Project. Landlord reserves the right to designate and/or approve the contractor to be used. Any permitted installations shall be made under Landlord's supervision, Tenant shall pay any additional cost on account of any increased support to the floor load or additional equipment required for such installations, and such installations shall otherwise be made in accordance with Section 4 of the Lease.

6.1.4 Tenant will not, without prior written consent of Landlord, use any apparatus, machine or device in the Premises, including, without limitation, duplicating machines, computers, electronic data, processing machines, punch card machines, and machines using current in excess of 110 volts, which will materially increase the amount of electricity or water required to be furnished or supplied for use of the Premises in excess of that which would be required for use of the Premises as general office space as of the date of the Lease, nor connect with electric current, except through existing electrical outlets in the Premises, any apparatus or device for the purpose of using electric current in excess of that now usually furnished or supplied for use of the Premises as general office space.

6.1.5 Except as expressly provided in Exhibit C and for Tenant Improvements, Landlord shall not provide reception outlets or television or radio antennas for television or radio broadcast reception, and Tenant shall not install any such equipment without prior written approval from Landlord, which approval may not be unreasonably withheld, delayed or conditioned.

6.1.6 Tenant agrees to cooperate fully at all times with Landlord, and to abide by all regulations and requirements which Landlord may reasonably and non-discriminatorily prescribe for the proper functioning and protection of the Building's HVAC, electrical and plumbing systems. Tenant shall comply with all laws, statutes, ordinances and governmental rules, regulations and directives, whether or not having the force of law, now in force or which may hereafter be enacted or promulgated in connection with building services furnished to the Premises, including, without limitation, any governmental rule or regulation relating to the heating and cooling of the Building.

6.1.7 Landlord reserves the right to reduce, interrupt or cease services of the HVAC, elevator, plumbing, and electric systems, when necessary, by reason of accident, emergency or governmental regulations, or for repairs, additions, alterations or improvements to the Premises or the Building until the repairs, additions, alterations or improvements shall have been completed provided that Landlord shall use good faith, commercially reasonable efforts to provide Tenant a minimum of 24 hours' prior notice (which may be sent by e-mail) of any disruption of service and such reduction, interruption or cessation of services is not caused by the gross negligence or willful misconduct of Landlord or Landlord's Employees. Landlord shall further have no responsibility or liability for failure to supply elevator facilities, plumbing, ventilating, air conditioning, or utility services, when prevented from so doing by strike, lockout or accident, or by any cause whatever beyond Landlord's reasonable control, or by laws, rules, orders, ordinances, directions, regulations or requirement of any federal, state, county or municipal authority, labor trouble or any other cause whatsoever, or failure of gas, oil or other suitable fuel supply or inability by exercise of reasonable diligence to obtain gas, oil or other suitable fuel. It is expressly understood and agreed that any covenants, conditions, provisions or agreements in the Lease, or performance of any act or thing for the benefit of Tenant, shall

not be deemed breached if Landlord is unable to furnish or perform the same by virtue of a strike, labor dispute, lockout, laws, rules, orders, ordinances, directions, regulations or requirements of any federal, state, county or municipal authority, accident, breakage, or repairs, or any other cause whatever beyond Landlord's reasonable control, or where reasonable efforts are made to restore service. Tenant is responsible for its own emergency power requirements.

6.1.8 Tenant shall not contract to obtain electricity from any provider other than the provider selected by Landlord without Landlord's prior written consent, which may be withheld in Landlord's sole discretion.

6.2 Additional Services. Should Tenant require, and should Landlord provide, Additional Services, Tenant agrees to pay, as Additional Rent, the expense of all Additional Services, and Landlord shall be entitled to impose and collect charges for Additional Services, with such payment from Tenant due and payable within thirty (30) days of Tenant's receipt of invoice therefor. In the event of Tenant's excessive use, Landlord may cause a switch and metering system to be installed at Tenant's expense to measure the amount of utility services consumed. The cost of any such meters and their installation, maintenance, repair and replacement shall be paid by Tenant. All costs for such Additional Services shall be prorated among all tenants then requesting comparable Additional Services during such time periods.

6.3 Interruption. No interruption or malfunction of any Basic Services or Additional Services shall constitute an eviction or disturbance of Tenant's use and possession of the Premises or a breach by Landlord of any of its obligations hereunder, nor render Landlord liable for damages or entitle Tenant to be relieved from any of its obligations under this Lease, specifically including, but not limited to, Tenant's obligation to pay Rent, except as otherwise expressly provided in this Lease. In the event of any such interruption, however, Landlord shall use reasonable diligence to restore such service.

SECTION 7: ASSIGNMENT AND SUBLETTING.

7.1 Restriction on Assignment and Subletting.

7.1.1 Except for any Permitted Transfer (as defined below), Tenant shall not, directly or indirectly, by operation of law or otherwise, make any Transfer without obtaining Landlord's written approval. Tenant shall provide Landlord with prior written notice ("**Transfer Notice**") of the proposed Transfer, containing the items specified in Section 7.2 below. Subject to Section 7.4 hereof, Landlord's written approval of a Transfer shall not be unreasonably withheld, delayed or conditioned (except that Landlord shall have the right to exercise its sole, arbitrary and independent discretion, and to act reasonably, in respect of any request for consent to a lien, mortgage, deed of trust, encumbrance or hypothecation against the Premises, the Project or this Lease or Tenant's interests hereunder). Any such attempted Transfer without the approval of the Landlord shall be null and void and of no effect.

7.1.2 Anything contained in this Lease to the contrary notwithstanding, Tenant shall not sublet the Premises on any basis such that the rent or other amounts to be paid by the sublessee thereunder would be based, in whole or in part, on either (i) the net income or profits derived by the business activities of the proposed sublessee, or (b) any other formula such that any portion of the Rent would fail to qualify as "rents from real property" within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provision hereto.

7.2 Documentation Required. The Transfer Notice shall be accompanied by each of the following:

- (a) A copy of all proposed Transfer Documents.
- (b) A statement setting forth the name, address and telephone number of the Transferee, and all principal owners of the Transferee.
- (c) Current financial information regarding the proposed Transferee, including a statement of financial condition.
- (d) For any sublease, a description of the portion of the Premises to be sublet.
- (e) Any other information reasonably required by Landlord, which will enable Landlord to determine the financial responsibility, character, and reputation of the proposed Transferee, nature of such Transferee's business and proposed use of the Premises or portion thereof.

Landlord shall respond to Tenant's Transfer Notice within fifteen (15) business days from Landlord's receipt of the documentation required under this Section 7.2.

7.3 Entity Tenant. If Tenant is a corporation the stock of which is not actively publicly traded on a national securities exchange, or is a partnership, limited liability company or unincorporated association, or other entity, the transfer, assignment or hypothecation of any stock or direct or indirect interest in such corporation, partnership limited liability company, association, or other entity or its assets in the aggregate in excess of twenty-five percent (25%) shall be deemed a Transfer within the meaning of this Section.

7.4 Reasonable Disapproval. Landlord shall not be deemed to have unreasonably withheld approval a Transfer if consent to such Transfer is conditioned on any of the following grounds:

7.4.1 The business of the proposed Transferee and its use of the Premises shall not conflict with any exclusive use granted to any other tenant of the Project.

7.4.2 The proposed Transferee must be reputable and of good character with a net worth sufficiently large and liquid for the proposed Transferee to meet its obligations.

7.4.3 The subtenant or assignee must assume Tenant's obligations (other than Base Rent) under the Lease relating to the portion of the Premises transferred.

7.4.4 The proposed Transferee shall not be a federal governmental entity or agency (excluding any Permitted Transfer).

7.4.5 There does not then exist any Default by Tenant under this Lease or any non-payment or non-performance by Tenant of a material provision under this Lease which, with the passage of time and the giving of notice as required in this Lease, would constitute a Default.

7.4.6 The proposed Transferee is not a tenant in the Building nor has it negotiated with Landlord for a lease of space within the building for a period of six (6) months immediately preceding the tendering of the Transfer Notice.

7.5 Continuing Obligations.

7.5.1 Notwithstanding any Transfer, Tenant shall remain fully liable for the performance of all obligations contained in this Lease. Any act or omission of a Transferee that violates any Lease obligations shall be a Default by Tenant.

7.5.2 Landlord shall have the right to approve the terms of each Transfer authorized by Landlord, to the extent such approval of such Transfer is required by this Lease.

7.6 Transfer Premium. In the event of a Transfer (excluding a Permitted Transfer), fifty percent (50%) of the Excess Consideration (as hereinafter defined) received by Tenant from or in respect of such Transfer shall be paid to Landlord (which amount is to be prorated where a part of the Premises are subleased) as Additional Rent. Tenant shall pay Landlord's share of the Excess Consideration to Landlord at the end of each calendar year during which Tenant collects any Excess Consideration. Each payment shall be sent with a detailed statement showing: (i) the total consideration paid by the sublessee or assignee and/or received by Tenant; and (ii) any exclusions from the Excess Consideration permitted by this Paragraph. Landlord shall have the right to audit Tenant's books and records to verify the amount of Excess Consideration due to Landlord and the accuracy of the statement required herein. The term "Excess Consideration" shall mean all consideration received by Tenant from an assignment or sublease in excess of the Base Rent and Additional Rent payable under this Lease (on a per square foot basis if less than all of the Premises are transferred), after deducting reasonable leasing commissions paid by Tenant or other reasonable out-of-pocket expenses paid by Tenant directly related to obtaining a sublessee or assignee (including, without limitation, marketing and advertising, reasonable attorneys' fees and the cost of improvements in connection with such Transfer, concessions of rent and additional rent).

7.7 Recapture. Notwithstanding anything to the contrary contained in this Section 7, as to a Transfer of the entire Premises for the remainder of the Term and excluding any Permitted Transfer, Landlord may elect to terminate this Lease. If Landlord exercises its right to terminate this Lease under this Section 7.7, Landlord shall be free to lease the Premises or any portion thereof (or of other premises within the Project) to any third party, including, without limitation, any third party identified by Tenant in its Transfer Notice, and Tenant shall not be entitled to any compensation, or to any portion of the rent or other consideration received by Landlord from such third party or otherwise, as a result thereof. Furthermore, Landlord's exercise of its termination right shall not be construed to impose any liability on Landlord with respect to any real estate brokerage, finders', or other fee, commission or other compensation that Tenant may incur in connection with its proposed transaction.

7.8 Landlord's Rights to Transfer. Landlord shall have the right to sell, transfer, hypothecate or assign any or all of its rights and obligations under this Lease. Upon the transfer of all of Landlord's interest under this Lease, all liabilities and other obligations of the Landlord arising on or after the date of the transfer shall be the sole responsibility of the transferee. The transferor is hereby released from any claim with respect thereto upon the assumption of the obligations of Landlord hereunder by the transferee.

7.9 Permitted Transfers.

7.9.1 Notwithstanding anything to the contrary contained in this Lease, Tenant may enter into the following (each a "Permitted Transfer") without the prior written consent of Landlord: (i) an assignment or transfer of this Lease as a result of a merger, a consolidation, public offering, and/or sale of all, or substantially all, of Tenant's equity ownership or its assets, or (ii) an assignment or sublease of this Lease, or a license or other occupancy agreement related to a portion of the Premises between Tenant and any Affiliate of Tenant or a Member Agency of Tenant.

7.9.2 A Permitted Transfer, however, shall not be binding on Landlord until a fully executed copy of the agreement effectuating such Permitted Transfer shall have been delivered to Landlord; and, further, provided, that: (a) Tenant shall not then be in Default under this Lease beyond expiration of any applicable notice, grace or cure period; (b) in each instance, the succeeding entity if the Permitted Transfer is an assignment of the Lease shall assume in writing all of the obligations of this Lease on the part of Tenant; (c) in the case of (i) above, such entity has a tangible net worth of not less than that of Tenant as of the date of the execution of this Lease; (d) in the case of (ii) above, any such assignee, sublessee, licensee or other occupant of the Premises shall, during such possession or use of the Premises, maintain its affiliation or relationship with Tenant qualifying it for a Permitted Transfer; and (e) such assignment, sublease, license or other transfer shall in no manner relieve Tenant of any of the obligations undertaken by it under this Lease. Tenant shall submit such information as Landlord may reasonably require concerning all of the foregoing for Landlord's files. Tenant shall be entitled to retain 100% of any revenues derived from a Permitted Transfer.

SECTION 8: INSURANCE/INDEMNITY.

8.1 Policies. All insurance required to be carried by Tenant hereunder shall be issued by insurance companies qualified to do business in the State of California and rated A:VIII or better in the most current issue of "Best's Key Rating Guide." Current, original certificates and applicable endorsements evidencing the existence and amounts of such insurance shall be delivered to Landlord by Tenant at least ten (10) days prior to Tenant's taking occupancy of the Premises, and the expiration of any policy required hereunder. All insurance policies carried by Tenant shall bear an endorsement providing that the same shall not be subject to cancellation or reduction in coverage except after not less than thirty (30) days' written notice to Landlord and the other additional insureds. It is agreed that all insurance coverage maintained by Tenant under this Lease with respect to the Premises shall be primary and that any similar insurance maintained by Landlord or the other named additional insureds for its and/or their own protection shall be secondary or excess and not contributing insurance.

8.2 Tenant's Insurance. During the Term, Tenant shall, at Tenant's sole expense, procure and maintain the following insurance:

8.2.1 "Special Form" (formerly known as "All Risk") insurance, including fire, extended coverage, sprinkler leakage (including earthquake sprinkler leakage), vandalism and malicious mischief, covering all Tenant Improvements, Tenant Alterations, and any and all Personal Property, in an amount not less than 100% of their actual replacement cost from time to time. The proceeds of such insurance shall be used for the repair or replacement of the property insured, except that in the event of a loss occurring after the last 6 months of the Term, the proceeds attributable to the Tenant Improvements and Tenant Alterations shall be paid and belong to Landlord, and the proceeds attributable to the Personal Property shall be paid and belong to Tenant.

8.2.2. Commercial general liability insurance for injury to or death of any person and damage to property of others in connection with the construction of improvements on the Premises and with Tenant's use of and operations in the Premises. Such insurance shall be for \$3,000,000 per occurrence and \$3,000,000 annual aggregate and include coverage for premises medical payments of at least \$5,000. This limit may be achieved by the use of a primary general liability policy combined with an excess or umbrella liability policy; except that the limits of liability shall be adjusted from time to time during the Term to such higher limits as Landlord may reasonably require under then current conditions. Tenant's policy of liability insurance shall include an endorsement naming Landlord, CIM Group LLC, and their officers, directors, employees, divisions, subsidiaries, partners, members, managers, shareholders, affiliated companies and mortgagees/lenders as additional insureds.

8.2.3 Workers' compensation insurance in the amount required by the state in which the Premises are located, and Employers' liability with limits of \$1,000,000 for each accident, each employee, and each illness pertaining to Tenant's employees;

8.2.4 Business interruption insurance for business income and extra expense coverage with limits of at least one hundred percent (100%) of Tenant's Base Rent for a twelve (12) month period;

Tenant shall carry and maintain during the Term (including any option periods, if applicable) increased amounts of the insurance required to be carried by Tenant pursuant to this Article 8 and such other reasonable types of insurance coverage and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be required by Landlord from time to time.

8.3 Waiver of Subrogation. Landlord (for itself and its insurer), waives any rights, including rights of subrogation, and Tenant (for itself and its insurer), waives any rights, including rights of subrogation, each may have against the other party (including such party's Affiliates), and Tenant (for itself and its insurer) waives any rights, including rights of subrogation, it may have against any of the additional insureds required to be named under Section 8.2, for compensation of any loss or damage occasioned to Landlord or Tenant arising from any risk generally covered by the "special form coverage" insurance required to be carried by Landlord and Tenant. The foregoing waivers shall be operative only so long as available in the state where the Building is located. The foregoing waivers shall be effective whether or not the parties maintain the insurance required to be carried pursuant to this Lease. All policies of insurance which Tenant or Landlord obtains pursuant to this Lease shall include a clause or endorsement denying the insurer any right of subrogation against Landlord and/or Tenant, so long as the same can be obtained from an insurance company meeting the standards set forth in Section 8.1 above.

8.4 Tenant's Failure to Insure. If Tenant fails to maintain any insurance required by this Lease, Tenant shall be liable for any loss or cost resulting from that failure. Landlord may, but shall not be obligated to, provide for such insurance at Tenant's cost. This Section 8.4 shall not waive any of Landlord's other rights and remedies under this Lease. Tenant shall not keep, use, sell or offer for sale in or upon the Premises any article, which may be prohibited by the standard form of any insurance policy required hereunder. Tenant agrees to pay for any increase in premiums for insurance referred to herein that may be charged during the Lease Term on the amount of such insurance which may be carried by Landlord on the Premises or the Project, resulting from any activity on or in connection with the Premises, whether or not Landlord has consented to the same.

8.5 Indemnity. Except to the extent arising from the willful misconduct or gross negligence of Landlord or Landlord's Employees, Tenant hereby indemnifies Landlord, Landlord's Employees and their respective successors, assigns, partners, directors, officers, shareholders, employees, agents, lenders, ground lessors and attorneys (collectively, the "**Indemnified Parties**") and shall forever save and hold the Indemnified Parties harmless, from and against all obligations, liens, claims, liabilities, costs (including, but not limited, to all reasonable attorneys' and other professional fees and expenses), actions and causes of action, threatened or actual, which Landlord may suffer or incur arising out of or in connection with Tenant's and Tenant's Employees actions and omissions relating to this Lease, including without limitation the use by Tenant and Tenant's Employees of the Premises, the conduct of Tenant's business, any activity, work or things done, permitted or suffered by Tenant in or about the Premises or the Project, Tenant's or Tenant's Employees' failure to comply with any applicable Law, or any negligence or willful misconduct of Tenant or any of Tenant's Employees. In case of any claim, demand, action or cause of action, threatened or actual, against Landlord, upon notice from the Indemnified Parties, Tenant shall defend the Indemnified Parties at Tenant's expense by counsel reasonably satisfactory to the Indemnified Parties. If Tenant does not provide such a defense against any and all claims, demands, actions or causes of action, threatened or actual, then Tenant shall, in

addition to the above, pay the Indemnified Parties the expenses and costs incurred by the Indemnified Parties in providing and preparing such defense, and Tenant agrees to cooperate with the Indemnified Parties in such defense, including, but not limited to, the providing of affidavits and testimony upon request of the Indemnified Parties.

8.6 Landlord's Insurance. Landlord shall insure the Building during the Term against damage by fire, and standard extended coverage perils, and shall carry general liability insurance insuring Landlord, all in such amounts and with such deductibles as Landlord may determine from time to time in its sole discretion. None of the insurance carried by Landlord shall name Tenant as an insured or otherwise be for the benefit of Tenant, as a third party beneficiary or otherwise.

8.7 Tenant's Assumption of Risk. Except to the extent arising from the willful misconduct or gross negligence of Landlord or Landlord's Employees, Tenant, as a material part of the consideration to Landlord, hereby assumes all risk of damage to property or injury to persons, in, upon or about the Premises from any cause, and Tenant hereby waives all related claims against Landlord and the other Indemnified Parties. Without implying any obligation of Landlord or Landlord's Employees to accept any of Tenant's property for safekeeping, Landlord and Landlord's Employees shall not be liable for any damages to property entrusted to Landlord or Landlord's Employees, nor for loss of or damage to any property in or about the Premises by theft or otherwise, except to the extent caused by the willful misconduct or gross negligence of Landlord or Landlord's Employees.. Except as expressly set forth in the Work Letter or Section 2.4 above, Landlord and Landlord's Employees shall not be liable for any latent defect in the Premises or in the Project. Tenant shall give prompt notice to Landlord in case of fire or accidents in the Premises or in the Project.

8.8 Exemption of Landlord. In the event that Landlord is prevented or delayed from making any repairs or furnishing any services or performing any other covenant or duty to be performed by Landlord hereunder by reason of any Force Majeure, Landlord shall not be liable to Tenant therefor, nor shall Tenant be entitled to any abatement of Rent, or to claim an actual or constructive, total or partial eviction from the Premises. Tenant hereby agrees that Landlord and the other Indemnified Parties shall not be liable for any injury to Tenant's business or any loss of income therefrom or other consequential damages from any cause whatsoever. The Indemnified Parties shall not be liable for any damage, destruction or loss of property or for any injury or death to any person arising from any act or neglect of any other tenant or other occupant or user of the Project, or any matter beyond the reasonable control of the Indemnified Parties.

SECTION 9:DAMAGE OR DESTRUCTION.

9.1 Damage Generally. If any part of the Premises or the Office Component is damaged by fire or other casualty and the damage affects Tenant's use or occupancy of the Premises, Tenant shall give prompt notice to Landlord. To the extent that Landlord has available insurance proceeds in connection with such casualty, Landlord shall repair such damage with reasonable diligence. If any substantial part of the Premises is rendered untenantable by reason of damage not caused by the gross negligence or willful misconduct of Tenant or any of Tenant's Employees, for more than thirty (30) consecutive days, then the Base Rent hereunder shall thereafter abate in proportion to the rentable area of the Premises rendered untenantable until the date when such part of the Premises shall have been delivered to Tenant with Landlord having completed its obligations hereunder. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from such damage or repair, construction or restoration. Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and the provisions of any other Law allowing Tenant to make repairs and deduct the cost thereof from any Rent. Except as provided herein, Landlord shall restore or repair the Premises diligently and to their condition immediately prior to the damage. Landlord shall not be liable for delays in repair or restoration caused by Force Majeure.

9.2 Exceptions to Obligation to Rebuild. Despite Section 9.1, this Lease may be terminated by Landlord in any of the following situations:

- (a) If substantial alteration or reconstruction of the Office Component or other parts of the Project shall, in the opinion of Landlord, be required as a result of damage by fire or other casualty; or
- (b) If all available insurance proceeds are less than 100% of the cost of restoration and Tenant declines in writing to reimburse Landlord for such shortfall after at least ten (10) business days' written notice from Landlord detailing the shortfall amount;
- (c) If the damage to the Project or Premises is caused by the gross negligence or willful misconduct of Tenant or any of Tenant's Employees;
- (d) If existing laws do not permit the Premises to be restored to substantially the same condition as they were in immediately before the destruction; or
- (e) The owner of the Residential Component is not required to fully restore the Residential Component.

Any such election to terminate this Lease shall be exercised by notice from Landlord to Tenant served by the later of 60 days after the date of the damage, or 30 days after the final settlement of all claims under all applicable insurance relating to the damage. The notice shall specify the date of termination, which shall be at least thirty (30) days after notice is given. In the event Landlord gives such notice of termination, this Lease shall terminate as of the date specified, and all Base Rent (to the extent not otherwise abated) shall be prorated to of the later of the date of termination or Tenant's vacation of the Premises.

9.3 Extent of Landlord's Obligation to Repair. Subject to Landlord's right to terminate as set forth above, Landlord shall make repairs to the structural elements and the shell of the Premises at Landlord's expense. The repair and restoration of Tenant Alterations, Tenant Improvements and the Personal Property shall be the sole obligation of Tenant. Tenant shall commence such repair and restoration and the installation of its stock-in-trade, fixtures, furniture, furnishings and equipment promptly upon delivery to it of possession of the Premises and shall diligently prosecute any such work and installation to completion. In no event shall Landlord have any obligation to make repairs or restoration to the extent all insurance proceeds actually received by Landlord are insufficient to pay for the same. However, at Landlord's option, Landlord's contractor shall perform all reconstruction work in the Premises at Tenant's expense. In the event that Landlord does not elect to have Landlord's contractor repair all of the damage or destruction, Tenant shall undertake the repair and restoration of Tenant Improvements and Tenant Alterations in a diligent, first-class manner in accordance with the provisions Section 4 hereof.

9.4 Near End of Term. Notwithstanding anything to the contrary contained in this Section 9, Landlord shall not have any obligation of any nature to repair, reconstruct or restore the Premises when the damage resulting from any casualty occurs during the last eighteen (18) months of the Term and Landlord reasonably determines that such damage will take more than six (6) months to repair. In such event, Landlord shall have the right to cancel this Lease within sixty (60) days after the occurrence of such damage or destruction. If Landlord does not cancel this Lease, Tenant shall be entitled to an abatement of Base Rent in accordance with Section 9.1.

9.5 Tenant Casualty Termination Right. Notwithstanding the foregoing, (a) so long as the Option to extend has not been exercised by Tenant in accordance herewith, if the damage occurs during the last twelve (12) months of the Term, Tenant shall have the right to terminate this Lease by notice given within sixty (60) days after the damage, and (b) if Landlord does not

elect to terminate this Lease pursuant to Landlord's termination right as provided above, and the repairs cannot, in the reasonable opinion of an architect or contractor selected by Landlord, as specified by written notice to Tenant given within sixty (60) days after the damage, be completed within two hundred seventy (270) days, Tenant may elect no later than thirty (30) days after the date of Landlord's notice, to terminate this Lease by written notice to Landlord effective as of the date specified in notice from Tenant, which date shall not be less than thirty (30) days nor more than sixty (60) days after the date such notice is given by Tenant. If, after Three Hundred Sixty-Five (365) days after the damage, subject to extension for any force majeure event, the Premises are not substantially completed (as defined in the Work Letter attached to this Lease), Tenant shall have the right to terminate this Lease by written notice to Landlord given within fifteen (15) days after expiration of such Three Hundred Sixty-Five (365) day period.

SECTION 10: CONDEMNATION AND OTHER TAKINGS.

10.1 Condemnation. If any part of the Premises or any material part of the Project which substantially impairs Tenant's use of the Premises shall be taken for public or quasi-public use by the right of eminent domain, or if the same is transferred by agreement in connection with such public or quasi-public use or under threat of eminent domain (collectively, a "Taking"), Landlord shall have the option, exercisable within 30 days after the effective date of the Taking, to terminate this Lease as of the date possession is acquired by the condemning authority. Tenant may terminate this Lease by reason of a Taking if, and only if, there is a Taking of a portion of the Premises to such an extent to substantially impair Tenant's use of the Premises, including its parking rights. Tenant shall have no right to terminate this Lease following any Taking except as set forth in the preceding sentence. Tenant hereby waives the benefit of California Code of Civil Procedure Section 1265.130 and any successor statute or other statute of similar import, it being the intent of the parties hereto that the terms of this Lease shall govern in the event of any Taking.

10.2 Partial Taking. In the event of a Taking of a portion of the Premises which does not result in a termination of this Lease under Section 10.1 above, all monthly charges shall be equitably abated, determined by Landlord in accordance with its normal standards and practices.

10.3 Restoration. In the event of a Taking of a portion of the Premises which does not result in a termination of this Lease under Section 10.1 above, Landlord shall proceed to restore the remaining portion of the Premises (other than Tenant Alterations (including, without limitation, Tenant Improvements), or any of the Personal Property) and Parking Area as nearly as practicable to its condition prior to the Taking. However, Landlord shall be obligated to restore at its expense as provided herein only to the extent of condemnation proceeds awarded in connection with the Taking and allocated to restoration costs.

10.4 Award. In the event of any Taking of all or a part of the Project, Landlord shall be entitled to receive the entire award in the condemnation proceedings, and Tenant hereby assigns to Landlord, any and all right, title and interest of Tenant in or to any such award, and Tenant shall be entitled to receive no part of such award. Despite the foregoing, Tenant shall not be precluded from claiming from the condemning authority any compensation to which Tenant may otherwise lawfully be entitled in respect of Tenant's tangible Personal Property, or for relocating to new space, or for the unamortized portion of any tenant improvements installed in the Premises to the extent they were paid for by Tenant, so long as the same does not reduce the amount of any award payable to Landlord.

SECTION 11: DEFAULT BY TENANT.

The occurrence of any one or more of the following shall be deemed a "Default" by Tenant and a material breach of this Lease:

Clean Power Alliance Lease (JRFv6)

11.1 Abandonment. Abandonment of the Premises (together with the non-payment of Rent) by Tenant for a continuous period in excess of ten (10) consecutive business days.

11.2 Nonpayment of Rent. Tenant's failure to pay any Rent due or to make any other monetary payment imposed under the terms of this Lease, for a period of five (5) business days after written notice from Landlord is received by Tenant; provided, Landlord shall only have the obligation to provide one such written notice per calendar year.

11.3 Non-delivery of Documents. Tenant's failure to execute and deliver any documents required by this Lease within ten (10) consecutive business dates after written notice.

11.4 Other Obligations. Tenant's failure to perform any other obligation under this Lease (including the Rules and Regulations) for thirty (30) days after written notice from Landlord; however, if more than thirty (30) days are reasonably required for cure, Tenant shall not be in default hereunder if Tenant shall promptly (and in any event within ten (10) business days after receipt of Landlord's notice) commence the cure of the default and diligently prosecute the same to completion, so long as cure is completed within ninety (90) days after receipt of Landlord's notice.

11.5 General Assignment. A general assignment by Tenant for the benefit of creditors.

11.6 Bankruptcy. The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant's creditors which involuntary petition remains undischarged for a period of sixty (60) days. In the event that under any Law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all Defaults of Tenant outstanding as of the date of the affirmation of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligation under this Lease.

11.7 Receivership. The employment of a receiver to take possession of substantially all of the assets and business of Tenant or the Premises, if such receivership remains undissolved for a period of thirty (30) days after creation thereof.

11.8 Attachment. The attachment, execution or other judicial seizure of all or substantially all of the assets of Tenant or the Premises, if such attachment or other seizure remains undismissed or undischarged for a period of thirty (30) days after the levy thereof.

11.9 Insolvency. The admission by Tenant in writing of its inability to pay its debts as they become due, the filing by Tenant of a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future Law providing for debtor relief, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization, or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future Law, such proceeding shall not have been dismissed.

11.10 Misrepresentation. Any material misrepresentation herein by Tenant, or any material misrepresentation or omission in any financial statements or other materials provided to Landlord by or on behalf of Tenant in connection with negotiating or entering into this Lease, or provided by or on behalf of Tenant or by any Transferee in connection with any Transfer.

Any notice given pursuant to this Section 11 is in lieu of any written notice required by statute or law, including any notice required under Sections 1161 and 1161.1 of the California Code of Civil Procedure (or any similar or successor law), and Tenant waives (to the fullest extent permitted by law) the giving of any notice other than that provided for in this Section 11. To the extent the foregoing is not permitted by law, any notice under this Section 11 shall run concurrently with, and not in addition to, any similar time periods prescribed by applicable law.

SECTION 12: LANDLORD'S REMEDIES UPON DEFAULT.

12.1 Termination. In the event of a Default, Landlord shall have the right to terminate this Lease. The election to terminate may be stated in any notice served upon Tenant with respect to the Default. After the termination, Landlord may enter the Premises and remove Tenant, any other person occupying the same, and any or all Personal Property. Any such repossession shall be without prejudice to any of the remedies that Landlord may have under this Lease, or at law or in equity, by reason of the Default or the termination.

12.2 Continuation After Default. In the event of the occurrence of a Default, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession under Section 12.1, and Landlord may enforce all its rights and remedies under this Lease, including (but without limitation) the right to recover Rent as it becomes due and Landlord shall expressly have the remedies set forth in Section 1951.4 of the California Civil Code or any other applicable code section. Acts of maintenance, preservation or efforts to lease the Premises, or the appointment of receiver upon application of Landlord to protect Landlord's interest under this Lease, shall not constitute an election to terminate Tenant's right to possession in the absence of written notice to the contrary.

12.3 Damages Upon Termination. Should Landlord terminate this Lease pursuant to the provisions of Section 12.1 Landlord shall have all the rights and remedies of a landlord provided by Section 1951.2 of the California Civil Code or any other applicable code section. Landlord shall be entitled to recover from Tenant: (a) the worth at the time of award of the unpaid Rent and other amounts which had been earned at the time of termination; (b) the worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such Rent loss that Tenant proves could have been reasonably avoided; (c) the worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such Rent loss that Tenant proves could be reasonably avoided; and (d) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which, in the ordinary course of things, would be likely to result therefrom, including, without limitation, any reasonable costs or expenses incurred by Landlord in maintaining or preserving the Premises after such Default, recovering possession of the Premises, expenses of reletting the Premises to a new tenant, (including necessary renovations, alterations and improvements to the Premises, and leasing commissions incurred), and all reasonable attorneys' and other professional and paraprofessional fees and other costs and expenses incurred in good faith in connection with any of the foregoing. The "worth at the time of award" of the amounts referred to in (a) and (b), above shall be computed with interest at the maximum lawful rate. The "worth at the time of award" of the amount referred to in (c), above shall be computed by reference to the formula prescribed by, and using the lowest discount rate permitted under, any applicable Law.

12.4 Remedies Cumulative. All rights, privileges and elections or remedies of the parties are cumulative and, to the extent permitted by any Law and except as otherwise provided herein, are not alternative.

SECTION 13: LANDLORD'S DEFAULT.

13.1 Right to Cure. Landlord shall not be deemed to be in default in the performance of any obligation required of it under this Lease until it has failed to perform such obligation within 30 days after receipt by Landlord of written notice from Tenant to Landlord, specifying the obligation in question and the manner in which Landlord has failed to perform the obligation. If the nature of Landlord's obligation is such that more than thirty (30) days are reasonably required for its performance, Landlord shall not be in default if Landlord commences to cure the default within the thirty (30) day period and proceeds to completion with reasonable promptness.

13.2 Tenant's Remedies. Except as expressly set forth in, and limited by, the terms of this Lease, Tenant hereby waives and relinquishes any and all rights which Tenant may have to terminate this Lease or to withhold Rent for any reason whatever, including without limitation on account of any default by Landlord of its obligations under this Lease, and any damage to, or condemnation, destruction or state of disrepair of, the Premises (specifically including but not limited to, those rights under California Civil Code Sections 1932, 1933(4), 1941, 1941.1 and 1942). Tenant's sole remedy for a breach of this Lease shall be limited to an action for damages, injunctive relief or specific performance of this Lease.

13.3 Notice to Lenders. Tenant agrees to give all Lenders, a copy of any notice of default served upon Landlord, served in the manner provided in Section 40 hereof, provided that prior to such obligation to give notice, Tenant has been notified, in writing (by way of Notice of Assignment of Rents and Leases, or otherwise), of the addresses of the Lenders.

SECTION 14: SUBORDINATION AND ATTORNMEN.

14.1 Subordination. Subject to the provisions of Section 14.2 below, this Lease and the rights of Tenant hereunder shall be and are hereby made, at the option of the applicable Lender, subject and subordinate at all times to any Mortgage now or hereafter existing, and to all advances made or hereafter to be made against or to protect the security thereof. If requested by Landlord, Tenant agrees to execute and deliver to Landlord, within 10 days after written demand therefor, any instruments confirming the subordination of this Lease to any Mortgage as may be reasonably requested by Landlord or any Lender from time to time. Any failure or refusal of Tenant to execute such an agreement within the time set forth in Section 11.3 shall constitute a Default. However, no such additional agreement shall be necessary to effectuate such subordination. Notwithstanding the foregoing, and only if requested by Tenant, Landlord shall use commercially reasonable efforts to obtain for the benefit of Tenant a subordination, non-disturbance and attornment agreement from the lender under such future Mortgage in such lender's standard form.

14.2 Attornment. Notwithstanding the provisions of Section 14.1, in the event of the foreclosure of any Mortgage or cancellation or termination of any Master Lease, Tenant, at the request of the then successor to the Landlord following such event, shall attorn to and recognize the successor (herein referred to as the "**Successor Landlord**"), as Landlord under this Lease; provided that Tenant agrees that and Successor Landlord shall not be: (a) liable in any way for any act, omission, neglect or default of any prior Landlord (including, the then defaulting Landlord), except that the Successor Landlord shall be obligated to cure any continuing default, but only to the extent that such default continues after the date that the Successor Landlord succeeds to the interest of Landlord under this Lease, or (b) subject to any claim, defense, counterclaim or offsets which Tenant may have against any prior Landlord (including, the then defaulting Landlord), or (c) bound by any payment of rent or additional rent which Tenant might have paid for more than one month in advance of the due date under this Lease to any prior Landlord (including, the then defaulting Landlord), or (d) bound by any obligation to make any payment to Tenant which was required to be made prior to the time the Successor Landlord succeeded to any prior Landlord's interest, or (e) accountable for any monies deposited with any

prior Landlord (including security deposits), except to the extent such monies are actually received by the Successor Landlord, or (f) bound by any amendment or modification of this Lease made without the prior written consent of each ground lessor and lender. Tenant agrees to execute and deliver at any time upon request of any Lender or purchaser, and the successors of either, any instrument reasonably requested to further evidence such attornment. Tenant hereby waives its right, if any, to elect to terminate this Lease or to surrender possession of the Premises in the event of any Mortgage termination or foreclosure. Tenant also agrees that any Lender may, at its option, unilaterally elect to fully or partially subordinate its Mortgage to this Lease by an instrument in form and substance satisfactory to the Lender which Tenant shall execute within ten (10) days after written request. Any failure or refusal by Tenant to execute such instrument within the time period specified in this Section 14.2 (without additional time, despite any other provision of this Lease) shall constitute a Default hereunder, but shall not affect the validity or enforceability of the subordination.

14.3 **Mortgagee's Liability.** Despite the provisions of Section 48 below, in the event that any Lender or its respective successor in title shall succeed to the interest of Landlord hereunder, the liability of the Lender or successor shall exist only so long as it is the owner of the Project, the Project, or the interest therein superior to this Lease under any Master Lease. Except for the Base Rent paid by Tenant upon execution of this Lease, no Base Rent or any other Rent charge shall be paid more than 30 days prior to the due date thereof, and payments made in violation of this provision shall be a nullity as against any Lender, except to the extent that those payments are actually received by the Lender.

SECTION 15: INSPECTIONS AND ACCESS.

15.1 **Entry.** Landlord and its agents or representatives may enter the Premises at reasonable hours and with reasonable prior notice (except in case of emergency) to inspect the Premises, exhibit the Premises to prospective purchasers, lenders or tenants (in the last nine months of the Term, or Option Term), determine whether Tenant is complying with all Tenant's obligations hereunder, supply janitorial service and any other service to be provided by Landlord to Tenant hereunder, post notices of nonresponsibility, and make repairs or do any work required of Landlord under this Lease or make repairs or do any other work for the benefit of the Project. All such work shall be done as expeditiously as reasonably feasible so as to cause as little interference to Tenant as reasonably possible without requiring extraordinary expenditure on the part of Landlord. In no event shall Tenant be entitled to any reduction or abatement of Rent, or to make any claim for damages against Landlord, as a result of any act of Landlord carried out pursuant to this Section 15.1. Except to the extent arising from Landlord's willful misconduct or gross negligence, Tenant hereby waives any claim for damages or claim in connection with any injury or inconvenience to or interference with Tenant's business, any loss of occupancy or quiet enjoyment of the Premises, or any other loss caused by the exercise of such rights by Landlord. Landlord shall at all times have a key to all doors providing entry to the Premises, but excluding Tenant's vaults, safes, files, or security rooms (as to which Tenant shall provide Landlord with prompt supervised access). Landlord shall have the right to use any and all means that Landlord may deem proper to open any doors to or within the Premises in the event of an emergency, without liability to Tenant except for any failure by Landlord to exercise due care for Tenant's property under the circumstances, and in any event with no liability to Tenant if the emergency was caused by the act or omission of Tenant or any of Tenant's Employees.

15.2 **Access.** If Tenant shall not have any representative personally present to open and permit Landlord's entry into the Premises at any time when such an entry by Landlord is necessary or permitted hereunder, Landlord may enter by means of a master key without liability to Tenant except for any failure to exercise due care.

SECTION 16: SURRENDER OF PREMISES.

16.1 Removal by Tenant. At the expiration or earlier termination of this Lease, Tenant shall surrender to Landlord the Premises and all Tenant Alterations in good order, repair and condition, except for ordinary wear and tear and casualty and condemnation, free of all tenancies and occupancies. Tenant shall remove all of its Personal Property from the Premises, and shall, at Tenant's expense, perform all necessary restoration, including, without limitation, restoration made necessary to the Premises or the Project by the removal of the Personal Property, at or prior to the expiration or termination of this Lease.

16.2 Removal By Landlord. Landlord may elect to retain or dispose of, in any manner, any Tenant Alterations or Personal Property that Tenant is required to and does not remove from the Premises on expiration or earlier termination of the Term. Title to such Tenant Alterations or Personal Property Landlord elects to retain on expiration or earlier termination of the Term shall vest in Landlord. Tenant waives all claims against Landlord for any damage to Tenant resulting from Landlord's retention or disposition of any such Tenant Alterations or Personal Property. Tenant shall be liable to Landlord for Landlord's costs for storing, removing and disposing of any Tenant Alterations or Personal Property and the cost of any repairs to the Premises and/or the Project associated with the removal.

16.3 Holding Over. If Tenant holds over after the expiration or earlier termination of the Term with or without the express written consent of Landlord, such Tenancy shall be from month-to-month only, at a rental rate equal to the "Applicable Rate" of Base Rent and 100% of the Additional Rent in effect upon the date of such expiration or termination, and otherwise subject to the terms, covenants and conditions herein specified. The Applicable Rate shall be 150% for the first month of holding over, and for each month of holding over thereafter. Acceptance by Landlord of Rent after such expiration or earlier termination shall not constitute a holdover hereunder or result in a renewal. The foregoing provisions of this Section 16.3 are in addition to and do not affect Landlord's right of re-entry or any rights of Landlord hereunder or as otherwise available to Landlord as a matter of law nor shall the foregoing be construed as consent by Landlord to any holding over by Tenant. Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord upon the expiration or other termination of this Lease.

SECTION 17: LANDLORD'S LIABILITY; SALE BY LANDLORD.

17.1 No Personal Liability. Landlord or any successor in interest of Landlord (whether one or more individual(s), a partnership, a joint venture, a corporation, a trustee or other fiduciary, or the trust or other entity or organization for which any fiduciary acts) shall have no direct or personal liability with respect to any term or requirement of this Lease beyond Landlord's or the successor's interest in the Office Component, including any rental income, or sales proceeds therefrom. Tenant shall look solely to the estate of Landlord or the successor in the Office Component for the satisfaction of any claim by Tenant, it being the intention and agreement of the parties to this Lease that none of Landlord or the other Indemnified Parties be personally liable for any deficiency or judgment against Landlord arising out of this Lease.

17.2 Tenant's Equitable Remedy. Tenant shall not be entitled to any damages because of Landlord's failure or refusal to consent or approve of any matter requested by Tenant. Tenant's sole remedy shall be an action for specific performance or injunction.

17.3 Deposit. In the event the original Landlord hereunder, or any successor in interest of Landlord, shall sell or convey its interest in the Project, Tenant agrees to attorn to such new owner. Landlord shall transfer to the new owner the balance of the Security Deposit, if any, and, after notice to Tenant, and actually effecting such transfer, Landlord shall be relieved of all future liability with respect to the Security Deposit.

17.4 Covenants. In the event of any transfer by any Landlord of its interest, such Landlord shall be automatically relieved from all liability accruing from and after the date of the transfer or conveyance.

SECTION 18: HAZARDOUS MATERIALS.

18.1 Definitions. As used in this Section 18, the following words or phrases shall have the following meanings:

(a) **"Agents"** means Tenant's partners, officers, directors, shareholders, employees, agents, contractors, assignees, subtenants and any other third parties entering upon the Project at the request or invitation of Tenant.

(b) **"Claims"** means claims, liabilities, losses, actions, environmental suits, causes of action, legal or administrative proceedings, damages, fines, penalties, loss of rents, liens, judgments, costs and expenses (including, without limitation, attorneys' fees and costs of defense, and consultants', engineers' and other professionals' fees and costs).

(c) **"Hazardous Materials"** means any: (i) Substance which is regulated by any Hazardous Materials Law; (ii) asbestos and asbestos-containing materials; (iii) urea formaldehyde; (iv) radioactive substance; (v) flammable explosives; (vi) petroleum, including crude oil or any fraction thereof; (vii) polychlorinated biphenyls; and (viii) "hazardous substances," "hazardous materials" or "hazardous waste" under any Hazardous Materials Law.

(d) **"Hazardous Materials Laws"** mean: (i) any existing or future federal, state or local law, ordinance regulation or code which protects health, safety or welfare, or the environment; (ii) any existing or future administrative or legal decision interpreting any such law, ordinance, regulation or code; and (iii) any common law theory which may result in Claims against Landlord, the Premises or the Project.

(e) **"Permits"** means any permit, authorization, license or approval required by any applicable governmental agency.

(f) **"Substance"** means any substance, material, product, chemical, waste, contaminant or pollutant.

(g) **"Use"** means use, generate, manufacture, produce, store, release, discharge, allow to exist and transport to or from the Project.

18.2 Use of Hazardous Materials. Without limiting the generality of this Section 18, and except as provided herein below, Tenant covenants and agrees that Tenant and its Agents shall not bring into, maintain upon, or Use in or about the Project, or transport to or from the Project, any Hazardous Materials, nor shall Tenant or its Agents release or dispose of any Hazardous Materials in, on, under or about the Project in violation of any Hazardous Materials Law. Notwithstanding the foregoing provisions, Tenant may Use any Substance typically found or used in premises for the Permitted Use permitted by this Lease, so long as: (a) any such Substance is typically found only in such quantity as is reasonably necessary and customary for Tenant's Permitted Use; (b) intentionally omitted, (c) any such Substance and all equipment necessary in connection with the Substance are Used strictly in accordance with the manufacturers' instructions therefor; (d) no such Substance is released or disposed of in or about the Project in violation of any Hazardous Materials Law; (e) any such Substance and all equipment necessary

in connection with the Substance are removed from the Project and Premises and transported for Use or disposal by Tenant in compliance with any applicable Hazardous Materials Laws upon the expiration or earlier termination of this Lease; and (f) Tenant and its Agents comply with all applicable Hazardous Materials Laws. Tenant shall not use or install in or about the Premises any asbestos or asbestos-containing materials.

18.3 Delivery of Notices. Tenant shall furnish to Landlord copies of all notices, claims, reports, complaints, warnings, asserted violations, documents or other communications received or delivered by Tenant, as soon as possible and in any event within five (5) days after such receipt or delivery, with respect to any actual or alleged Use, disposal or transportation of Hazardous Materials in or about the Premises and the Project. Whether or not Tenant received any such notice, claim, report, complaint, warning, asserted violation, document or other communication, Tenant shall immediately notify Landlord, orally and in writing, if Tenant or any of its Agents knows or has reasonable cause to believe that any Hazardous Materials, or a condition involving or resulting from the same, is present, in Use, has been disposed of, or transported to or from the Premises or the Project.

18.4 Cleanup and Remediation. If Tenant or its Agents violate any provision of this Section 18, then Tenant shall immediately notify Landlord in writing and shall be obligated, at Tenant's sole cost, to abate, remediate, clean-up and/or remove from the Project, and dispose of, all in compliance with all applicable Hazardous Materials Laws, all Hazardous Materials Used by Tenant or its Agents. Such work shall include, but not be limited to, all testing and investigation required by Landlord, Landlord's Lender and/or ground Lessor, if any, and any governmental authorities having jurisdiction, and preparation and implementation of any remedial action plan required by any governmental authorities having jurisdiction. Tenant's indemnification covenant set forth in Section 18.6 shall extend to any enforcement or other action instituted by any governmental authority with respect to any such alleged requirement and, Tenant shall promptly, at Tenant's cost, comply with any requirement determined to be applicable to Tenant. All such work shall, in each instance, be conducted (a) to the satisfaction of the governmental authority having jurisdiction, if a governmental authority has assumed jurisdiction of such work, (b) to Landlord's reasonable satisfaction if a governmental authority has but declines to assume jurisdiction of such work or (c) to Landlord's reasonable satisfaction if there is no applicable governmental requirement with respect to such work and no governmental authority takes jurisdiction of such work. If Tenant does not reasonably comply with the provisions of this Section 18.4, then Landlord may, without prejudicing, limiting, releasing or waiving Landlord's rights under this Section 18, separately undertake such work, but only after first giving Tenant notice of its intent to do so and the opportunity to cure such default and Tenant shall promptly reimburse all costs incurred by Landlord.

18.5 Entry. Landlord shall have the right to enter and inspect the Premises, and the right to inspect Tenant's books and records, to verify Tenant's compliance with, or violations of, the provisions of this Section 18. Furthermore, Landlord may conduct such investigations and tests as Landlord or Landlord's Lender may require. If either (a) as a result of such inspections or tests, Tenant is found to be in material breach of the provisions of this Section 18 or (b) as to any test or investigation requested by any governmental authority or Landlord's Lender there is reasonable cause to believe that Tenant is in material breach of the provisions of this Section 18, then, in either such instance, Tenant, in addition to its other obligations set forth in this Section 18, shall promptly reimburse Landlord for all costs incurred in connection with such test or inspection.

18.6 Indemnity. Tenant shall indemnify, defend and hold harmless Landlord and the other Indemnified Parties, and the Project, from and against any and all Claims incurred by such Indemnified Parties, or any of them, in connection with or as the result of: (a) the Use or disposal of any Hazardous Materials in or about the Premises or Project by Tenant or its Agents; (b) any

injury to or death of persons or damage to or destruction of property resulting from the Use or disposal of any Hazardous Materials in or about the Premises or Project by Tenant or its Agents; (c) any violation by Tenant or its Agents of any Hazardous Materials Laws; and (d) any failure of Tenant or its Agents to observe the provisions of this Section 18.6. Tenant's obligations hereunder shall include, without limitation, and whether foreseeable or unforeseeable, all costs of any required or necessary testing, investigation, studies, reports, repair, clean-up, detoxification or decontamination of the Premises or Project, and the preparation and implementation of any closure, removal, remedial action or other required plans in connection therewith, and shall survive the expiration or earlier termination of the Term. For purposes of this indemnification provision, any acts or omissions of Tenant and its Agents (regardless of whether they are negligent, intentional, willful, or unlawful) shall be strictly attributable to Tenant. If, at any time after the initiation of any suit, action, investigation or other proceeding which could create a right of indemnification under this Section 18.6, Tenant is not complying with the provisions of Section 18.4, then Landlord may, without prejudicing, limiting, releasing or waiving the right of indemnification provided herein, separately defend or retain separate counsel to represent and control the defense as to Landlord's interest in such suit, action, investigation or other proceeding. Tenant shall pay all costs of Landlord's separate defense or counsel upon demand.

18.7 Landlord's Representations and Obligations. Landlord hereby represents and warrants that to Landlord's actual knowledge (without duty to investigate or inquire), except as may have been disclosed in any document that Landlord has delivered to Tenant, that as of the date hereof Landlord has received no written notice stating that any portion of the Project is in violation of any Hazardous Material Laws. Removal or remediation of any Hazardous Materials not brought to the Project or the Premises by Tenant or Tenant's Employees shall be the obligation of Landlord, the cost of removing such Hazardous Materials shall not be included in Operating Costs, and Base Rent shall abate to the extent Tenant is unable to operate and does not operate due to the existence or remediation of such Hazardous Materials.

SECTION 19: SIGNS. At Landlord's cost, Landlord shall include Tenant's name in the Building's lobby directory for the Office Component and Building standard suite signage. So long as Tenant is occupying the entire Premises, Tenant shall have the right to Building standard identification strip signage on the monument sign located in front of the Building in a location selected by Landlord. Except as otherwise permitted by this Section 19, Tenant has no right to install Tenant identification signs in any other location in, on or about the Premises or the Project and shall not display or erect any other signs, displays or other advertising materials that are visible from the exterior of the Building or from within the Building in any interior or exterior common areas. The size, design, color and other physical aspects of any and all permitted sign(s) will be subject to (i) Landlord's written approval prior to installation, which approval shall not be unreasonably withheld or delayed, (ii) any recorded covenants, conditions or restrictions governing the Premises, and (iii) any applicable municipal or governmental permits and approvals (together, "Signage Requirements"). Notwithstanding anything to the contrary contained in this Lease, Tenant shall have the right to post notices in the Building lobby announcing public meetings (to be held within the Premises) in a mutually agreeable location; provided, however, that notices shall be (i) compliant with the Signage Requirements; (ii) printed on standard 8.5"x11" paper and (iii) located in a mutually agreeable location allowing viewing to the public prior to Building check-in.

SECTION 20: ENTITY AS TENANT. Tenant hereby represents and warrants that the individuals executing this Lease on Tenant's behalf are duly authorized to execute and deliver this Lease on behalf of Tenant, and that this Lease is binding upon and enforceable against Tenant in accordance with its terms.

SECTION 21: ENTIRE AGREEMENT. This Lease constitutes the entire understanding of the parties with respect to the Premises and supersedes all prior or contemporaneous

understandings and agreements relating to the subject matter thereof. There are no other promises, covenants, understandings, agreements, representations, or warranties with respect to the subject matter of this Lease except as expressly set forth herein or in any instrument executed concurrently herewith.

SECTION 22: MODIFICATION. This Lease may not be modified, terminated or amended except pursuant to a written instrument duly executed by all of the parties hereto.

SECTION 23: BROKERS. Landlord and Tenant each warrant and represent to the other that it has not employed or dealt with any real estate broker or finder in connection with this Lease, except for the Brokers whose names are set forth in the Basic Lease Provisions, and that it knows of no other real estate broker, agent or finder who is or might be entitled to a commission or fee in connection with this Lease. Landlord and Tenant each agree to indemnify, defend and hold the other harmless from and against any and all claims of any other broker or finder other than the named Brokers used by it on account of any brokerage commission or finder's fee in connection with this Lease.

SECTION 24: NO RECORDATION. In no event shall this Lease or any memorandum thereof be recorded without the written consent of both Landlord and Tenant.

SECTION 25: TIME OF THE ESSENCE. Subject to the provisions of Section 33, time is of the essence of this Lease and each of the provisions hereof.

SECTION 26: FINANCIAL STATEMENT. Not more than once per calendar year (except in the case of sale or refinancing), Tenant shall upon 10 business days prior written notice from Landlord provide Landlord with a current financial statement and financial statements of the 2 fiscal years of Tenant prior to the current financial statement year, in form and substance as has been submitted to Landlord in connection with Landlord's approval of Tenant to enter into this Lease.

SECTION 27: FURTHER ASSURANCES. From time to time, either party, at the request of the other party, and without further consideration, shall execute and deliver further instruments and take such other actions as the requesting party may reasonably require to complete more effectively the transactions contemplated by this Agreement.

SECTION 28: MODIFICATION FOR LENDER. If, in connection with obtaining any financing for the Project, the prospective lender shall request reasonable modifications to this Lease as a condition to such financing, Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that such modifications shall not diminish Landlord's obligations or increase the obligations of Tenant hereunder or have a materially adverse effect on the leasehold interest hereby created or Tenant's rights or Landlord's obligations hereunder.

SECTION 29: NO THIRD PARTY BENEFITS. This Lease is made and entered into for the sole benefit and protection of the parties hereto, and the parties do not intend to create any rights or benefits under this Lease for any person who is not a party to this Lease, other than a Lender and the Indemnified Parties.

SECTION 30: NAME OF PROJECT. Tenant shall not use the name, insignia or logo-type of the Project for any purpose. Tenant shall not use any picture of the Project in its advertising, stationary or any other manner. Notwithstanding the foregoing, Tenant shall be permitted to use the name and address of the Project in order for Tenant to accomplish its Permitted Use as a public entity or as mutually agreed by Landlord and Tenant.

SECTION 31: WAIVER. The waiver by any party of any term, covenant, agreement or condition herein contained shall be effective only if in writing and shall not be deemed to be a waiver of any subsequent breach of the same or any other term, covenant, agreement or condition herein contained, nor shall any custom or practice which may develop between the parties in the administration of this Lease be construed to waive or to lessen the right of any party to insist upon the performance by the other party in strict accordance with all of the terms, covenants, agreements and conditions of this Lease. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term, covenant, agreement or condition of this Lease, other than the failure of Tenant to timely pay, the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent.

SECTION 32:NO LIGHT AND AIR EASEMENT. Any diminution, restriction or shutting off of light or air by any building, signage or similar structure that may at any time be erected on the Project or on lands adjacent to or in the vicinity of the Project shall in no way affect this Lease, abate any Rent or otherwise impose any cost, liability or obligation upon Landlord.

SECTION 33: FORCE MAJEURE. Landlord shall not be chargeable with, nor be liable or responsible to Tenant for, anything or in any amount for any failure to perform or delay in performing caused by Force Majeure. Any such failure or delay due to Force Majeure shall not be deemed a breach of or default in the performance of this Lease by Landlord, nor shall Tenant be entitled to any abatement of Rent, or to claim an actual or constructive, total or partial eviction from the Premises. Tenant shall not be chargeable with, nor be liable or responsible to Landlord for, anything or in any amount for any failure to perform or delay in performing caused by Force Majeure. Any such failure or delay due to Force Majeure shall not be deemed a breach of or default in the performance of this Lease by Tenant. Notwithstanding the foregoing, Force Majeure shall not excuse any failure to pay Rent or make any other monetary payment.

SECTION 34: CIVIC PROGRAMS. Tenant agrees to cooperate and use its best efforts to participate in any traffic management, resource conservation, safety, and other similar programs, whether voluntary or required, which may be civic or community benefit programs generally applicable to businesses located in Los Angeles, California or specifically applicable to the Project or the area in which the Project is located, to, the fullest extent permitted by the requirements of Tenant's business, and to the extent same is at no cost to Tenant. Tenant shall execute and deliver promptly any documents requested by any governmental authority in connection with the foregoing. Neither this Section 34 nor any other provision in this Lease, however, is intended to, nor shall it, create any rights or benefits in any other person, firm, company, governmental entity or the public.

SECTION 35:ENVIRONMENTAL PROGRAMS. Tenant and Landlord each agrees, at no additional cost to itself, to reasonably cooperate and use commercially reasonable efforts to participate in and comply with the other party's requests for data reasonably related to benchmarking, resource conservation, efficiency programs, and carbon emissions requirements, whether or not having the force of law, now in force or which may hereafter be enacted or promulgated in connection with building services furnished to the Premises, including, without limitation, any governmental rule or regulation relating to the heating and cooling of the Building. Either Tenant or Landlord shall execute and deliver promptly any documents requested by the other party or by any governmental authority in connection with the foregoing. Except to the extent Tenant is otherwise expressly required to comply with any such request under applicable Law or code, in no event shall the foregoing materially increase either party's obligations under the Lease; provided, however, that Tenant or Landlord's failure to comply with this Section shall not in and of itself constitute a Default under the Lease, give either party the right to terminate the Lease or entitle either party to damages.

SECTION 36: ESTOPPEL CERTIFICATE. Tenant, shall at any time, and from time to time, upon ten (10) business days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord an Estoppel Certificate, modified by the then applicable facts and circumstances. Any Estoppel Certificate executed by Tenant may be relied upon by any Lender or any prospective lender with respect to, or any prospective purchaser of any interest in, the Project. Any failure or refusal by Tenant to execute and return a requested Estoppel Certificate within the time period specified in this Section 36 (subject to Section 11.3) shall constitute a Default.

SECTION 37: RIGHT TO PERFORMANCE. If Tenant shall fail to perform any act on its part to be performed hereunder, and such failure shall continue for thirty (30) days after written notice thereof to Tenant, provided that no notice shall be required in cases of emergency, Landlord may, without waiving or releasing Tenant from any obligations of Tenant perform such act. All sums so paid by Landlord and all costs incidental thereto (including attorneys and other fees and costs), together with interest thereon at the Interest Rate from the date of such payment by Landlord, shall be deemed to be Rent and shall be payable to Landlord by Tenant upon demand therefor. Any obligation of Landlord under this Lease may be fulfilled by Landlord's Employees or by any agent or independent contractor of Landlord.

SECTION 38: EXECUTION OF LEASE BY LANDLORD. Neither the submission of this document to Tenant, nor examination and negotiation by Landlord or Tenant, constitutes an offer to lease, or a reservation in favor of Tenant of, or option to Tenant for, the Premises. This document shall become effective and binding only upon execution and delivery hereof by Tenant and by Landlord.

SECTION 39: PROFESSIONAL FEES. If either party becomes involved in litigation or arbitration arising out of this Lease or the performance thereof, the court in such litigation or arbitrator in such arbitration shall, award reasonable legal expenses (including, but not limited to reasonable attorneys and other professional and paraprofessional fees incurred) to the prevailing party. In the event of Landlord's involvement in a bankruptcy proceeding, Landlord shall also be entitled to an award of its reasonable attorneys' fees incurred in connection with such proceeding.

SECTION 40: SURVIVAL OF INDEMNITIES. All provisions in this Lease relating to indemnities by Tenant in favor of Landlord shall survive the expiration or termination hereof for any reason and shall run to the benefit of the original Landlord named herein as well as any successor in interest to it.

SECTION 41: NOTICES. All notices, requests, demands or other communications required or desired to be given hereunder, to be legally binding, shall be in writing and may be served personally (including service by any commercial receipted messenger or courier service) or by registered or certified United States mail, return receipt requested, with all postage and fees fully prepaid, addressed to the respective address set forth in Section 1.1 and 1.2 above, or to such other address as the party to whom the notice is addressed has theretofore specified in a notice served upon the other party in accordance with the requirements hereof. All notices shall be effective upon actual delivery to the addressee, as evidenced by the receipt, except in the case of a party that has relocated and has not served upon the other party a notice of a new address for service of notices as specified above, or in the case if a party to whom the notice is addressed that refuses to accept delivery of the notice, in either of which cases the notice shall be deemed effective upon the first date of attempted delivery, as indicated by the receipt, at the last address of which the party attempting to make the service had notice. In addition, a copy of any notice with respect to a default of or claim against Landlord, which is served upon Landlord, shall be sent concurrently to all Lenders of which Tenant has notice, as provided in Section 13.3 above.

SECTION 42: OFAC COMPLIANCE. Tenant hereby warrants and represents that, to its best knowledge, (a) neither Tenant nor any of its affiliates does business with, sponsors, or provides assistance or support to, the government of, or any person located in, any country, or with any other person, targeted by any of the economic sanctions of the United States administered by The Office of Foreign Assets Control (“OFAC”); Tenant is not owned or controlled (within the meaning of the regulations promulgating such sanctions or the laws authorizing such promulgation) by any such government or person; and any payments and/or proceeds received by Tenant under the terms of this Lease will not be used to fund any operations in, finance any investments or activities in or make any payments to, any country, or to make any payments to any person, targeted by any of such sanctions; (b) no funds tendered to Landlord by Tenant under the terms of this Lease are or will be directly or indirectly derived from activities that may contravene U.S. federal, state or international laws and regulations, including anti-money laundering laws; (c) neither Tenant, nor any person controlling, controlled by, or under common control with, Tenant, nor any person having a beneficial interest in Tenant, nor any person for whom Tenant is acting as agent or nominee, nor any person providing funds to Tenant in connection with this Lease (i) is under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws; (ii) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; (iii) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws; (iv) is a person or entity that resides or has a place of business in a country or territory which is designated as a Non-Cooperative Country or Territory by the Financial Action Task Force on Money Laundering, or whose subscription funds are transferred from or through such a jurisdiction; (v) is a “Foreign Shell Bank” within the meaning of the Patriot Act (i.e., a foreign bank that does not have a physical presence in any country and that is not affiliated with a bank that has a physical presence and an acceptable level of regulation and supervision); (vi) is a person or entity that resides in, or is organized under the laws of, a jurisdiction designated by the Secretary of the Treasury under Section 311 or 312 of the Patriot Act as warranting special measures due to money laundering concerns; (vii) is an entity that is designated by the Secretary of the Treasury as warranting such special measures due to money laundering concerns; or (viii) is a person or entity that otherwise appears on any US.-government provided list of known or suspected terrorists or terrorist organizations. For purposes of this representation, the term “Anti-Money Laundering Laws” shall mean all laws, regulations and executive orders, state and federal, criminal and civil, that (1) limit the use of and/or seek the forfeiture of proceeds from illegal transactions; (2) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotics dealers or otherwise engaged in activities contrary to the interests of the United States; (3) require identification and documentation of the parties with whom a financial institution conducts business; or (4) are designed to disrupt the flow of funds to terrorist organizations. Such laws, regulations, and sanctions shall include, without limitation, the USA PATRIOT Act of 2001, Pub. L. No. 107-56 (the “Patriot Act”), Executive Order 13224, the Bank Secrecy Act, 31 U.S.C. Section 531 et. seq., the Trading with the Enemy Act, 50 U.S.C. App. Section 1 et. seq., the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et. seq., the OFAC-administered economic sanctions, and laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957. Tenant has reviewed the OFAC website, and conducted such other investigation as it deems necessary or prudent, prior to making these representations and warranties.

SECTION 43: NON-DISCRIMINATION. Neither Tenant nor any of its affiliates, employees, contractors, subcontractors, or agents shall unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40) or sex. Tenant and its affiliates, employees, contractors, subcontractors, and agents shall (i) assure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination,

(ii) take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to, race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40) or sex (including, but not limited to, during the activities of: upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship), (iii) comply with the provisions of the California Fair Employment and Housing Act (Section 12900 et seq. of the California Government Code) and the applicable regulations promulgated thereunder (California Code of Regulations, Title 2, Division 4, Chapter 1, Section 7285.0 et seq.), but only if and to the extent Tenant and its affiliates, employees, contractors, subcontractors, and agents are required to do so under applicable law, (iv) give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement, (v) conduct their respective activities in accordance with Title VI of the Civil Rights Act of 1964 and the rules and regulations promulgated thereunder, but only if and to the extent Tenant and its affiliates, employees, contractors, subcontractors, and agents are required to do so under applicable law, and (vi) post in conspicuous places, available to employees and applicants for employment, notices setting forth their respective policies regarding non-discrimination.

SECTION 44: REIT REPRESENTATIONS. In the event Landlord or any of its direct or indirect members or partners or any successor to any of the above needs to qualify as a real estate investment trust Tenant agrees to cooperate in good faith with Landlord to ensure that the Rent qualifies as “rents from real property,” within the meaning of Section 856(d) of the Internal Revenue Code and/or any similar or successor provisions thereto (the “REIT Requirements”), including, without limitation, the following requirements:

(a) **Personal Property Limitation.** Anything contained in this Lease to the contrary notwithstanding, the average of the fair market values of the items of personal property that are leased to Tenant under this Lease at the beginning and at the end of any Lease Year shall not exceed fifteen percent (15%) of the average of the aggregate fair market values of the leased property at the beginning and at the end of such Lease Year (the “Personal Property Limitation”). If Landlord reasonably anticipates that the Personal Property Limitation will be exceeded with respect to the leased property for any Lease Year, Landlord shall notify Tenant, and Tenant either (i) shall purchase at fair market value any personal property anticipated to be in excess of the Personal Property Limitation (“Excess Personal Property”) either from Landlord or a third party or (ii) shall lease the Excess Personal Property from third party. In either case, Tenant’s Rent obligation shall be equitably adjusted. Notwithstanding anything to the contrary set forth above, Tenant shall not be responsible in any way for determining whether Tenant has exceeded or will exceed the Personal Property Limitation and shall not be liable to Landlord or any of its shareholders in the event that the Personal Property Limitation is exceeded, as long as Tenant meets its obligation to acquire or lease any Excess Personal Property as provided above. This Section 44 is intended to ensure that the Rent qualifies as “rents from real property,” within the meaning of Section 856(d) of the Internal Revenue Code, or any similar or successor provisions thereto, and shall be interpreted in a manner consistent with such intent.

(b) **REIT Requirements.** Tenant agrees to cooperate in good faith with Landlord to ensure that the terms of this Section 44 and Section 7.1.2 are satisfied. Tenant agrees upon request by Landlord to take reasonable action necessary to ensure compliance with all REIT Requirements and to ensure that Rent, at all times qualifies as “rents from real property” with the meaning of Section 856(d) of the Internal Revenue Code. If Tenant becomes aware that the REIT Requirements are not, or will not be, satisfied, Tenant shall notify Landlord of such noncompliance.

SECTION 45: GOVERNING LAW. This Lease shall be governed by and construed pursuant to the law of the State of California, without reference to conflicts of laws rules.

SECTION 46: SEVERABILITY. In the event that any provision of this Lease shall be adjudicated to be void, illegal, invalid, or unenforceable, the remaining terms and provisions of this Lease shall remain in full force and effect.

SECTION 47: PRESS RELEASES. Tenant agrees that it will not issue any press releases or make public statements regarding this Lease, its relationship with Landlord or any transactions involving the Project without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. This Section 47 shall survive the termination of this Lease. Notwithstanding the foregoing, the parties acknowledge and agree that (i) Tenant is a public entity and the terms of this Lease may be public information subject to disclosure pursuant to applicable Law, and (ii) Tenant may at its option issue public notices, public reports, and/or press releases confirming the status of the Lease (excluding economic terms), its new address in the Building, including the location for public meetings and/or hearings in the Premises, or any changes to the status of the Lease.

SECTION 48: SUCCESSORS AND ASSIGNS. Subject to all restrictions set forth herein, the terms, covenants, conditions and agreements herein contained shall inure to the benefit of and bind the heirs, successors, legal representatives and assigns of the parties hereto.

SECTION 49: DEFINITIONS. In addition to the terms defined in Section 1 of the Lease, the following terms shall have the meanings specified below when used in the Lease:

"Additional Rent" means all of those items to be paid by Tenant which are specified in Section 3.2.

"Additional Services" means all excessive or additional services in excess of Basic Services relating to Tenant's use and occupancy of the Premises.

"Affiliate" means, with respect to a Person, any other Person controlled by or in control of such Person, or any other Person who, together with such Person, are under the common control of a third Person

"Annual Statement" shall have the meaning specified in Section 3.3.3.

"Basic Services" means the utilities and services specified in Section 6.1 as being provided to the Premises by Landlord, subject to the conditions therein set forth.

"Building" means the mixed use building located at 801 South Grand Avenue, Los Angeles, California.

"Common Areas" means all areas within the exterior boundaries of the Project now or later made available for the general use of Landlord and other persons entitled to occupy floor area in the Project, including the common entrances, lobbies, restrooms, elevators, stairways and accessways, loading docks, ramps, parkways, driveways and roadways, loading and unloading areas, trash areas, landscaped areas in the Project, and the common pipes, conduits, wires and appurtenant equipment serving the Premises. Any enlargement of or addition to the Common Areas shall be included in the definition of Common Areas.

"Default" shall have the meaning specified in Section 11.

"Default Rate" means the lesser of (a) 18% per annum, or (b) the maximum rate per annum permitted by applicable Law.

"Estoppel Certificate" means a certificate to be executed by Tenant as specified in Section 35 and in the form of Exhibit "E", together with such additional information as any Lender or prospective purchaser may reasonably require.

"Excess Consideration" shall have the meaning specified in Section 7.6.

"Excess Expense Estimate" shall have the meaning specified in Section 3.3.1.

"Force Majeure" means fire, earthquake, explosion, flood, hurricane, the elements, acts of God or the public enemy, action, restrictions, limitations, or interference of governmental authorities or agents, war, invasion, terrorist attack, insurrection, rebellion, riots, strikes or lockouts, or any other cause or occurrence, whether similar or dissimilar to the foregoing, which is beyond the reasonable control of Landlord.

"Holidays" means all federally observed Holidays, as they may be observed from time to time, including New Year's Day, President's Day, Memorial Day, Independence Day, Labor Day, Veterans Day, Thanksgiving Day, Christmas Day, and, to the extent of Basic Services provided by union members engaged at the Project, such other holidays observed by such unions.

"Landlord's Employees" means Landlord's agents, representatives, contractors, licensees, employees, directors, officers, partners, members, managers, trustees and invitees and their respective agents, representatives, contractors, licensees, employees, partners, members, officers, directors, managers, trustees and invitees.

"Law" means any federal, state, county, municipal, or other local governmental statute, law, ordinance, rule, regulation, code, decree, or order, including all decisions of any court that are binding precedents in the State of California.

"Lease Year" shall have the meaning specified in Section 3.1.

"Lender" means any holder of any Mortgage, and if the Mortgage is a ground lease, such term shall refer to the ground lessor.

"Lender Cure Period" means the period given any Lender to cure any default of Landlord, as provided in Section 13.3 of the Lease.

"Master Lease" means any estate for years, whether now existing or created in the future, and whether constituting a leasehold estate or any tier of subleasehold estate, in the Land or in any portion of the Project which includes the Premises, which estate for years at any time lies between the fee estate in the Land or the Parking Facilities and the estate created under the Lease.

"Matters of Record" means any REA and CC&R's, any Master Lease, and all other easements, agreements, rights-of-way, liens, covenants, conditions, or restrictions of any nature nor or hereafter affecting the Office Component or any part thereof and constituting a matter of public record.

"Member Agency" means a Person who has satisfied the conditions for membership to join Tenant pursuant to that certain Los Angeles Community Choice Energy Authority Joint Powers Agreement dated as of June 27, 2017, as amended.

"Mortgage" means any mortgage, deed of trust, Master Lease, or other similar encumbrance now or hereafter placed upon the Land, the Project, any portion thereof which includes the Premises, or against the estate for years created by any Master Lease, and all renewals, modifications,

consolidations, replacements or extensions thereof, and all indebtedness of other monetary obligations now or hereafter secured thereby together with all interest thereon.

“Office Component” is defined in Section 1.4, and consists of the interior of floors 1 through 11 (inclusive) of the Building outside of the core of the Building, the interior of the 3-level subterranean parking garage and the interior of the Parking Structure.

“Operating Costs” means all costs incurred by Landlord in owning, maintaining, repairing, replacing, altering, managing and operating the Office Component during or allocable to the term of the Lease, including, but not limited to, all costs for (a) utilities, (b) supplies, (c) insurance maintained by or for Landlord (including but not limited to, public liability and property damage, earthquake, rent continuation, and/or fire and extended coverage insurance for up to the full replacement cost of the Project), (d) services of independent contractors, (e) compensation (including employment taxes and fringe benefits) of all persons who perform regular duties connected with the day-to-day management, operation, maintenance, repair and overhaul of the Office Component, including, without limitation, office personnel for the office of the Office Component, engineers, janitors, painters, floor waxers, window washers, parking attendants, watchmen, and gardeners, (f) management of the Office Component or any portion of it, (g) rental expenses for, or a reasonable allowance for depreciation of, personal property used in the management, maintenance, operation and repair of the Office Component, (h) any costs or expenses allocated to the Office Component in connection with any REA and CC&R's that may now exist or may hereafter affect the Office Component, (i) the cost of any capital improvements made to the Office Component after the date of the Lease which improvements are either intended to reduce other Operating Costs, or are required by any Law enacted after the date of this Lease, in any such case such cost to be amortized over the useful life of the improvement in question (**“Permitted Capital Items”**), (j) Taxes, (k) the cost of providing Basic Services, and (l) any other costs and expenses incurred by Landlord relating to the Project or under or relating to the Lease and not reimbursed separately by tenants of the Office Component. The Operating Costs during the Base Year and in each successive year shall be adjusted to reflect the Operating Cost and Taxes at a 95% occupancy level. Landlord may, as necessary, establish different cost pools to allocate Operating Expenses among tenants that should equitably pay a portion of such expenses and to avoid inequitably allocating expenses to tenants. Notwithstanding the foregoing, Operating Costs shall not include: (i) brokerage commissions, tenant incentives, finders' fees, attorneys', accountants' and other consultants' fees, advertising expenses, entertainment and travel expenses and other costs incurred by Landlord in leasing or attempting to lease space in the Building; (ii) attorneys', accountants' and other consultants' fees and other costs and expenses incurred in connection with negotiations or disputes with present or prospective tenants or other occupants of the Building; (iii) any ground lease rental and all interest and amortization on any debt, including any loans secured by the Project or Common Areas; (iv) any costs incurred in connection with the investigation, abatement or remediation of any Hazardous Materials not brought onto the Premises by Tenant or Tenant's Employees; (v) repairs, alterations, additions, improvements or replacements required to rectify or correct any defect in the design, materials or construction of the Project or the Common Areas; (vi) repairs or other work occasioned by fire, windstorm or other casualty of an insurable nature or by the exercise or eminent domain; (vii) leasing commissions, attorneys' fees, costs and disbursements and other expenses incurred in connection with negotiations or disputes with tenants, other occupants, or prospective tenants or occupants of the Project; (viii) renovating or otherwise improving or decorating, painting or redecorating space for individual tenants or other occupants of the Project; (ix) Landlord's cost of electricity and other services that are sold to individual tenants and for which Landlord is entitled to be reimbursed by tenants as an additional charge or rental over and above the basic rent payable under the lease with such tenant; and (x) any capital costs other than Permitted Capital Items.

“Parking Structure” shall have the meaning specified in Section 1.4.

“Person” means an individual, trust, partnership, joint venture, association, corporation, public entity, and any other legal, governmental, or business entity.

“Personal Property” means any trade fixtures, furnishings or equipment, and all other personal property contained in the Premises from time to time.

“Project” means the Building, the Parking Structure and the land thereunder and related to the Building, and all roads, plazas, landscaped areas, Common Areas, improvements and other facilities situated on such land.

“REA and CC&Rs” means any reciprocal easement, operating agreement, and any covenants, conditions and restrictions, now existing or hereafter entered into with respect to all or any portion of the Project. Landlord shall be entitled to enter into any REA and CC&Rs at any time during the Term, and Tenant agrees that the Lease shall be subordinate and subject to all REAs and CC&Rs now existing or so entered into by Landlord.

“REA Parties” means the parties to any REA and CC&Rs now or hereafter affecting the Project.

“Relocated Premises” means the other premises within the Project to which Landlord may cause Tenant to relocate as provided in Section 2.10.

“Rent” means the aggregate total of all of the following: (a) the Base Rent payable by Tenant hereunder; (b) all sums designated as **“Additional Rent”** payable by Tenant hereunder; and (c) any other sums required to be paid by Tenant hereunder. All Rent, including but not limited to, all taxes, fees, costs and expenses which are attributable to, payable by or the responsibility of Tenant hereunder, shall constitute “rent” within the meaning of California Civil Code Section 1951(a).

“Residential Component” is defined in Section 1.4 and consists of floors 12 through 22 (inclusive) of the Building, the shell and core of the Building (including all of the 3-level subterranean parking garage other than the interior of such garage), the shell of the Parking Structure (but not the interior of the Parking Structure), and the grade level surface areas outside the Building and the Parking Structure.

“Rules and Regulations” means the requirements set forth in Exhibit D and such reasonable and nondiscriminatory additions, modifications and amendments thereto as Landlord may adopt from time to time for use in the Project.

“Systems and Equipment” means any plant, machinery, transformers, duct work, cable, wires, equipment, facilities, or systems designed to supply heat, ventilation, air conditioning, humidity, or any other services or utilities, or comprising or serving as any component or portion of the electrical, gas, steam, plumbing, sprinkler, communications, alarm, security, or fire/life/safety systems or equipment, or any other mechanical, electrical, electronic, computer or other systems or equipment utilized for the Office Component or any portion of it.

“Taxes” means all taxes, assessments, water and sewer charges and other similar governmental charges levied on or attributable to the Office Component or its operation, including, but not limited to, real property taxes and assessments levied or assessed against the Office Component, personal property taxes or assessments levied or assessed against the Office Component, and any tax measured by gross rents received from the Office Component, together with any costs incurred by Landlord (including attorneys' and other professional and paraprofessional fees and costs incurred in good faith) in contesting any such taxes, assessments or charges, but excluding any interest, penalties or other charges attributable to untimely or delinquent payment of Taxes by Landlord, net income, franchise, capital stock, estate or inheritance taxes or transfer taxes

imposed by the state or federal government or by any agency, branch or department thereof. If at any time during the Term there shall be levied, assessed or imposed on Landlord or the Office Component by any governmental entity, any general or special, ad valorem or specific, excise, capital levy or other tax, assessment, levy or charge directly on any Rent received under the Lease or other leases affecting the Office Component, and/or any license fee, excise or franchise tax, assessment, levy or charge measured by or based, in whole or in part, upon any Rent, and/or any transfer, transaction, or similar tax, assessment, levy or charge based directly or indirectly upon the execution of the Lease or any document to which Tenant is a party creating or transferring an interest or estate in the Premises, or the transactions represented by other leases affecting the Office Component or based upon a reassessment of the Office Component, or any portion thereof, or due to a change in ownership or transfer of all or part of Landlord's interest in the Lease, the Office Component, or any portion thereof, and/or occupancy, use, per capita or other tax, assessment, levy or charge based directly or indirectly upon the use or occupancy of the Premises or the Office Component, then Taxes shall include any such tax, assessment, levy or charge. In any year after the Base Year when Taxes have been reduced pursuant to a "Proposition 8" reduction, the Taxes shall be deemed to equal what such Taxes would have been without such reduction in calculating Excess Expenses.

"Tenant Alterations" means any alterations, additions, or improvements to the interior of the Premises, other than the Tenant Improvements, and whether paid for by Landlord, by Tenant, or otherwise.

"Tenant's Employees" means, collectively, all of Tenant's agents, licensees, contractors, subcontractors, employees, directors, officers, partners, trustees and invitees.

"Tenant Improvements" means the Tenant Improvements as defined in the Work Letter.

"Tenant's Proportionate Share" means the percentage set forth in Section 1.4 of the Lease.

"Transfer" means any transfer, sale, conveyance, assignment, subleasing, granting of a license, encumbrance, mortgage, deed of trust or hypothecation by Tenant of all or any part of its interest in the Lease or the Premises, as the case may be, and any Transfer described in Section 7.3 hereof.

"Transfer Documents" means any assignment or sublease or other document pursuant to which a Transfer is, or is proposed to be, accomplished.

"Transfer Notice" shall mean the notice from Tenant to Landlord required by the terms of Section 7.1 as a prerequisite to any Transfer.

"Transferee" means any person to whom a transfer is made or proposed to be made.

SECTION 50: COUNTERCLAIM AND JURY TRIAL; JUDICIAL REFERENCE. IN THE EVENT THAT LANDLORD COMMENCES ANY SUMMARY PROCEEDINGS OR ACTION FOR NON-PAYMENT OF RENT OR OTHER CHARGES PROVIDED IN THIS LEASE, TENANT SHALL NOT INTERPOSE ANY COUNTERCLAIM OF ANY NATURE OR DESCRIPTION IN ANY SUCH PROCEEDING OR ACTION (OTHER THAN A COMPULSORY COUNTERCLAIM), IF AND ONLY IF THE FAILURE TO INTERPOSE SUCH COUNTERCLAIM WILL NOT RESULT IN AN INABILITY TO ASSERT SUCH CLAIM IN A SEPARATE PROCEEDING OR ACTION. TO THE FULL EXTENT PERMITTED UNDER APPLICABLE LAWS, TENANT AND LANDLORD BOTH WAIVE A TRIAL BY JURY OF ANY AND ALL ISSUES ARISING IN ANY ACTION OR PROCEEDING BETWEEN THE PARTIES HERETO OR THEIR AFFILIATES, UNDER OR CONNECTED WITH THIS LEASE, ANY OF ITS PROVISIONS, OR ANY TRANSACTIONS OR AGREEMENTS SET FORTH HEREIN OR CONTEMPLATED HEREBY (COLLECTIVELY, A **"DISPUTE"**). TO THE EXTENT THAT THE FOREGOING WAIVER OF JURY TRIAL IS

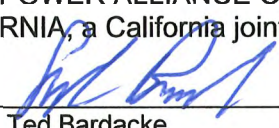
UNENFORCEABLE, THE PARTIES AGREE THAT ALL DISPUTES (OTHER THAN UNLAWFUL DETAINER AND OTHER SUMMARY PROCEEDINGS) ARISING OUT OF OR RELATING TO THIS LEASE SHALL BE RESOLVED BY A JUDICIAL REFERENCE PURSUANT TO CALIFORNIA CODE OF CIVIL PROCEDURE § 638. THE JUDICIAL REFEREE APPOINTED TO DECIDE THE JUDICIAL REFERENCE PROCEEDING SHALL BE EMPOWERED TO HEAR AND RESOLVE ANY OR ALL ISSUES IN THE PROCEEDING, WHETHER FACT OR LAW. IF LANDLORD AND TENANT ARE UNABLE TO AGREE UPON A REFEREE WITHIN TEN (10) DAYS OF A WRITTEN REQUEST TO DO SO BY EITHER PARTY, EITHER PARTY MAY THEREAFTER SEEK TO HAVE A REFEREE APPOINTED BY THE COURT PURSUANT TO THE PROCEDURES SET FORTH IN CALIFORNIA CODE OF CIVIL PROCEDURE § 640.

[Signatures to appear on the next page.]

IN WITNESS WHEREOF, the parties have executed this Lease on the day and year specified above.

“Tenant”:

CLEAN POWER ALLIANCE OF SOUTHERN
CALIFORNIA, a California joint powers agency

By: 
Name: Ted Bardacke
Title: Executive Director

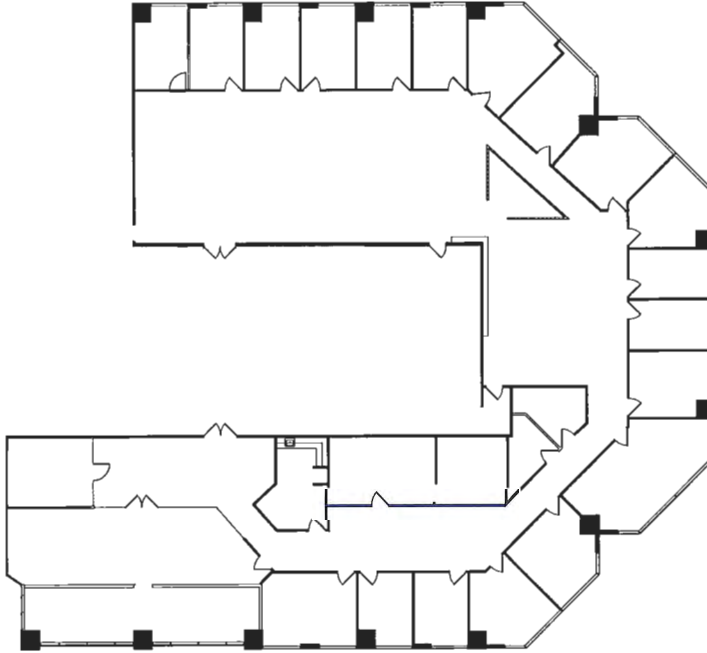
“Landlord”:

801 SOUTH GRAND AVENUE (LA), LLC,
a Delaware limited liability company

By: 
Name: Terry Wachsner
Title: Vice President

EXHIBIT A

Floor Plan

**Disclaimer**

This is the preliminary lease plan intended for discussion purposes only. Landlord reserves the right to make any changes to the plan. Landlord makes no warranties or representations concerning any matter contained on this plan, handwritten or in any other manner noted, nor shall Tenant rely on same.

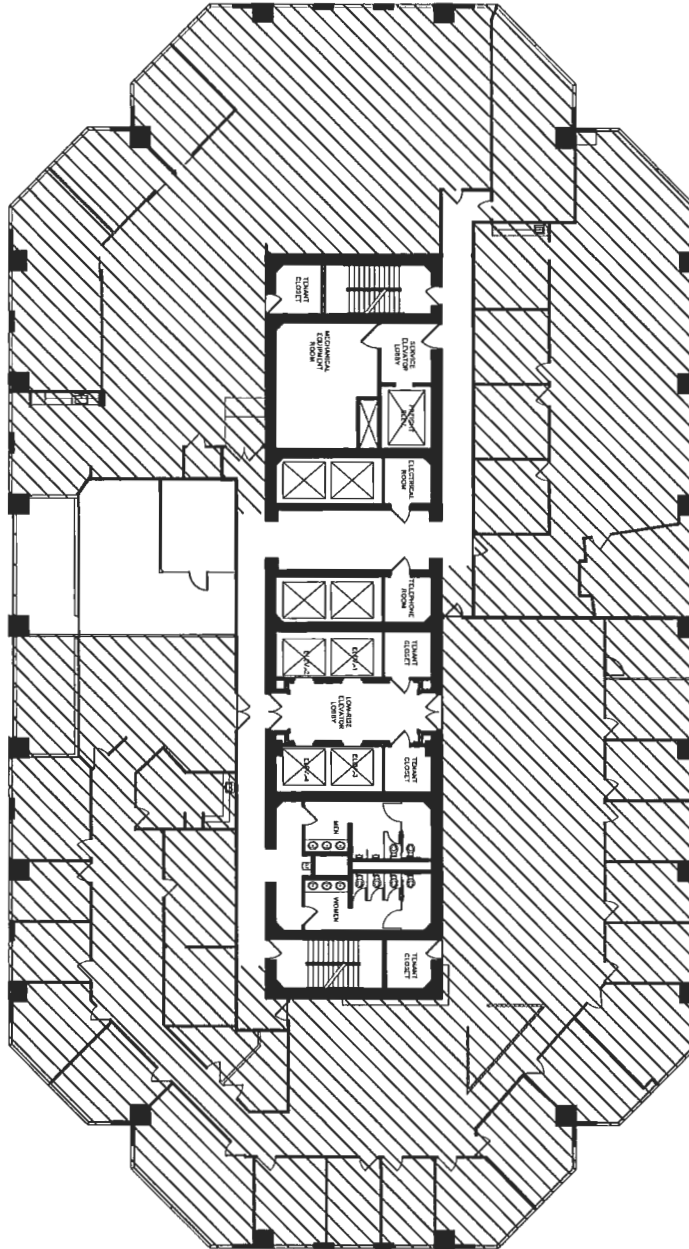
Exhibit A-1**Must Take Space**

EXHIBIT B**STATEMENT OF COMMENCEMENT DATE**

Date: _____, 20__

Lease dated as of: _____, 2020
Landlord: 801 South Grand Avenue (LA), LLC
Tenant: Clean Power Alliance of Southern California
Premises: Suite 400
Building: 801 South Grand Ave, Los Angeles, CA

The undersigned hereby agree that the Commencement Date and Expiration Date of the above-referenced Lease are:

(a) Possession Date: _____, 20__
(b) Commencement Date: _____, 20__
(c) Expiration Date: _____, 20__

The Expiration Date set forth above shall not limit any options to extend the term contained in the Lease. The Premises shall consist of _____ rentable square feet.

“Tenant”:

CLEAN POWER ALLIANCE OF SOUTHERN
CALIFORNIA, a California joint powers agency

By: _____
Name: _____
Title: _____

“Landlord”:

801 SOUTH GRAND AVENUE (LA), LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

NOTE: Tenant’s failure to execute and return this letter, or to provide written objection to the statements herein, to Landlord within **10 business days** of the date of this letter shall be deemed Tenant’s approval of and agreement to the statements contained herein.

EXHIBIT C

Work Letter

This Work Letter shall set forth the terms and conditions relating to the construction of the Tenant Improvements in the Premises. This Work Letter is essentially organized chronologically and addresses the issues of the construction of the Premises, in sequence, as such issues will arise.

SECTION 1**CONSTRUCTION OF THE PREMISES**

Following execution of the Lease, Landlord shall demise and modify the Premises (the "**Tenant Improvements**") pursuant to mutually agreed upon plans and specifications, including the approved Space Plans and the approved Working Drawings (collectively, the "**Plans**") at a cost not to exceed \$1,180,305.00, based on \$105.00 per rentable square foot (the "**Cap**"). In addition, Landlord shall pay for one preliminary test-fit plan for the Premises and one revision thereto at a total cost not to exceed \$1,686.15, based on \$0.15 per rentable square foot (the "**Space Plan Allowance**"). Following approval of the Space Plans or Working Drawings (as specified below), Tenant shall make no changes or modifications to such approved Space Plans or Working Drawings or to Tenant Improvements without the prior written consent of Landlord, which consent may be withheld in Landlord's reasonable discretion if such change or notification would directly or indirectly delay the Substantial Completion (as that term is defined in Section 5.1 of this Work Letter) of the Tenant Improvements in the Premises or increase the cost of designing or constructing the Tenant Improvements. Unless specifically noted on the Plans, the Tenant Improvements shall be constructed using Building standard specifications and materials as determined by Landlord. Any above Building standard specifications or materials used to construct the Tenant Improvements shall be at Tenant's sole cost and expense and shall be included in the total cost of the Tenant Improvements. The cost of the Tenant Improvements shall include a construction management fee payable to Landlord or its affiliate equal to one percent (1%) of the total cost of the Tenant Improvements.

1.1 **Space Plan Preparation and Delivery.** Within five (5) business days after Tenant's execution of this Lease, Tenant shall meet with a design consultant selected by Landlord (the "**Architect**") to discuss the nature and extent of all improvements that Tenant proposes to install in the Premises, and at such meeting, provide the Architect with all necessary data and information needed by the Architect to prepare initial space plans therefor as required by this paragraph. On or before the tenth day following the date that Tenant meets with the Architect, Landlord shall deliver a space plan prepared by Architect depicting improvements to be installed in the Premises (the "**Space Plans**").

1.2 **Space Plan Approval Process.** Tenant shall notify Landlord whether it approves of the submitted Space Plans within five (5) business days after Landlord's submission thereof. If Tenant disapproves of such Space Plans, then Tenant shall notify Landlord thereof specifying in reasonable detail the reasons for such disapproval, in which case Landlord shall, within three (3) business days after such notice, revise such Space Plans in accordance with Tenant's objections and submit to Tenant for its review and approval. Tenant shall notify Landlord in writing whether it approves of the resubmitted Space Plans within three (3) business days after its receipt thereof. This process shall be repeated until the Space Plans have been finally approved by Tenant and Landlord. If Tenant fails to notify Landlord that it disapproves of the initial Space Plans within five (5) business days (or in the case of resubmitted Space Plans, within three (3) business days) after the submission thereof, then Tenant shall be deemed to have approved the Space Plans in question.

1.3 Working Drawings Preparation and Delivery. On or before the date which is fifteen (15) business days following the date on which the Space Plans are approved (or deemed approved) by Tenant and Landlord, Landlord shall cause to be prepared final working drawings (the "**Working Drawings**") and a preliminary cost estimate of the construction costs (the "**Cost Estimate**") of all improvements to be installed in the Premises and deliver the same to Tenant for its review and approval, which approval shall not be unreasonably withheld, conditioned or delayed. Such Working Drawings and Cost Estimate shall be prepared by the Architect or another design consultant selected by Landlord (whose fee shall be included in the Cap).

1.4 Working Drawings and Cost Estimate Approval Process. Tenant shall notify Landlord whether it approves of the submitted Working Drawings and Cost Estimate within five (5) business days after Landlord's submission thereof. If Tenant disapproves of such Working Drawings and/or Cost Estimate, then Tenant shall notify Landlord thereof specifying in reasonable details the reasons for such disapproval in which case Landlord shall, within five (5) business days after such notice, revise such Working Drawings and/or Cost Estimate in accordance with Tenant's objections and submit the revised Working Drawings with revisions to the Cost Estimate (if any) to Tenant for its review and approval. Tenant shall notify Landlord in writing whether it approves of the resubmitted Working Drawings and Cost Estimate within three (3) business days after its receipt thereof. This process shall be repeated until the Working Drawings and Cost Estimate have been finally approved by Landlord and Tenant. If Tenant fails to notify Landlord that it disapproves of the initial Working Drawings and Cost Estimate within five (5) business days (or, in the case of resubmitted Working Drawings and Cost Estimate, within three (3) business days) after submission thereof, then Tenant shall be deemed to have approved the Working Drawings and/or Cost Estimate in question. Any delay caused by Tenant's unreasonable withholding of its consent or delay in giving its written approval as to such Working Drawings and Cost Estimate shall constitute a Tenant Delay (defined below). If the Working Drawings and/or Cost Estimates are not fully approved (or deemed approved) by both Landlord and Tenant by the twentieth (20th) business day after the delivery of the initial draft thereof to Tenant, then each day after such time period that such Working Drawings and/or Cost Estimate are not approved (or deemed approved) by both Landlord and Tenant shall constitute a Tenant Delay.

1.5 Change Orders. Tenant may initiate changes to the Tenant Improvements. Each such change must receive prior written approval of Landlord, such approval shall be granted or withheld in accordance with the process set forth in Section 1.2 above; additionally, if any such requested change might delay the Commencement Date, Landlord may withhold its consent in its sole and absolute discretion. Landlord shall, upon completion of the Tenant Improvements, cause to be prepared accurate architectural, mechanical, electrical and plumbing "as-built" plans of the Tenant Improvements as constructed in both blueprint and electronic CADD format, which plans shall be incorporated into this Exhibit C by this reference for all purposes.

SECTION 2

OVER-ALLOWANCE AMOUNT

If Tenant requests any changes to the Tenant Improvements described in the Space plans or the Working Drawings, then such increased costs any additional design costs incurred in connection therewith as the result of any such change shall be considered to be an "**Over-Allowance Amount.**" Further, and notwithstanding anything to the contrary herein, any costs in excess of the Cap shall be considered an Over-Allowance Amount. The Over-Allowance Amount shall be paid by Tenant to Landlord within ten (10) days after Landlord demand and Tenant's receipt of invoice therefor. The Over-Allowance Amount shall be disbursed by Landlord prior to the disbursement of any portion of Landlord's contribution to the construction of the Improvements.

SECTION 3

RETENTION OF CONTRACTOR; WARRANTIES AND GUARANTIES

Landlord hereby assigns to Tenant all warranties and guaranties by the contractor who constructs the Tenant Improvements (the "**Contractor**") relating to the Tenant Improvements, and Tenant hereby waives all claims against Landlord relating to, or arising out of the construction of, the Tenant Improvements. The Contractor shall be designated and retained by Landlord to construct the Tenant Improvements.

SECTION 4

TENANT'S COVENANTS

Tenant shall, at no cost to Tenant, cooperate with Landlord and the Architect retained by Landlord to cause a Notice of Completion to be recorded in the office of the Recorder of the County in which the Building is located upon completion of construction of the Tenant Improvements.

SECTION 5

COMPLETION OF THE TENANT IMPROVEMENTS

5.1 Substantial Completion. For purposes of this Lease, "Substantial Completion" of the Tenant Improvements in the Premises shall occur upon the completion of construction of the Tenant Improvements in the Premises pursuant to Section 1, above, with the exception of any punch list items and any tenant fixtures, work-stations, built-in furniture, or equipment to be installed by Tenant. Within five (5) business days after Landlord notifies Tenant that the Substantial Completion has occurred, Landlord's representative shall conduct a walk-through of the Premises with Tenant's representative to identify any such punch list items, and Landlord shall use commercially reasonable efforts to complete such punch list items within thirty (30) days of the Possession Date.

5.2 Delay of the Substantial Completion of the Premises. If there shall be a delay or there are delays in the Substantial Completion of the Tenant Improvements in the Premises as a result of the following (collectively, "Tenant Delays"):

5.2.1 Tenant's failure to timely approve any matter requiring Tenant's approval;

5.2.2 A breach by Tenant of the terms of this Work Letter or the Lease;

5.2.3 Tenant's request for changes in the Plans;

5.2.4 Changes in any of the Plans because the same do not comply with applicable laws;

5.2.5 Tenant's requirement for materials, components, finishes or improvements which are not available in a commercially reasonable time given the anticipated date of Substantial Completion of the Tenant Improvements in the Premises, or which are different from, or not included in, Landlord's standard improvement package items for the Building;

5.2.6 Changes to the base, shell and core work of the Building required by the Tenant Improvements or any changes thereto; or

5.2.7 Any other acts or omissions of Tenant, or its agents, or employees;

then, notwithstanding anything to the contrary set forth in the Lease or this Work Letter and regardless of the actual date of the Substantial Completion of the Tenant Improvements in the Premises, the date of Substantial Completion thereof shall be deemed to be the date that Substantial Completion would have occurred if no Tenant Delay or Delays, as set forth above, had occurred.

5.3 Tenant's IT/AV Improvements; Early Access to Premises. Landlord acknowledges that Tenant, a public entity, needs to provision the Premises with certain information technology hardware, software, and/or tools (IT) and audio visual technology (collectively, the "IT/AV Improvements"), and with furniture that is compatible with both Tenant's public and private meeting needs (to the extent consistent with Tenant's Permitted Use). Tenant and its contractors, subcontractors, laborers, materialmen and suppliers shall have the right to access to the Premises prior to the anticipated date of Substantial Completion for the purpose of Tenant installing the IT/AV Improvements, and communication lines (excluding any furniture or movable work stations), provided that Tenant and its agents do not interfere with Landlord's work in the Premises and Tenant does not conduct business operations in the Premises during this period. Landlord shall, and shall cause Architect and Contractor to, reasonably coordinate with Tenant during construction of the Tenant Improvements to provide Tenant with reasonable opportunity to complete its working including installation of the IT/AV Improvements. Prior to Tenant's entry into the Premises as permitted by the terms of this Section, Tenant shall submit a schedule to Landlord and Contractor, for their reasonable approval, which schedule shall detail the timing and purpose of Tenant's entry. Tenant shall hold Landlord harmless from and indemnify, protect and defend Landlord against any loss or damage to the Building or Premises and against injury to any persons caused by Tenant's actions pursuant to this Section.

SECTION 6

MISCELLANEOUS

6.1 Tenant's Representative. Tenant has Theodore Bardacke as its sole representative with respect to the matters set forth in this Work Letter, who, until further notice to Landlord, shall have full authority and responsibility to act on behalf of the Tenant as required in this Work Letter.

6.2 Landlord's Representative. Prior to commencement of construction of the Tenant Improvements, Landlord shall designate a representative with respect to the matters set forth in this Work Letter, who, until further notice to Tenant, shall have full authority and responsibility to act on behalf of the Landlord as required in this Work Letter.

6.3 Time of the Essence in This Work Letter. Unless otherwise indicated, all references herein to a "number of days" shall mean and refer to calendar days.

Exhibit C-1**DESCRIPTION OF CIM RESPONSIBLE CONTRACTOR PROGRAM**

CIM has adopted a responsible contractor policy (the “**RC Policy**”) for contracts for (a) building or construction-related services (including tenant improvements unless paid for directly by the tenant) and (b) property-related services (such as cleaning maintenance, security, food and beverage service, and other services provided within the property that are specific to the nature of that asset, e.g. senior living operations, hotel operations, transportation assets, hospitals, etc.) for \$100,000 or more (each an “**Applicable Contract**”). Applicable Contracts do not include contracts for professional services (e.g., architect, legal, or engineering services).

CIM Group believes that it is in its, and its investor’s, interest to hire contractors for Applicable Contracts that pay fair wages and benefits¹ for their workers (“**Responsible Contractors**”) who also meet CIM’s standards for loyalty, competence and competitiveness. CIM Group further believes that Applicable Contracts should be awarded through a competitive bidding and selection process.

All requests for proposals and invitations to bid for Applicable Contracts subject to the RC policy will contain this description of this RC Policy and include a responsible contractor self certification. Each party bidding on an Applicable Contract subject to the RC Policy shall be required to certify to their responsible contractor status by completing and returning the responsible contractor self certification as a condition to bid.

In reviewing bids, CIM may consider, among other things, the bidder’s experience, loyalty, prudence, reputation for honesty, integrity, timeliness, dependability, fees and adherence to the RC Policy.

¹ The definition of fair benefits includes, but is not limited to, “employer-paid family health care coverage, pension benefits, and apprenticeship programs.” What constitutes a “fair wage” and a “fair benefit” depends on the wages and benefits paid on comparable real estate or infrastructure projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g., residential or commercial and public or private), comparable job or trade classifications, and the scope and complexity of services provided.

EXHIBIT D**RULES AND REGULATIONS**

These Rules and Regulations are in addition to the terms, covenants, agreements and conditions of any lease of space in the Office Component. In the event these Rules and Regulations conflict with any provision of the Lease, the Lease shall control. Landlord reserves the right to modify and make such other and reasonable Rules and Regulations as, in its judgment, may from time to time be needed for safety and security, for care and cleanliness of the Office Component and for the preservation of good order therein, provided such Rules and Regulations are non-discriminatory and Tenant is provided written notice thereof. Tenant agrees to abide by all such Rules and Regulations herein and any additional non-discriminatory rules and regulations which are subsequently adopted and which Tenant has received written notice of. Tenant shall be responsible for the observance of all the foregoing Rules and Regulations by Tenant's employees, agents, clients, customers, invitees and guests. Landlord may waive any one or more of these Rules and Regulations for the benefit of Tenant or any other occupant of the Office Component, but no such waiver by Landlord shall be construed as a waiver of such Rules and Regulations in favor of Tenant or any other occupant, nor prevent Landlord from thereafter enforcing any such Rules and Regulations against any or all of the occupants of the Office Component, including Tenant.

1. Signs/Advertising. No sign, placard, picture, advertisement, name or notice shall be installed or displayed on any part of the outside or inside of the Project without the prior written consent of Landlord. Landlord shall have the right to remove, at Tenant's expense and without notice, any sign installed or displayed in violation of this rule. All approved signs or lettering on doors, windows and walls shall be printed, painted, affixed or inscribed at the expense of Tenant by a person chosen by Landlord, using materials of Landlord's choice and in a style and format approved in writing by Landlord.
2. No Obstructions. Tenant shall not obstruct any sidewalks, halls, exits, entrances, elevators, stairways or other passageways of the Project. The halls, exits, entrances, malls, elevators, stairways and other passageways are not for the general public, and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence, in the judgment of Landlord, would be prejudicial to the safety, character, reputation or other interests of the Project and its tenants; however, nothing herein shall be construed to prevent access to the Premises by persons with whom Tenant normally deals in the ordinary course of its business, unless such persons are engaged in illegal activities. Neither Tenant nor any employee or invitee of Tenant shall go upon the roof of the Project without Landlord's consent. Tenant shall not have the right to maintain displays of or to sell merchandise in the Common Areas or to use Common Areas in any manner, which would interfere with the rights of other tenants to use and access Common Areas.
3. Directory. The directory of the Office Component, if any, will be provided exclusively for the display of the name and location of tenants only, and Landlord reserves the right to exclude any other names therefrom.
4. Cleaning/Janitorial. Except for retail tenants, all cleaning and janitorial services for the Office Component and the Premises shall be provided exclusively through Landlord, and except with the written consent of Landlord, no person or persons other than those approved by Landlord shall be employed by Tenant or permitted to enter the Project for the purpose of cleaning the same. Tenant shall not cause any unnecessary labor by carelessness or indifference to the good order and cleanliness of the Premises. Landlord shall not in any way be responsible to Tenant for any loss of property on the Premises,

however occurring, or for any damage to Tenant's property by the janitor or any other employee or any other person.

5. Keys. In addition to any key cards needed to access the Building or Premises, Landlord will furnish Tenant, free of charge, with two keys for each lock in the Premises. Landlord may make a reasonable charge for any additional keys in an amount not to exceed \$15.00 per key. Tenant, upon the termination of its tenancy, shall deliver to Landlord the keys of all doors which have been furnished to Tenant, and in the event of loss of any keys so furnished, shall pay Landlord therefor in an amount not to exceed \$ 15.00 per key.
6. Alarms. If Tenant requires telephonic, burglar alarm or similar services, it shall first obtain Landlord's approval thereof, which shall not be unreasonably withheld by Landlord, and Tenant shall comply with all of Landlord's instructions in their installation.
7. Freight Elevator. Any freight elevator shall be available for use by all occupants of the Project, subject to such reasonable scheduling as Landlord in its discretion shall deem appropriate. No equipment, materials, furniture, packages, supplies, merchandise or other property will be received in the Project or carried in the elevators except between such hours and in such elevators as may be designated by Landlord. Upon 48 hours' prior written request, Tenant shall be provided with use of the freight elevators, at no charge to Tenant, subject to Landlord's reasonable rules and regulations for the moves (a) into the Project; (b) into the Premises from the Temporary Space, and (c) out of the Premises at the expiration or sooner termination of the Term, or Option Term, as applicable.
8. Floor Loading. Tenant shall not place a load upon any floor of the Premises which exceeds the load per square foot, which such floor was designed to carry and which is allowed by law. Landlord and Landlord's consultant, the cost of which consultant shall be borne by Tenant, shall have the right to prescribe the weight, size and position of all equipment, materials, furniture or other property brought into the Project. Heavy objects, if such objects are considered necessary by Tenant, shall stand on such platforms as determined by Landlord or its consultant to be necessary to properly distribute the weight. Business machines and mechanical equipment belonging to Tenant which cause noise or vibration that may be transmitted to the structure of the Project or to any space therein to such a degree as to be objectionable to Landlord or to any other occupant of the Project, shall be placed and maintained by Tenant, at Tenant's expense, on vibration eliminators or other devices sufficient to eliminate noise or vibration. The persons employed to move such equipment in or out of the Project must be approved by Landlord. Landlord will not be responsible for loss of, or damage to, any such equipment or other property from any cause, and all damage done to the Project by maintaining or moving such equipment or other property shall be repaired at the expense of Tenant. If Tenant fails to repair in an expeditious manner any and all damage caused, then Landlord may (but shall not be obligated to) contract for the performance of the repair work, which work shall be billed to Tenant and shall be payable by Tenant to Landlord as Additional Rent within 10 days after Tenant's receipt of the billing.
9. Flammable; Toxic Material. Tenant shall not use or keep in the Premises any kerosene, gasoline or inflammable or combustible fluid or material except in those limited quantities necessary for the operation or maintenance of office equipment, and then only in such a manner as to ensure the safety of the Premises. Tenant shall not use or permit to be used in the Premises any foul or noxious gas or substance, or permit or allow the Premises to be occupied or used in a manner offensive or objectionable to Landlord or

other occupant of the Project by reason of noise, odors or vibrations, nor shall Tenant bring into or keep in or about the Premises any birds or animals, except seeing-eye dogs when accompanied by their masters.

10. Supplemental HVAC. Tenant shall not use any method of heating or air conditioning other than that supplied or approved in writing by Landlord.
11. Wastage. Tenant shall not waste electricity, water, air conditioning or other utilities or supplies furnished to the Premises, and Tenant agrees to cooperate fully with Landlord to assure the most effective operation of the Project's heating, air conditioning and other utility distribution systems, and to comply with any governmental energy-saving rules, laws or regulations of which Tenant has actual notice. Tenant shall refrain from attempting to adjust controls other than room thermostats installed in the Premises and intended for Tenant's use. Tenant shall keep corridor doors closed, and shall close window coverings at the end of each business day. Heat and air conditioning shall be provided during ordinary business hours of generally recognized business days, but not less than the hours of 8:00 a.m. to 6:00 p.m. on Monday through Friday and 9:00 a.m. to 1:00 p.m. on Saturday (excluding in any event Sundays and holidays, it being understood that holidays shall mean and refer to those holidays of which Landlord provides Tenant with reasonable prior written notice which shall in any event include, without limitation, state and federal holidays and those holidays on which the New York Stock Exchange is closed).
12. Exclusion of Persons. Landlord reserves the right to exclude from the Project (other than from retail tenants' premises which are open for business) between the hours of 6:00 p.m. any day and 8:00 a.m. the following day, or such other hours as may be established from time to time by Landlord, and on Saturdays, Sundays and legal holidays, any person unless that person is known to the person or employee in charge of the Project, or has a valid pass and is properly identified. Tenant shall be responsible for all persons for whom it requests passes and shall be liable to Landlord for acts of such persons. Landlord shall not be liable for damages for any error with regard to the admission to or exclusion from the Project of any person. Landlord reserves the right to prevent access to the Project in case of invasion, mob, riot, public excitement or other commotion by closing the doors or by other appropriate action. Landlord reserves the right to exclude or expel from the Project any person who, in Landlord's judgment, is intoxicated, or under the influence of liquor or drugs, or who is in violation of any of the Rules and Regulations.
13. Tenant Security. Tenant shall close and lock the doors of the Premises and entirely shut off all water faucets or other water apparatus, and, except with regard to Tenant's computers and other equipment which require utilities on a 24-hour basis, all electricity, gas or air outlets before Tenant and its employees leave the Premises each day. Tenant shall be responsible for any damage or injuries sustained by other occupants of the Project or by Landlord for noncompliance with this rule. Tenant assumes any and all responsibility for protecting the Premises from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to the Premises closed.
14. Extra Services. Office tenants shall not obtain for use on the Premises ice, drinking water, food, beverage, towel or other similar services, nor accept barbering or bootblacking services upon the Premises, except for use consistent with Permitted Use and at such hours and under such regulations as may be fixed by Landlord.
15. Lavatories. The toilet rooms, toilets, urinals, wash basins and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign

substance of any kind whatsoever shall be thrown therein. The expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by Tenant if and to the extent caused by Tenant or its employees or invitees.

16. No Sales. Except as specifically permitted in the Basic Lease Provisions, Tenant shall not sell, or permit the sale of newspapers, magazines, periodicals, theater tickets or any other goods or merchandise to the general public from the Premises. Tenant shall not make any room-to-room or public area solicitation of business from other occupants of the Project or their employees or guests. Tenant shall not use the Premises for any business or activity other than that specifically provided in Tenant's Lease.
17. Damage. Tenant shall not mark, drive nails, screw or drill into the partitions, woodwork or plaster or in any way deface the Premises or any part thereof, except to install decorative wall hangings. Landlord reserves the right to direct electricians as to where and how telephone, telegraph, telecommunication and computer wires are to be introduced to the Premises. Tenant shall not cut or bore holes for wires. Tenant shall not affix any floor covering to the floor of the Premises in any manner except as approved by Landlord. Tenant shall repair any damage resulting from noncompliance with this rule. If Tenant fails to repair in an expeditious manner any and all damage caused, then Landlord may (but shall not be obligated to) contract for the performance of the repair work, which work shall be billed to Tenant and shall be payable by Tenant to Landlord as additional rent within 10 days after Tenant's receipt of the billing.
18. Vending Machines. Tenant may install, maintain and operate upon the Premises vending machines for use by its employees and invitees.
19. Refuse. Tenant shall store all its trash and garbage within its Premises. Tenant shall not place in any trash box or receptacle any material which cannot be disposed of in the ordinary and customary manner of trash and garbage disposal. All garbage and refuse disposal shall be made in accordance with directions issued from time to time by Landlord.
20. Storage. Except as specifically permitted in the Basic Lease Provisions, the Premises shall not be used for the storage of merchandise held for sale to the general public, nor for lodging, nor for manufacturing of any kind, nor shall the Premises be used for any improper, immoral or objectionable purpose. Other than restaurants, no cooking shall be done or permitted by Tenant in the Premises, except that use by Tenant of Underwriters' Laboratory-approved equipment for brewing coffee, tea, hot chocolate and similar beverages shall be permitted, and the use of pantry equipment shall be permitted, so long as such equipment and use is in accordance with all recommendations of the manufacturer thereof and all applicable federal, state, county and city laws, codes, ordinances, rules and regulations.
21. No Blockage. Tenant shall not use in any space or in the public halls of the Project any mail carts or hand trucks except those equipped with rubber tires and side guards or such other material handling equipment as Landlord may approve.
22. Safety Compliance. Tenant shall comply with all safety, fire protection and evacuation procedures and regulations established by Landlord and any governmental agency.
23. Landlord Response. The requirements of Tenant will be attended to only upon appropriate application to the office of the Office Component by an authorized individual. Employees of Landlord shall not be required to perform any work or do anything outside

of their regular duties unless under special instructions from Landlord, and no employee of Landlord shall be required to admit any person (Tenant or otherwise) to any office without specific instructions from Landlord.

EXHIBIT E**FORM OF ESTOPPEL CERTIFICATE**

[Letterhead of Tenant]

Date: _____, 20__

To: [Insert Name and Address(es) of Recipient(s)]

Re: Suite 400
801 South Grand Avenue
Los Angeles, California 90017

Ladies and Gentlemen:

The undersigned ("**Tenant**") certifies to 801 SOUTH GRAND AVENUE (LA), LLC, as owner and landlord, and _____, as lender, as of the date hereof as follows:

1. It is the tenant under the lease described on **Exhibit "A"** hereto (the "**Lease**"), for the _____ floor, as described in the Lease (the "**Leased Premises**") at 801 S. Grand Avenue, Los Angeles, California (the "**Building**"). All capitalized terms not otherwise defined herein shall have the meanings provided in the Lease.

2. The Lease is in full force and effect. The Lease has not been amended, modified or supplemented except as set forth on **Exhibit "A"** hereto. There are no other agreements or understandings, whether written or oral, between Tenant and Landlord with respect to the Lease, the Leased Premises or the Building.

3. Tenant has accepted possession of and occupies the entire Leased Premises under the Lease. The term of the Lease commenced on _____, and expires on _____, subject to the Option to Extend as specified in Addendum Section 1.6.

4. The amount of the security deposit is \$_____.

5. To the best of Tenant's knowledge, both Tenant and Landlord have performed all of their respective obligations under the Lease and Tenant has no knowledge of any event which with the giving of notice, the passage of time or both would constitute a default by Landlord under the Lease.

6. Tenant has no claim against Landlord and no offset or defense to enforcement of any of the terms of the Lease. Tenant has not advanced any funds for or on behalf of Landlord for which Tenant has a right to deduct from or offset against future rent payments.

7. All improvements required to be completed as of the date hereof by Landlord have been completed and there are no sums due to Tenant from Landlord. Landlord has not agreed to grant Tenant any free rent or rent rebate or to make any contribution to tenant improvements, except as expressly set forth in the Lease. Landlord has not agreed to reimburse Tenant for or to pay Tenant's rent obligation under any other lease.

8. Tenant has not assigned the Lease and has not subleased the Leased Premises or any part thereof except to _____.

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9. Tenant has no right or option pursuant to the Lease or otherwise to purchase all or any part of the Leased Premises or the Building.

10. Attached hereto as **Exhibit "B"** is a true copy of the Lease and all amendments, modifications and supplements thereto.

11. Nothing herein contained shall be deemed to diminish or otherwise modify Tenant's rights or Landlord's obligations under the Lease.

Tenant hereby certifies that its signatory is duly authorized to sign, acknowledge and deliver this letter on behalf of Tenant.

Tenant acknowledges that the addressed recipients of this letter and their successors and assigns will rely on this letter in making a loan or otherwise extending credit to Landlord. The information contained in this letter shall be for your benefit and for the benefit of your successors and assigns.

Very truly yours,

[_____] ,
a _____

By: _____
Name: _____
Title: _____

**ADDENDUM TO
801 SOUTH GRAND AVENUE OFFICE LEASE
BETWEEN
801 SOUTH GRAND AVENUE (LA), LLC, AS LANDLORD
AND
CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA, AS TENANT**

Dated: as of January 17, 2020

The terms of this Addendum shall supplement, amend and, to the extent in conflict with the provisions of the Lease, supersede the above-referenced Lease, to which this Addendum is attached. The paragraph numbers set forth below generally correspond to the related paragraph in the Lease, but shall not affect or limit the meaning of the particular Addendum provision.

1.6 Option to Extend. Provided Tenant is not in Default as of the date of exercise or the commencement of the renewal term, and is currently occupying the Premises, Tenant shall have the option to renew the term of the Lease for two (2) additional five (5) year terms, on the same terms and conditions of the Lease, except that the Base Rent shall be adjusted to equal the then prevailing market rental rate for comparable leases for mixed use projects in downtown Los Angeles area as of the commencement of each renewal term (but not less than the Base Rent in effect immediately prior to such commencement). Effective on the commencement of each Renewal Term, the Base Year shall reset to the calendar year in which such commencement occurs. During each renewal term, Base Rent shall increase annually to an amount equal to 103% of the Base Rent in effect immediately prior to such adjustment. The option shall be exercised (if at all) by Tenant giving irrevocable written notice to Landlord at least 9 but not more than 12 months prior to the expiration of the term. This option shall be personal to the originally named Tenant ("Original Tenant").

The prevailing market rental rate shall be determined in the following manner:

The prevailing market rental rate for the first year of the Option shall be determined in the following manner. Prevailing market rental rate shall be determined taking into account all relevant factors, including (to the extent relevant) number of months of free rent, if any (which shall be part of the determination of the rental rate), tenant improvement obligations, moving allowances, and leasing commissions and costs. The term "comparable leases" shall not include leases entered into under special circumstances affecting the economics of the tenancies, including following the exercise of options to lease space at other than then current prevailing market rate, the lease of awkward or unusually shaped space or space without windows or other usual amenities, leases entered into under conditions where the landlord was forced to lease the space by external legal, economic, or other pressures not generally applicable to the market, or the sublease of space by a sublandlord not primarily in the business of leasing space similar to the Premises. Prior to the date which is 5 months before the expiration of the Term, and assuming that Tenant has properly exercised its option to renew, Landlord shall give Tenant notice of Landlord's proposed prevailing market rental value for the Premises. Tenant shall give Landlord written notice within 30 days thereafter as to whether or not Tenant agrees with Landlord's proposed prevailing market rental value. If Tenant disagrees with Landlord's proposed prevailing market rental value, the parties shall negotiate in good faith to resolve their differences for a period of 30 days. Upon the expiration of such thirty day period, if the parties are not in agreement as to such fair market rental value, then either party may initiate appraisal to determine the fair market rental value by giving written notice to the other party, such notice containing the name of an appraiser appointed by such initiating party. Within 15 days thereafter, the party receiving such notice shall appoint its own appraiser and give written notice thereof to the initiating party. If the second appraiser is not appointed within such fifteen day period, then the appraiser selected by

Addendum-1

the initiating party shall determine the fair market rental value of the Premises, and such appraisal shall be binding upon the parties. If the second appraiser is timely appointed, then the two appraisers shall confer and attempt to agree on the prevailing market rental value. If the two appraisers are unable to agree, but the higher appraisal is no more than 10% higher than the lower appraisal, then the prevailing market rental value shall be the average of the two appraisals. If the higher appraisal is more than percent 10% greater than the lower appraisal, the two appraisers shall together select a third appraiser who shall also determine the prevailing market rental value. If three appraisers are ultimately appointed and any two appraisers agree on the prevailing market rental value, the value agreed upon by the two appraisers shall be the prevailing market rental value. If the three appraisers all determine different prevailing market rental values, then the prevailing market rental value shall be the average of the two closest appraisals.

All appraisers shall be members of the MAI and shall have at least 10 years' experience appraising similar property in the area where the Project is located. Each party shall bear the cost of the appraiser appointed by such party, and the parties shall share equally in the cost of the third appraiser, if appointed. If the two appraisers initially appointed are unable to agree on a third appraiser, then either party shall have the right to apply to the presiding judge of the Superior Court having jurisdiction over the Premises for the appointment of a third appraiser.

1.10 Permitted Use. Notwithstanding anything to the contrary contained herein, Landlord acknowledges that Tenant is a public agency that is required to hold meetings (within the Premises only) open to the public; provided, however, that Tenant shall (i) provide at least ten (10) business days' prior written notice of any such meeting (which may be sent by e-mail) and (ii) in no event shall the population density in the Premises exceed that allowed under applicable Law. Landlord (at no additional cost to Landlord) and Tenant shall coordinate in good faith to address any crowd or access issues in connection with such meetings at Tenant's sole cost (including, without limitation, any necessary additional security personnel or temporary wayfinding/directional signage).

1.13. Parking. Tenant shall have the right, but not the obligation, to rent up to twenty two (22) unreserved parking spaces in the Parking Structure ("Tenant's Parking Spaces") during the Term at the Building's then prevailing rates. Tenant shall pay the standard rates charged in the Parking Structure from time to time. The current rate for unreserved spaces in the Parking Structure is \$220.00 per unreserved space per month, and \$246.50 per reserved space per month. Notwithstanding the foregoing, and provided that this Lease has been fully executed and delivered on or before January 17, 2020, and provided further that Tenant is not in default under the Lease beyond express notice and cure periods, Landlord shall abate Tenant's obligation to pay for Tenant's Parking Spaces during the first Abatement Period (as defined in Section 3.1). In addition, Tenant shall have the right (not more than twice per calendar year) to purchase validations at fifty percent (50%) of the then in effect costs so long as the Tenant's total validation purchase (after deducting the foregoing discount) equals or exceeds \$2,000.00.

There shall be no free visitor parking. Except as provided herein, in the event Tenant has not rented the total number of Passes on or before the sixth (6th) month of the Term, Tenant shall have no ongoing right to rent such unused parking spaces and Landlord shall not be obligated to provide any additional spaces except and to the extent then available on a month-to-month basis. Nothing in this Lease shall constitute a representation or warranty by Landlord that there shall be sufficient facilities in the Parking Facility for use by Tenant's invitees or guests. The rights herein are personal to the original Tenant. On or before January 1, 2021, Landlord shall complete the design and installation of two (2) electric vehicle charging stations in the Parking Structure for the exclusive use of Tenant ("Tenant's Reserved EV Spaces"). Tenant shall pay the standard rates charged in the Parking Structure for reserved spaces for Tenant's Reserved EV Spaces; provided, however, that Landlord also reserves the right, upon reasonably prior written notice to Tenant, to submeter and charge Tenant for the electricity used for such charging stations. Further, Landlord

shall use good faith, commercially reasonable efforts to complete an additional four (4) electric charging stations in the Parking Structure prior to January 2, 2022, subject to space availability and sufficient power. On or before the Commencement Date, Landlord shall use commercially reasonable efforts to install bike racks in the Parking Structure, subject to availability of space for such bike racks.

3.3.1 Cap on Controllable Expenses. Notwithstanding the foregoing, aggregate Controllable Expenses (as hereinafter defined) included Operating Costs in any year after the Base Year shall not increase to exceed the "CE Cap," which shall mean an amount equal to 1.05 to the x power, where "x" is the number of completed Lease Years following the then applicable Base Year. For purposes hereof, "Controllable Expenses" shall mean all Operating Costs except: (i) Taxes; (ii) insurance carried by Landlord, (iii) utilities; (iv) compliance with legal requirements and (v) wages, salaries and other compensation to the extent same are for union personnel.

3.3.4. Audit Rights. Tenant shall have the annual right to review and/or audit Landlord's books and records regarding Operating Costs at Landlord's offices during normal business hours on at least ten (10) days' prior notice given within 6 months after Tenant's receipt of the Annual Statement (the "Review Period"). Any audit shall be conducted by a certified public accountant ("Tenant's Auditor") on a non-contingent fee basis, and must be completed and submitted to Landlord within 60 days after Tenant begins the applicable audit. Tenant shall have no right to contest, review or audit such statement if it fails to give such written notice during the Review Period. Landlord may elect to contest the conclusion of Tenant's Auditor by giving a written contest notice (the "Contest Notice") to Tenant within 30 days after receipt of the audit, such Contest Notice containing the name of a firm of certified public accountants appointed by Landlord ("Landlord's CPA"). Landlord's CPA and Tenant's Auditor shall meet and confer within 10 days after the Contest Notice is given in an attempt to agree on any disputed items. If Landlord's CPA and Tenant's Auditor are unable to agree on all disputed items within 10 days after the Contest Notice, then each of Landlord's CPA and Tenant's Auditor shall propose and deliver to each other in writing an amount to be paid by Tenant to Landlord or Landlord to Tenant relating to the Operating Costs being audited. Tenant's Auditor and Landlord's CPA shall agree on a third certified public accountant experienced in real estate accounting unaffiliated with Landlord, Tenant and their respective certified public accountants and/or auditors and who has not worked for Landlord, Tenant or their respective certified public accountants in the last ten (10) years. Such third certified public accountant (the "Deciding CPA") shall meet for one day or less with each of Landlord's CPA and Tenant's Auditor within 10 days after the appointment of such Deciding CPA, and at the end of such meeting the Deciding CPA shall choose in writing either Tenant's Auditor's proposal or Landlord's CPA's proposal, and such decision shall be final, binding and nonappealable. Landlord shall pay for Landlord's CPA, Tenant shall pay for Tenant's Auditor, and the cost of the Deciding CPA shall be divided equally among the parties. No books and records may be removed from Landlord's office. Notwithstanding the foregoing, if it is determined that Operating Costs reflected in the applicable Annual Statement have been overstated by five percent (5%) or more, then Landlord shall pay for the reasonable cost of Tenant's Auditor and the Deciding CPA.

5.2 Abatement of Rent. In the event that Tenant is prevented from using, and does not use, the Premises or any portion thereof, as a result of (i) any repair, maintenance or alteration to the Common Areas or other portions of the Building performed by Landlord (unless the same is required due to the negligence or willful misconduct of Tenant or any of Tenant's Employees) which materially interferes with Tenant's ability to operate its business from the Premises, or (ii) the unavailability of any utility to the Premises where such unavailability is principally due to the gross negligence or willful misconduct of Landlord or Landlord's Employees (either set of circumstances as set forth in items (i) and (ii), above, to be known as an "Abatement Event"), then

Tenant shall give Landlord prompt notice of such Abatement Event, and if such Abatement Event continues for five (5) consecutive business days after the commencement of such Abatement Event or the same Abatement Event occurs ten (10) or more days in any twelve month period (the "Eligibility Period"), then the Base Rent shall be abated or reduced, as the case may be, after expiration of the Eligibility Period for such time that Tenant continues to be so prevented from using, and does not use, the Premises, or a portion thereof, in the proportion that the rentable area of the portion of the Premises that Tenant is prevented from using, and does not use ("Unusable Area"), bears to the total rentable area of the Premises; provided, however, in the event that Tenant is prevented from using, and does not use, the Unusable Area for a period of time in excess of the Eligibility Period and the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then for such time after expiration of the Eligibility Period during which Tenant is so prevented from effectively conducting its business therein, the Base Rent for the entire Premises shall be abated for such time as Tenant continues to be so prevented from using, and does not use, the Premises. If, however, Tenant reoccupies any portion of the Premises during such period, the Rent allocable to such reoccupied portion, based on the proportion that the rentable area of such reoccupied portion of the Premises bears to the total rentable area of the Premises, shall be payable by Tenant from the date Tenant reoccupies such portion of the Premises. Such right to abate Base Rent shall be Tenant's sole and exclusive remedy at law or in equity for an Abatement Event.

51. Grant of Option Right. Subject to the rights of current occupants and tenants in the Building (collectively, the "**Prior Rights Holders**"), Tenant is hereby granted the rights set forth below in this Section ("**First Offer Rights**") to lease any available, leasable space contiguous to the Premises on the fourth (4th) floor of the Building (the "**First Offer Space**") as such Term may be extended pursuant to the exercise of the renewal Option granted under Addendum Section 1.6 of this Lease. Subject to the prior provisions of this Addendum, and so long as the First Offer Rights remain in effect, Tenant shall have the right to lease the First Offer Space upon the terms and conditions set forth below, as it becomes vacant and available for lease. Notwithstanding anything to the contrary contained herein, Tenant's First Offer Rights shall be null and void during any period in which (a) Tenant has assigned or sublet more than fifteen percent (15%) of the Premises, or (b) Tenant is in Default of a material provision under the Lease beyond the applicable period for notice and cure. The rights granted pursuant to this Addendum Section 50 shall be personal to the Original Tenant so long as the Original Tenant is then in occupancy of the Premises. Notwithstanding anything to the contrary contained herein, Tenant's First Offer Rights shall be null and void during the last twenty-four (24) months of the then current Term, unless Tenant has previously (or simultaneously) exercises Tenant's option to extend pursuant to Addendum Section 1.6 above (with the parties agreeing to disregard the prohibition of Tenant's exercise of such option more than 12 months prior to expiration of the Term, if applicable); provided, however, that in the event Tenant has not timely exercised its option to extend as provided above, then such First Offer Rights shall be null and void during the last nine (9) months of the then current Term.

51.1 Notice. If Landlord shall desire to offer the First Offer Space for lease to third parties other than the Prior Rights Holders, then Landlord shall give Tenant written notice (an "**Availability Notice**") of the availability or scheduled availability of such First Offer Space for lease and Landlord's proposed rental rate(s) for the Base Rent for each year of the proposed lease (based on the prevailing fair market value) and other economic terms for such First Offer Space ("**Landlord's Proposed Economic Terms**"). Landlord's Proposed Economic Terms will represent Landlord's good faith determination of the prevailing market terms for the First Offer Space, and shall be the same terms as Landlord would offer to a third party if it were to market the First Offer Space, and shall take into account all relevant factors, including Rent, free rent, tenant improvement costs and parking fees. Notwithstanding anything to the contrary contained herein, in the event

Landlord gives Tenant the Availability Notice during the first twelve (12) months of the Term, then the Proposed Economic Terms shall be substantially the same as those contained in this Lease, except that the Tenant improvement allowance for the First Offer Space shall be prorated as necessary.

51.2 Tenant's Election. Within ten (10) days after receipt of the Availability Notice, Tenant must give Landlord written notice pursuant to which Tenant shall elect to either: (i) lease all and not less than all of the First Offer Space on Landlord's Proposed Economic Terms; or (ii) refuse to lease the First Offer Space. If Tenant timely elects not to lease the First Offer Space, Landlord may elect to lease the First Offer Space at any time to any third party in Landlord's sole and good faith discretion.

51.3 Terms. If Tenant elects to lease the First Offer Space, then such space shall be included in the Premises for the remaining balance of the Term and shall be leased to Tenant pursuant to the provisions of this Lease, with the following exceptions: (a) except as otherwise hereafter agreed in writing by the parties hereto, the Base Rent and other economic terms applicable to the First Offer Space shall determine in accordance with Addendum Sections 51.1 and 51.2; (b) Tenant's Proportionate Share shall be increased appropriately to reflect the addition of the First Offer Space to the Premises; and (c) the Term as to the First Offer Space shall end upon the expiration date of the Term.

51.4 Lease Amendments. Promptly after Tenant's exercise of its rights under this Section, the parties shall agree upon and execute an amendment (in form and substance reasonably satisfactory to Landlord and Tenant) to this Lease memorializing the terms and conditions upon which the First Offer Space in question shall be added to the Premises.

51.5 Termination or Suspension of First Offer Rights. In the event Tenant fails to give Landlord timely notice of Tenant's election to lease any First Offer Space covered by an Availability Notice, then Landlord shall be free to market such First Offer Space for lease by third parties.

52. Conference Rooms. In the event that Landlord intends to construct a shared conference room(s) for use by all tenants of the Building, and provided that Landlord will pass the costs of such conference rooms to tenants as an Operating Cost, then Landlord shall, in good faith, consult with Tenant on the design of the space, including layout and provisions for information technology hardware, software, or tools (IT) and audio visual technology that is compatible with Tenant's public or private meeting needs. For the avoidance of doubt, and notwithstanding anything to the contrary contained herein, nothing in this Section 52 shall (i) give Tenant any approval rights (or final say) over the design, construction or plans for such conference rooms; or (ii) obligate Landlord to construct such conference rooms.

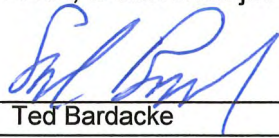
53. Temporary Office Space. At any time following mutual Lease execution and Tenant's pre-payment of all sums due under the Lease (including, without limitation, Section 3.1 and Section 3.4) prior to the Possession Date, Tenant shall have the option (the "**Temporary Space Option**") to occupy all or a portion of the office space in the Building commonly known as Suite 530 ("**Suite 530**"). Tenant may exercise the Temporary Space Option by delivering written notice to Landlord at least fifteen (15) business days' prior to the date upon which Tenant shall commence its occupancy of Suite 530 with such notice specifying which portion of Suite 530, if less than all of Suite 530 Tenant shall occupy (the "**Temporary Office Space**"). The "**Temporary Office Space Term**" shall mean that period commencing upon Tenant's occupancy of any portion of Suite 530 and ending on the Possession Date. Such Temporary Office Space shall be accepted by Tenant in its "as-is" condition and configuration, it being agreed that Landlord shall be under no obligation to perform any work in the Temporary Office Space, to incur any costs in connection with Tenant's move in, move out or occupancy of the Temporary Office Space or to

remove any furniture and/or equipment currently located in the Temporary Office Space (collectively, the "**Furniture**"). Tenant acknowledges that it shall be entitled to use and occupy the Temporary Office Space for the Permitted Use and use the Furniture (if any) at its sole cost, expense and risk. The Temporary Office Space shall be subject to all the terms and conditions of the Lease except as expressly modified herein, provided that (i) the Temporary Office Space shall not be subject to any renewal or expansion rights of Tenant under the Lease, (ii) Tenant shall not be required to pay Base Rent for the Temporary Office Space during the Temporary Office Space Term, and (iii) Tenant shall pay Tenant's proportionate share of Operating Costs for the Temporary Office Space during the Temporary Office Space Term. Promptly following Tenant's exercise of the Temporary Space Option, the parties shall in good faith confirm and agree upon the rentable square footage of the Temporary Office Space during the Temporary Office Space Term for calculation of Tenant's proportionate share of the Operating Costs pursuant to (iii) above with Tenant paying such amounts within thirty (30) days after invoice from Landlord. The parties acknowledge and agree that the entirety of Suite 530 measures 5,229 rentable square feet. At least ten (10) days prior to the Temporary Office Space Term (and as a condition to Landlord's obligation to provide Tenant access to the Temporary Office Space), Tenant shall provide Landlord with a certificate of insurance evidencing Tenant's obtaining insurance in accordance with Section 8 of the Lease. Upon termination of the Temporary Office Space Term, Tenant shall vacate the Temporary Office Space and deliver the Temporary Office Space and the Furniture to Landlord in the same condition that the Temporary Office Space was delivered to Tenant, ordinary wear and tear excepted. At the expiration or earlier termination of the Temporary Office Space Term, Tenant shall remove all debris, all items of Tenant's personalty, and any trade fixtures of Tenant from the Temporary Office Space.

54. Prohibited Adjacent Uses. During the Term, Landlord shall use commercially reasonable efforts to lease or rent space in the Project only to potential tenants that are of a character and reputation reasonably consistent with the quality and character of the Building; provided, however, that the foregoing shall not (i) give Tenant any approval rights of any prospective tenants, (ii) give Tenant the right to terminate the Lease, nor (iii) entitle Tenant to damages of any kind.

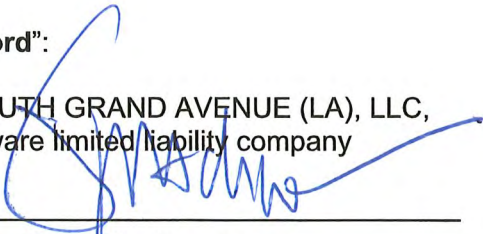
"Tenant":

CLEAN POWER ALLIANCE OF SOUTHERN
CALIFORNIA, a California joint powers agency

By: 
Name: Ted Bardacke
Title: Executive Director

"Landlord":

801 SOUTH GRAND AVENUE (LA), LLC,
a Delaware limited liability company

By: 
Name: Terry Wachner
Title: Vice President

Staff Report – Agenda Item 4

To: Clean Power Alliance (CPA) Board of Directors

From: Nancy Whang, General Counsel

Approved by: Ted Bardacke, Executive Director

Subject: Authorize the Executive Director to Execute Amendment No. 1 to the Professional Legal Services Agreement between CPA and Clean Energy Counsel

Date: February 6, 2020

RECOMMENDATION

Authorize the Executive Director to execute Amendment No. 1 to the Legal Services Agreement between CPA and Clean Energy Counsel (CEC) expanding the scope of legal services to include: (i) drafting and negotiating up to eight additional power purchase agreements (PPAs) for utility scale renewables or renewables plus-storage or distributed energy projects from CPA's 2019 Long-Term Clean Energy Request for Offers (RFO), and (ii) for additional general energy contract support related to CPA's energy procurement activities. The cumulative not-to-exceed (NTE) amount will become \$260,000.

SUMMARY

CPA launched its 2019 Reliability RFO for stand-alone storage projects on October 14, 2019. On December 18, 2019, the Energy Committee approved the shortlist of 12 stand-alone storage projects and a waitlist of three projects resulting from the Reliability RFO. Staff received exclusivity commitments from seven projects in mid-January. The exclusivity commitments for the storage projects expire in 90 days.

To commence negotiations immediately and not lose market advantage for these projects, CPA entered into a legal services agreement with CEC on January 15, 2020 for

CEC to support the negotiations of the seven shortlisted stand-alone storage projects. This agreement established a cumulative NTE of \$114,000 and was executed under the Executive Director's signing authority.¹

In anticipation of the potential work arising from the Clean Energy RFO (and the Reliability RFO), staff ran a legal services solicitation process in December 2019 in order to identify cost-effective law firms with the requisite experience and expertise in negotiating PPAs. CEC submitted a response to the solicitation and staff selected CEC as a legal services provider for CPA's energy procurement activity. CEC has a notable track record working with CPA. CEC was selected in CPA's 2018 solicitation for legal services; drafted CPA's stand-alone storage pro forma agreement; and, assisted CPA in negotiating the Rosamond Solar project approved by the Board in June 2019 and the White Hills Wind project approved by the Board in October 2019.

On October 22, 2019, staff launched its 2019 Clean Energy RFO which included a large-scale utility track and a distributed energy track. On January 22, 2020, the Energy Committee approved a shortlist of 11 projects and a waitlist of three projects for the utility track. Staff have received or will be receiving exclusivity commitments on January 31, 2020 or shortly thereafter. Similar to the Reliability RFO, exclusivity for the utility track Clean Energy RFO projects expire in 90 days. Accordingly, legal support will be needed as soon as possible to support CPA during the negotiations of the utility scale projects. In addition, the evaluation of the distributed track projects is in process and staff anticipates needing assistance negotiating any shortlisted/waitlisted distributed track projects. Given that, staff reserved room in the scope of work for any potential distributed energy projects.

CPA needs support, from time to time, with general energy procurement, including amendments, collateral assignments as well as time-sensitive, unique, or beneficial opportunities for both short-term and long-term transactions. Given the number of

¹ The NTE included \$5,000 for general energy procurement support. Additional information regarding the general procurement support is provided below.

projects that will be under contract after the 2019 Reliability and Clean Energy RFOs, staff anticipates that additional contractual support will be needed. Staff requests that CEC's NTE for the general energy procurement work be amended to allow CEC to support CPA in these other energy procurement activities.

This Amendment is presented to the Board because the cumulative contract value exceeds the Executive Director's signing authority.

Based on the foregoing, staff requests authorization to amend the Legal Services Agreement with CEC as discussed above. The total NTE value of this amendment is \$260,000.

FISCAL IMPACT

Expenditures associated with the proposed amendment are included in the Board approved FY2019/20 Budget.

Attachment: 1) Amendment No. 1 to CEC Professional Legal Services Agreement with Exhibit A (Redline)

**AMENDMENT NUMBER ONE TO
CLEAN ENERGY COUNSEL
PROFESSIONAL LEGAL SERVICES AGREEMENT**

This Amendment Number One (“AMENDMENT”) to the Professional Legal Services Agreement is made by and between Clean Power Alliance of Southern California (“CPA”) and the Clean Energy Counsel, LLP (“FIRM”) on February 3, 2020. CPA and FIRM may individually be referred to herein as a “Party,” or collectively as the “Parties.”

RECITALS

WHEREAS, a Professional Legal Services Agreement (“AGREEMENT”) was executed on January 15, 2020, between CPA and FIRM in order to contract for professional legal services related to CPA’s energy procurement arising from CPA’s 2019 Reliability Request for Offer (“RFO”) including drafting and negotiating long-term power purchase agreements and related ancillary documents;

WHEREAS, CPA desires to expand FIRM’s scope of services to include legal support for CPA’s 2019 Long-Term Clean Energy RFO, including eight (8) additional long-term energy projects;

WHEREAS, FIRM has the legal competence and specialized expertise to provide the professional legal services, described above; and,

WHEREAS, FIRM desires to provide and perform these professional legal services.

NOW, THEREFORE, it is mutually agreed by and between the Parties hereto to amend the AGREEMENT as follows:

1. **RECITALS:** “**WHEREAS**, CPA desires to contract for professional legal services related to Power Procurement Counsel for long-term stand-alone energy storage (“Storage”) and renewables or renewables plus storage (“RPS”) or distributed energy projects arising from CPA’s 2019 Reliability or 2019 Clean Energy Request for Offer (collectively “the RFOs”); and, general energy procurement (described in Exhibit A)”;
2. **Exhibit A:**
 - a. Exhibit A of the AGREEMENT shall be deleted in its entirety and replaced with the Exhibit A attached to this AMENDMENT.
3. Except as specifically amended hereby, all other terms and conditions of the AGREEMENT shall remain in full force and effect.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this AMENDMENT to be executed as of the date first above written.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

By

Theodore Bardacke
Executive Director

Approved as to Form:

By

Nancy Whang
General Counsel

FIRM: Clean Energy Counsel, LLP

Print Name of Firm

By

Todd A. Larsen

EXHIBIT A SCOPE OF WORK AND HOURLY BILLING RATES

Clean Energy Counsel, LLP

Power Procurement Counsel for long-term stand-alone energy storage (“Storage”) and renewables or renewables plus storage (“RPS”) or distributed energy projects and general energy procurement support.

Contemplated services include:

- (a) PPA Negotiations. Drafting and negotiating (i) power purchase agreements (“PPAs”) for Storage or RPS projects, and (ii) any ancillary documentation required or provided by project developers (e.g., non-disclosure agreements (“NDAs”), letters of credit, parent guarantees, legal opinions, authority documents and board resolutions) for up to 7 15 projects assigned to CEC. The services provided under this Section (a) shall be referred to as “PPA Negotiations”;

The total amount of fees for PPA Negotiations shall not exceed \$17,000.00 for each project assigned to CEC (the “PPA NTE”) without CPA’s written authorization. If CEC’s billable fees exceed the PPA NTE for each assigned project, CEC shall be responsible for all fees incurred between the PPA NTE and \$20,000.00 (the “PPA Collar”) for that assigned project.

In the event, CEC is assigned more than one project for a given counterparty, the PPA NTE and PPA Collar shall apply for the first agreement, and for each additional agreement with the same counterparty, a not-to-exceed maximum amount of \$12,000.00 shall apply.

- (b) General Energy Procurement Services. Providing advice, representation, or support related to CPA’s energy procurement activities, including agreements, amendments, letters of credit, parent guarantees, authority documents, collateral assignments, confirmations, ancillary documentation, or other procurement support as requested by CPA (“Procurement Services”).

The total amount of fees for Procurement Services shall not exceed \$15,000.00 (the “Procurement Services NTE”).

In no event shall the cumulative total of the NTE for PPA Negotiations and Procurement Services exceed \$260444,000.00 unless expressly authorized in writing by CPA. CPA and the FIRM acknowledge that the Not to Exceed for PPA Negotiations and Procurement Services are not estimates of the total costs required to complete this engagement.

Staff Title

Todd Larsen (Lead Counsel): \$450/hr

Paul Lacourciere (Attorney): \$500/hr

Karleen Stern (Partner): \$525/hr

Staff Report – Agenda Item 5

To: Clean Power Alliance (CPA) Board of Directors

From: Nancy Whang, General Counsel

Approved by: Ted Bardacke, Executive Director

Subject: Authorize the Executive Director to Execute Amendment No. 1 to the Professional Legal Services Agreement between CPA and Keyes and Fox, LLP

Date: February 6, 2020

RECOMMENDATION

Authorize the Executive Director to execute Amendment No. 1 to the Legal Services Agreement between CPA and Keyes & Fox, LLP (KF) expanding the scope of legal services to include: (i) drafting and negotiating up to eight power purchase agreements (PPAs) for utility scale renewables or renewables plus-storage projects or distributed scale projects from CPA's 2019 Long-Term Clean Energy Request for Offers (RFO), and (ii) for regulatory support, including specifically assistance with Southern California Edison's (SCE) Energy Resource Recovery Account (ERRA) and other ratemaking proceedings. The cumulative not-to-exceed amount (NTE) is set at \$211,000.00.

SUMMARY

On September 6, 2019, CPA executed an agreement with KF to support CPA's short-term energy procurement activities and represent CPA in regulatory proceedings before the California Public Utilities Commission and/or the California Energy Commission. This agreement established a cumulative NTE of \$25,000 and was executed under the Executive Director's signing authority.

On October 22, 2019, staff launched its 2019 Clean Energy RFO which included a large-scale utility track and a distributed energy track. On January 22, 2020, the Energy

Committee approved a shortlist of 11 projects and a waitlist of three projects for the utility track. Staff have received or will be receiving exclusivity commitments on January 31, 2020 or shortly thereafter. Exclusivity for the utility track Clean Energy RFO projects expire in 90 days. Accordingly, legal support will be needed as soon as possible to support CPA during the negotiations of these projects. In addition, the evaluation of the distributed track projects is in process and staff anticipates needing assistance negotiating any shortlisted/waitlisted distributed track projects. Given that, staff reserved room in the scope of work for any potential distributed energy projects.

In anticipation of the potential work arising from the Clean Energy RFO (and the Reliability RFO), staff ran a legal services solicitation process in December 2019 in order to identify cost-effective law firms with the requisite experience and expertise in negotiating PPAs. KF submitted a response to the solicitation and staff selected KF as a legal services provider for this energy procurement activity. KF's current representation of CPA has been beneficial and cost effective. In addition, KF has a breadth of experience negotiating PPAs and has represented Sonoma Clean Power and Valley Clean Energy Alliance in their PPA negotiations. In addition, KF has provided contracting support to Marin Clean Energy, the Port of Oakland, BART, and the National Renewable Energy Laboratory.

In addition, towards the end of January, Evelyn Kahl, a partner at the Buchalter law firm and CPA's counsel in SCE's ERRA proceedings, informed staff that she will be leaving Buchalter to become CalCCA's Chief Regulatory Attorney starting in March 2020. As a result, Ms. Kahl will be unable to represent CPA and she recommended KF to represent CPA in SCE's ERRA and other regulatory proceedings. She indicated that KF has the requisite experience and expertise having represented other CCAs in the PG&E ERRA proceedings and has a depth of experience in other ratemaking proceedings as well. Ms. Kahl's recommendation tracks CC Song's (CPA's Director of Regulatory Affairs) experience with KF when Ms. Song worked at Marin Clean Energy. Accordingly, staff recommends amending the NTE to accommodate this additional regulatory work. The proposed regulatory NTE is the same amount as the NTE established for Buchalter and

Evelyn Kahl for the same regulatory support minus the amount staff anticipates needing to finalize the transition of services from Buchalter to KF.

This amendment is presented to the Board because the cumulative contract value exceeds the Executive Director's signing authority.

Based on the foregoing, staff requests authorization for the Executive Director to amend the Legal Services Agreement with KF as discussed above. The total NTE value of this amendment is \$211,000.

FISCAL IMPACT

Expenditures associated with the proposed amendment are included in the Board approved FY2019/20 Budget.

Attachment: 1) Amendment No. 1 to KF Professional Legal Services Agreement with Exhibit A (Redline)

**AMENDMENT NUMBER ONE TO
KEYES & FOX, LLP
PROFESSIONAL LEGAL SERVICES AGREEMENT**

This Amendment Number One (“AMENDMENT”) to the Professional Legal Services Agreement is made by and between Clean Power Alliance of Southern California (“CPA”) and Keyes & Fox, LLP (“FIRM”) on February 2, 2020. CPA and FIRM may individually be referred to herein as a “Party,” or collectively as the “Parties.”

RECITALS

WHEREAS, a Professional Legal Services Agreement (“AGREEMENT”) was executed on September 6, 2019, between CPA and FIRM in order to contract for professional legal services supporting CPA’s power procurement including drafting and negotiating short term power purchase agreements and associated confirmation documents; for expertise concerning federal requirements related to CPA’s power procurement; and for general regulatory and legislative support;

WHEREAS, CPA desires to expand FIRM’s scope of services to include up to 8 energy projects arising from CPA’s 2019 Long-Term Clean Energy RFO, and to add regulatory support relating to Southern California Edison’s (“SCE”) ERRA proceedings and similar ratemaking proceedings;

WHEREAS, FIRM has the legal competence and specialized expertise to provide the professional legal services, described above; and,

WHEREAS, FIRM desires to provide and perform these professional legal services.

NOW, THEREFORE, it is mutually agreed by and between the Parties hereto to amend the AGREEMENT as follows:

1. **RECITALS:**

“**WHEREAS**, CPA desires to contract for professional legal services related to CPA’s power procurement including drafting and negotiating short term power purchase agreements and associated confirmation documents; ~~and~~ for expertise concerning federal requirements related to CPA’s power procurement; for long-term renewables or renewables plus storage (“RPS”) and distributed energy projects arising from CPA’s 2019 Clean Energy Request for Offer (“RFO”); and, for legislative and regulatory support;”

2. **Exhibit A:** Exhibit A of the AGREEMENT shall be deleted in its entirety and replaced with the Exhibit A attached to this AMENDMENT.

3. Except as specifically amended hereby, all other terms and conditions of the AGREEMENT shall remain in full force and effect.

[Signatures on following page]

IN WITNESS WHEREOF, the parties hereto have caused this AMENDMENT to be executed as of the date first above written.

CLEAN POWER ALLIANCE OF SOUTHERN CALIFORNIA

By

Theodore Bardacke
Executive Director

Approved as to Form:

By

Nancy Whang
General Counsel

FIRM: Keyes & Fox, LLP
Print Name of Firm

By

Kevin Fox, Partner

EXHIBIT A
SCOPE OF WORK AND HOURLY BILLING RATES

Keyes & Fox, LLP (“FIRM”)

1. Short-Term Energy Procurement Counsel. Contemplated services include negotiating the following documentation with CPA’s selected energy suppliers and marketers (i) EEI Master Agreements to enable transactions with counterparties, (ii) Confirmations for transactions for energy, renewable energy, carbon free energy and resource adequacy products using confirmations under the EEI Master Agreement and WSPP Agreements, (iii) agreements to establish a “Lockbox” structure to provide collateralization for transactions with CPA’s selected suppliers, (iv) ancillary documentation required or provided by energy suppliers and marketers (e.g., amendments, collateral assignments, NDAs, letters of credit, parent guarantees, legal opinions, authority documents and board resolutions, or any other documents needed to effectuate the underlying agreement); and (v) providing ongoing legal counsel, as directed by CPA, related to energy procurement. The services provided under this Section 1 shall be referred to as “Short Term Energy.”

The total amount of fees for Short Term Energy services shall not exceed \$15,000.00. (the “Short Term Energy NTE”) without prior written authorization from CPA.

2. Long-Term Energy Procurement Counsel. Contemplated services include drafting and negotiating (i) power purchase agreements (“PPAs”) for RPS, RPS plus storage, or distributed energy projects, and (ii) any ancillary documentation required or provided by project developers (e.g., amendments, collateral assignments, non-disclosure agreements (“NDAs”), letters of credit, parent guarantees, legal opinions, authority documents and board resolutions) for up to 8 projects assigned to FIRM. The services provided under this Section 2 shall be referred to as “PPA Negotiations.”

The total amount of fees for PPA Negotiations shall not exceed \$17,000.00 for each project assigned to FIRM (the “PPA NTE”) without prior written authorization from CPA.

3. Legislative and Regulatory. Contemplated services include analyses of or advice and counsel concerning energy-related legislation and regulatory issues, and when directed by CPA, representing CPA in regulatory proceedings before the California Public Utilities Commission or before the California Energy Commission, including Southern California Edison’s ERRR proceeding and similar ratemaking proceedings. The services provided under this Section 3 shall be referred to as “Regulatory Services.”

The total amount of fees for Regulatory Services shall not exceed \$60,000.00 (the “Regulatory Services NTE”) without prior written authorization from CPA.

In no event shall the cumulative NTE total for Short Term Energy, PPA Negotiations, and Regulatory Services exceed \$211,000.00 unless expressly authorized in writing

by CPA. CPA and the FIRM acknowledge that the Not to Exceed for are not estimates of the total costs required to complete this engagement.

~~The foregoing legal services are collectively referred to below as the “Engagement.”~~

~~The total amount of fees for the Engagement shall not exceed fifty eight thousand dollars (\$25,000.00) (the “Initial Authorized Budget”) without written authorization from CPA. CPA will not be responsible for any fees incurred in excess of the Initial Authorized Budget unless expressly authorized by CPA in writing. CPA and the FIRM acknowledge that the Initial Authorized Budget is not an estimate of the total costs required to complete the Engagement.~~

~~CPA will not be responsible for any fees incurred in excess of the NTEs unless expressly authorized by CPA in writing.~~

Staff Title

Attorneys:

Kevin Fox (Partner), \$360; Jason Keyes (Partner), \$320; Tim Lindl (Partner), \$295; Jacob Schlesinger (Partner), \$275; Sheridan Pauker (Partner), \$360; Melissa Birchard (Associate), \$235; Beren Argetsinger (Associate), \$210; Julia Kantor (Associate), \$215.

Paralegals:

Justin Barnes, \$180; Ben Inskeep, \$145; Blake Elder, \$120; and, Vanessa Luthringer, \$95; Alicia Zaloga, \$90.

Staff Report – Agenda Item 6

To: Clean Power Alliance (CPA) Board of Directors

From: Matthew Langer, Chief Operating Officer

Approved By: Ted Bardacke, Executive Director

Subject: Quarterly Risk Management Team Report

Date: February 6, 2020

RECOMMENDATION

Receive and file the Risk Management Team Quarterly Report from October through December 2019.

SUMMARY

CPA's Energy Risk Management Policy (ERMP) establishes a staff-level Risk Management Team (RMT) responsible for implementing, maintaining and overseeing compliance with the ERMP and for maintaining the Energy Risk Hedging Strategy. The ERMP requires quarterly reporting to the Board on the activities, projected financial performance, and general market outlook facing CPA.

The Quarterly RMT Report for the period covering October 1, 2019 through December 31, 2019 (Q4) is attached.

The RMT also reports ERMP compliance to the Finance and Energy Planning & Resources Committees on a monthly basis.

Attachment: 1) RMT Report for Q4 2019



Quarterly Report of Risk Management Team October 1, 2019 through December 31, 2019 (Q4 2019)

I. Introduction

The Board of Directors of Clean Power Alliance (CPA) approved an Energy Risk Management Policy (ERMP) at its July 12, 2018 meeting, which provides the framework for conducting procurement activities in a manner that maximizes the probability of CPA meeting its portfolio, reliability, and financial goals.

The ERMP requires quarterly reporting to the Board on the activities, projected financial performance, and general market outlook facing CPA. The Risk Management Team (RMT)¹ submits this report in accordance with this requirement. The RMT also reports on ERMP compliance to both the Finance Committee and Energy Planning & Resources Committee on a monthly basis.

II. Risk Management Team Activities

The RMT is responsible for implementing, maintaining and overseeing compliance with the ERMP and for maintaining the Energy Risk Hedging Strategy. The primary goal of the RMT is to ensure that the procurement activities of CPA are executed within the guidelines of the ERMP and are consistent with Board directives. A number of business practices are prescribed in the ERMP. What follows is a summary of CPA's compliance with these practices as outlined in the Policy.

A. ERMP Acknowledgement Form

It is the policy of CPA that all CPA Representatives participating in any activity or transaction within the scope of the ERMP shall sign, on an annual basis or upon any revision, a statement acknowledging compliance with the ERMP. Execution of the ERMP Acknowledgement Form was completed by Board members, relevant CPA staff, and relevant consultants.

There are no existing or potential conflicts of interest to report. All business has been conducted consistent with applicable laws and regulations.

B. Transaction Types

The ERMP approved in July 2018 and amended in July 2019 includes a list of approved transaction types. All products that have been purchased or sold by CPA during the current quarterly periods represent an approved transaction type as listed in Appendix C of the ERMP.

¹ The RMT is comprised of CPA's Executive Director, Chief Operating Officer, Chief Financial Officer, and Director of Power Planning and Procurement.

C. Counterparty Suitability

The ERMP requires that all counterparties with whom CPA transacts must be reviewed for creditworthiness and assigned a credit limit. A formal Counterparty Credit Protocol document that describes the method for evaluating counterparties and establishing a credit limit was developed by CPA's Chief Financial Officer and the Portfolio Manager. The Protocol was approved by the Executive Director, in consultation with the RMT, and enacted in Q1 2019.

Pursuant to the ERMP, no counterparty credit limit may exceed \$40 million. CPA is fully compliant with this obligation, and there are no credit limit violations to report for the previous quarter.

D. System of Record

As required by the ERMP, all transactions are being stored in CPA's Portfolio Manager's (currently TEA) trading and risk management system. Similarly, all transaction approvals are being logged and stored on TEA's servers, which information is being made available to CPA staff via a secure web portal. The transaction record also includes the confirmation letters for each transaction.

E. Position Tracking and Management Reporting

In order to manage risk, the ERMP requires the regular production of various reports. The current status of each report required by policy follows:

- Financial Model Forecast: CPA continues to refine its financial model. The financial model captures historical and projected revenues and energy and operating costs and produces various financial reports and forecasts on an accrual and cash flow basis. The model imports load forecast data and energy contract details from TEA's load forecasting and deal capture systems respectively, MRW's revenue model, the accounting system maintained by Maher Accountancy, and forward prices from the ICE Data Service.
- Net Position Report: Short- and long-term net position reports are in production and directly linked to TEA's trade capture system. The short-term net position report updates daily and incorporates the current weather outlook for the next 60 days to show net positions for the current and next months. The long-term net position report assumes normal weather and shows net positions through the balance of the current year and prompt four years.
- Counterparty Credit Exposure: CPA is fully compliant with the credit policies included in the ERMP. CPA is receiving daily updates of counterparty credit exposures on both a notional and mark-to-market basis.
- Monthly Risk Analysis: The ERMP requires both stress testing of financial results, as well as probability-based assessments of future financial projections. CPA implemented a risk analysis tool to stress test financial results and validate potential hedging transactions. This model continues to be refined.
- Quarterly Board Report: subject of this report.

F. Delegation of Authority

All executed transactions during the current period have been approved consistent with the Delegation of Authority outlined in Section 5 of the ERMP.

G. Limit and Other Compliance Violations

The ERMP requires that transaction volumes should not be executed that exceed the requirements of meeting CPA's load (energy and capacity), renewable and/or carbon free energy requirements. The ERMP designates specific prompt-year (PY) up to prompt 5-year hedge targets for different product types. These targets are measured in December for the following year, e.g. December 2019 for calendar year 2020. RMT reviewed the end-of-year hedge targets for 2020 and beyond and identified the deviations listed below. The deviations for Resource Adequacy (RA) and environmental products (PCC2 and Carbon Free) are due to regulatory uncertainty and constrained supply in the market, circumstances outside of CPA's control. The following policy deviations have been reported to the Finance Committee and Energy Planning & Resources Committee:

Policy Deviation	Required Action	Reported
The PCC2 2022 position is less than the minimum hedge target due to limited volumes available in the market 3 years ahead. CPA did not select any 2022 PCC2 offers in the November 2019 Renewable (RE)/Carbon Free (CF) RFO because volumes were limited, and prices were too high.	CPA will run another RE/CF RFO in the first half of 2020 to secure PCC2 supply for 2022. In addition, the RMT will consider modifying the ERMP hedge targets for PCC2 given the lack of supply in the PY+2 timeframe.	1/22/2020
The carbon free 2020 and 2021 hedges are less than the minimum hedge targets due to uncertainty related to how the PCIA proceeding will allocate carbon free resources from the IOUs to CCAs.	CPA will wait to procure carbon free until more clarity is reached in the PCIA proceeding.	1/22/2020
The 2021 and 2024 LA Basin RA positions exceeded the maximum hedge target due to CPA needing to secure a multi-year contract in order to meet its 3-year compliance target. In addition, the 2022 LA Basin RA position is less than the minimum hedge target due to limited supply and regulatory uncertainty related to local RA procurement.	CPA will run a multi-year RA RFO in the first half of 2020 to secure 2022 local supply.	1/22/2020
The 2021, 2022, and 2023 Big Creek/Ventura RA positions exceeded the maximum hedge targets due to CPA securing a low-price system RA contract that also meets Big Creek Ventura requirements.	No action to be taken.	1/22/2020

The 2021 flex RA position is less than the minimum hedge target due to lack of available supply.	CPA will run a multi-year RA RFO in the first half of 2020 to secure 2021 flex supply.	1/22/2020
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H. Training

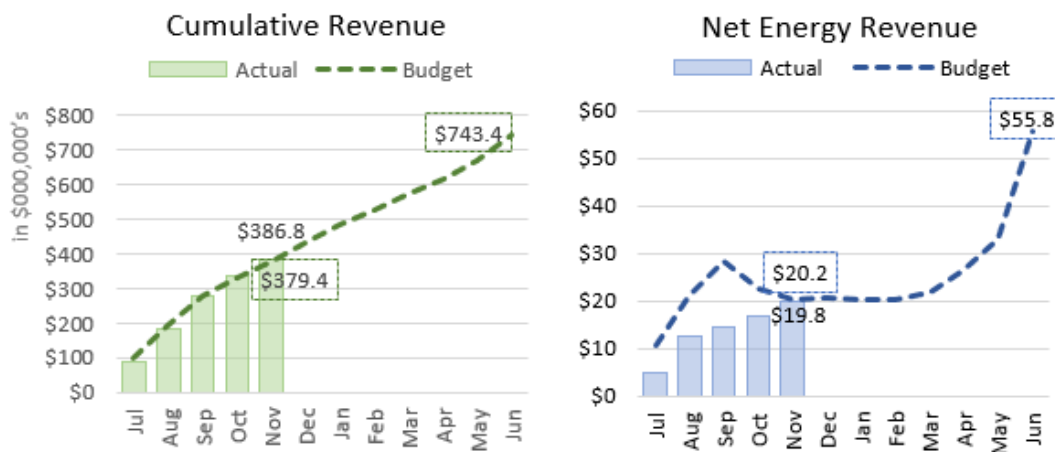
The ERMP acknowledges the importance of ongoing education as part of its risk management framework. Consistent with this, the ERMP outlines certain training requirements. Renewable compliance staff participated in a Western Renewable Energy Generation Information System (WREGIS) training in Q4 2019. CPA anticipates implementing additional training over the course of FY 2019/2020 as it builds out its staff.

I. Hedging Strategy

CPA is fully compliant with the hedging strategy provided in Appendix A of the ERMP with the exceptions described in Section G.

III. Financial Performance

CPA recorded the following revenue and margin (electricity revenue less cost of energy) results for the 5 months ending November 30, 2019 (FY 2019/20 Year to Date). CPA revenue and net energy revenue were in line with budgeted results for the period.



IV. General Market Outlook

Energy prices in Q4 2019 were lower than forecast due to mild weather and the lack of major gas or transmission issues. CPA staff regularly monitors market conditions and uses market intelligence to inform procurement decisions.

Staff Report – Agenda Item 7

To: Clean Power Alliance (CPA) Board of Directors

From: Christian Cruz, Community Outreach Manager

Approved By: Ted Bardacke, Executive Director

Subject: Community Advisory Committee (CAC) January 2020 Report

Date: February 6, 2020

RECOMMENDATION

Receive and file the January 2020 report from the Community Advisory Committee.

JANUARY MEETING SUMMARY

On January 16, 2020 the CAC held its monthly meeting. The CAC had an opportunity to provide input on CPA's Greenhouse Gas (GHG) Free Energy procurement goals and resource allocation topic. Ted Bardacke, Executive Director, highlighted the procurement planning decisions for GHG Free Energy that would be brought before the Board at its February meeting (See Regular Agenda Item 9).

The CAC received a detailed overview of CPA's two options pertaining to the allocation of GHG Free Energy resources in CPA's renewable energy products. The first option was to not accept a no-cost allocation of nuclear power from SCE, and to not procure any non-renewable GHG Free Energy purchases for Lean Power. This option would still achieve a lower GHG emissions intensity in the Clean Power product than SCE's base rate.

The second option was to accept a no-cost allocation of nuclear power from SCE, which would be reported under the Lean Power product on CPA's power content label (PCL), a public document communicated to customers on an annual basis. Like the first option,

under this scenario, the Clean Power product would still achieve a lower GHG emissions intensity than SCE's base rate.

Both options presented would result in \$4.1 million in savings and reduce CPA's procurement risk.

After discussion, the CAC voted to endorse the Executive Committee's recommendation for option one, whereby CPA would not accept nuclear energy. CAC members commented that this first option would still allow CPA to save \$4.1 million and keep the organization focused on new renewable energy contracts, which provide incremental GHG reductions. Additionally, the CAC suggested that staff ensure that information be provided to CPA customers and communities indicating that CPA's reported GHG intensity is not as low as it could be because CPA does not use nuclear energy.

Attachment: 1) CAC Meeting Attendance

Community Advisory Committee Attendance										
2020										
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct
East Ventura/West LA County										
Angus Simmons (Vice Chair)	✓									
Laura Brown	A									
Lilian Mendoza	✓									
San Gabriel Valley										
Richard Tom	✓									
Robert Parkhurst (Vice Chair)	✓									
West/Unincorporated Ventura County										
Lucas Zucker	A									
Steven Nash	✓									
South Bay										
David Lesser	✓									
Emmitt Hayes	✓									
Gateway Cities										
Jaime Abrego	✓									
Jordan Salcedo	A									
Westside										
Cris Gutierrez	A									
David Haake (Chair)	✓									
Unincorporated LA County										
Neil Fromer	✓									
Kristie Hernandez	A									

Major Action Items and Presentations***January***

Executive Director Update
 GHG Free Procurement Goals and
 Resources



Staff Report – Agenda Item 8

To: Clean Power Alliance (CPA) Board of Directors

From: Jennifer Ward, Director of External Affairs

Approved by: Ted Bardacke, Executive Director

Subject: Policy No. 13 for Changes to Default Rate Product

Date: February 6, 2020

RECOMMENDATION

Approve Policy No. 13 for Changes to Default Rate Product.

BACKGROUND

Each CPA member agency selected a default rate product ("Default") for Phases 1 – 4 of CPA's service launch (Attachment 1). The Default established the energy rate product that every customer was automatically enrolled in, unless the customer affirmatively opted to a different rate product or opted-out of CPA service all together.

CPA's current rate product options are:

- **Lean Power**, which provides 36% renewable energy content at a 1-2% discount as compared to SCE base rates
- **Clean Power**, which provides 50% renewable energy content at a 0-1% discount as compared to SCE base rates
- **100% Green Power**, which provides 100% renewable energy content at a 7-9% premium as compared to SCE base rates

In October 2019, the City of Malibu became the first CPA jurisdiction to decide to change its Default when its City Council voted to change its community-wide Default from Clean Power to 100% Green Power.

CPA anticipates that more jurisdictions may also decide to change their Default from their original selections. This potential to change a Default selection is contemplated in CPA's Joint Powers Agreement (JPA). However, the JPA does not specify a process for implementing this change. To appropriately plan from an energy procurement, financial planning, and operational perspective – including customer communications – CPA and its partners need a defined process to prepare for and implement Default changes.

At the December 13, 2019 and January 15, 2020 Executive Committee meetings, staff presented an overview of the proposed default change process and a draft of the policy. Based on feedback received from the Executive Committee, as well as additional discussions between CPA staff and CPA's billing manager Calpine, staff prepared a proposed Policy No. 13 (Attachment 2) for consideration by the Board. Staff will provide a presentation on this item at the Board meeting (Attachment 3).

POLICY COMPONENTS

The main components of the draft Policy, and staff's recommendation for including them, are described below.

Advance Notice by a Member Agency to CPA

The draft Policy requires that, beginning in 2021, a jurisdiction notify CPA of its decision to change its Default before January 1 of the year in which the Default change will occur. Due to the timing of the introduction of this proposed Policy, staff recommends that for 2020 only, member agencies have until April 1, 2020, to make Default change decisions for implementation in October 2020.

This advance notice is required from an energy procurement, and financial and operational planning standpoint, ensuring that CPA and its partners have enough time to adequately prepare for a successful transition.

Advance notice will enable CPA to purchase enough renewable resources to meet the expected change in demand when the Default is updated, while taking into account

anticipated opt-out rates similar to CPA's approach during mass enrollment. This would also allow CPA time to determine what regulatory compliance and reporting is needed, if any, in response to changes in CPA members' Defaults.

Advance notice will also allow sufficient time for CPA and Calpine to manage any data management and operational adjustments, for CPA to examine any financial planning and rate setting implications, to work with SCE on any necessary billing considerations, to prepare the Customer Service Center for additional inquiries, and to plan for any other operational accommodations.

October Implementation

The draft Policy establishes that Default changes will go into effect in October, unless otherwise expressly agreed upon by CPA and the member jurisdiction. CPA believes that implementing any community-wide default change on a customer's October meter-read date is preferable so that a potential increase in customers' rates corresponds with the change between summer (higher) and winter (lower) rates. Therefore, the month-to-month bill comparison impact of the default change is less substantial.

Customer Communications

The draft Policy establishes minimum guidelines for communicating Default changes to customers, specifically that CPA notify customers at least twice about the Default change.

During the time period between when a member jurisdiction makes a decision to change its Default and the October implementation, CPA will work with the jurisdiction to develop and implement a comprehensive communication and outreach plan. More localized city/county branding is encouraged to be used for communicating a Default change (compared to mass enrollment notices, which were primarily CPA branded) since it is the specific jurisdiction making the determination to change the Default. In addition, customized communications for large price-sensitive non-residential customers will be required.

There are costs associated with designing, printing, and mailing direct customer notices about a Default change. The proposed policy is for CPA to cover these expenses for a member agency's first Default change. Subsequent Default changes would be charged to the member agency.

Applicability of Default Change

The draft Policy specifies considerations and authorizations to guide CPA and its members in the implementation of Default changes, such as:

- Establishing the right of customers to proactively notify CPA of their desire to remain with their current choice and not be opted to a different default.
- Keeping customers who have affirmatively opted to another energy rate option (different from their initial Default rate) at their selected rate.

The draft Policy also enables the Executive Director to determine additional exceptions for customers that would be excluded from certain parameters of a Default change or to implement the Default change on a different schedule than specified in the Policy.

Frequency of Default Changes

The draft Policy seeks to establish guidelines for how often CPA may implement a Default change in a particular jurisdiction. Member agencies would be limited to changing their Default no more than once every two years. This reduces administrative burden on CPA and its partners and avoids customer confusion that would be experienced with multiple Default changes over consecutive years, while still giving the ability for jurisdictions to pursue Default changes on a timeline that makes sense for their community.

NEXT STEPS

Should the Board approve Policy No. 13, staff will communicate this policy to all CPA member jurisdictions and work individually with jurisdictions wishing to change their Default. CPA staff is available to make presentations to City Councils looking into the decision between now and the 2020 deadline of April 1, as well as in preparation for future potential Default changes.

FISCAL IMPACT

Expenditures associated with Default changes will be allocated during CPA's annual budget process for FY2020/21, and for future fiscal years thereafter.

- Attachments:**
- 1) Draft Policy No. 13 for Changes to Default Rate Product
 - 2) Current CPA Member Agency Default Rate Products
 - 3) Presentation on Policy for Changes to Default Rate Product



Policy No. 13 for Changes to Default Rate Product

DRAFT

I.

PURPOSE

Each of the Clean Power Alliance of Southern California's ("CPA") Member Agencies has discretion to select the Default Rate Product for the customers in their respective jurisdictions. Prior to service launch, each Member Agency selected a Default Rate.

Although CPA's Joint Powers Agreement contemplates that each Member Agency may change its individual Default Rate Product, the Joint Powers Agreement does not specify a process.

A change in the Default Rate Product will impact CPA's fiscal, energy procurement, operational, and customer communication activities, and CPA needs to appropriately plan for these changes.

CPA enacts this Policy in order to specify a process for a Member Agency to change its Default Rate Product while providing CPA sufficient notice and time to prepare for that change.

II.

DEFINITIONS

1. **"Board"** means the Board of Directors of CPA.
2. **"CPA Rates"** means the rates applicable to a customer class as established in CPA's rate schedule. For example, rates D, GS-1, AL-2-F, TOU-GS-1-A.
3. **"CPA Rate Product"** means a rate product approved by the Board and available to CPA customers. For example, Lean Power, Clean Power, or 100% Green Power. A CPA Rate Product is distinguishable from CPA Rates.
4. **"Default Rate Product"** is a CPA Rate Product option which each Member Agency selected as the default for the Member Agency's customers. The Member Agency's selection established the CPA Rate Product (e.g., Lean Power, Clean Power, or 100% Green Power) that every customer in the Member Agency's jurisdiction would be given unless the customer takes an Opt Action.
5. **"Member Agency"** is a "Party" as that term is defined in Section 1.16 of CPA's Joint Powers Agreement.
6. **"Opt Action"** means an affirmative action taken by an individual CPA customer account either (a) to choose a CPA Rate Product that is different from the Default Rate Product for the customer's current service location, or (b) to opt out of CPA service.

III.

PROCESS REGARDING CHANGES TO A MEMBER AGENCY'S SELECTION OF THE DEFAULT RATE PRODUCT

1. **Advance Notice.** If a Member Agency intends to change its Default Rate Product for the Member Agency's customers, a Member Agency shall provide notification to CPA of the Member Agency's decision to change its Default Rate Product before January 1 of the year in which the Default Rate Product change will occur. See Section III.3.

Notwithstanding the foregoing, CPA and the Member Agency may mutually agree upon a different notification schedule, as long as such notification is provided by April 1, 2020.

2. **Activities Subsequent to Member Agency Notice.** Upon receipt of a Member Agency's notice, CPA may engage in any of the following activities:
 - a. Purchase or prepare to purchase the appropriate amount of resources to meet the expected change in demand when the Default Rate Product is changed;
 - b. Complete or prepare to complete additional regulatory compliance and reporting requirements, if any;
 - c. Coordinate with CPA's data manager and Customer Service Center to make necessary operational adjustments;
 - d. Evaluate fiscal impacts of default rate product change;
 - e. Examine CPA Rates and any rate impacts;
 - f. Coordinate and work with SCE on billing considerations;
 - g. Prepare for and deploy customer communications efforts. See Section IV.4, below, for additional detail;
 - h. Identify and address any other operational impacts or issues and take steps to mitigate those impacts/issues; or,
 - i. Take any other action necessary to effectuate the Member Agency's change in Default Rate Product.
3. **October Default Rate Product Change Implementation.** CPA will implement any change to the Default Rate Product in the month of October following the Member Agency's notification to CPA of the Member Agency's Default Rate Product change pursuant to Section IV.1, above. The transition will take effect on the individual customer's first meter-read date in October.

Notwithstanding the foregoing, CPA and the Member Agency may mutually agree upon a different implementation schedule.
4. **Customer Communications.** CPA will notify customers subject to a Member Agency's Default Rate Product change. CPA will lead, with support from the Member Agency, the development and dissemination of customer notices.
 - a. **Required Notifications.** Any customer accounts subject to a Member Agency's Default Rate Product change shall be sent a minimum of two (2) notifications. A minimum of one (1) notice shall be sent prior to the change going into effect.

- b. Optional Additional Notifications. In addition to the two required notices referenced in Section 4.a., above, CPA will coordinate with a Member Agency who wishes to develop and distribute additional customer notices and/or conduct additional communications such as on-bill messaging, bill inserts, social media campaigns, jurisdictional newsletters, etc.
 - c. Cost of Customer Notices. CPA will cover the cost of the required customer notices for the Member Agency's first Default Rate Product change. Subsequent Default changes will be charged to the Member Agency.
5. **Exceptions to Application of Default Rate Product Change.** Notwithstanding anything contained in this Policy, in no event shall a Member Agency's change in the Default Rate Product affect the following:
- a. **Prior Customer Opt Actions.** Any customer account that has affirmatively taken any Opt Action.
 - b. **Additional Exceptions.** The CPA Executive Director is authorized to determine additional exceptions for customers that would be excluded from the parameters of a Default Rate Product change or to implement the change on a different schedule than as set forth herein.
6. **Frequency of Default Rate Product Change by a Member Agency.** A Member Agency may change its Default Product no more than one (1) time every two (2) years.
7. A customer may take an Opt Action at any time by notifying CPA.


**Member Agency Default Tier
Choices - As of November 6, 2018**

Member Name	Default Power Product	Renewables Percentage
Agoura Hills	Lean Power	36%
Arcadia	Lean Power	36%
Calabasas	Lean Power	36%
Camarillo	Lean Power	36%
Hawthorne	Lean Power	36%
Paramount	Lean Power	36%
Simi Valley	Lean Power	36%
Temple City	Lean Power	36%
Alhambra	Clean Power	50%
Beverly Hills	Clean Power	50%
Carson	Clean Power	50%
Claremont	Clean Power	50%
Downey	Clean Power	50%
Hawaiian Gardens	Clean Power	50%
Los Angeles County	Clean Power	50%
Malibu*	Clean Power	50%
Manhattan Beach	Clean Power	50%
Moorpark	Clean Power	50%
Redondo Beach	Clean Power	50%
Sierra Madre	Clean Power	50%
Whittier	Clean Power	50%
Culver City	100% Green Power	100%
Ojai	100% Green Power	100%
Oxnard	100% Green Power	100%
Rolling Hills Estates**	100% Green Power	100%
Santa Monica	100% Green Power	100%
South Pasadena**	100% Green Power	100%
Thousand Oaks	100% Green Power	100%
Ventura City	100% Green Power	100%
Ventura County	100% Green Power	100%
West Hollywood	100% Green Power	100%

Lean	8
Clean	13
100% Green	10

*The City of Malibu will change its default power product to 100% Green Power in October 2020.

**The Cities of Rolling Hills Estates and South Pasadena have 100% Green Power as the default for residential customers, and have Lean Power and Clean Power, respectively, as the defaults for non-residential customers.

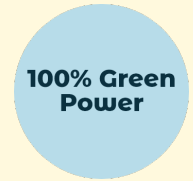
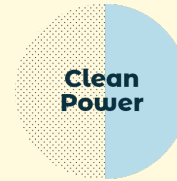


Policy for Changes to Default Energy Rate Products

February 6, 2020

Background Context

- Prior to service launch, each member jurisdiction selected a default rate product
- Customers automatically enrolled in the city/county default – unless they opt to a different rate product or opt out
- Default choices as of 2018: 8 at Lean Power; 13 at Clean Power; 10 at 100% Green Power
- In October 2019, the City of Malibu became the first city to decide to change its default (from Clean to 100% Green)
 - Other jurisdictions are considering a default change
 - CPA's JPA allows for this but is silent on process



Proposed Policy

- The proposed Policy contains the following components:
 - Advance Notice by a Member Agency to CPA
 - Designation of Implementation Month (October)
 - Customer Communications
 - Frequency of Default Changes
 - Applicability of Default Change

Advance Notice & Implementation Schedule

- To provide CPA and its partners enough lead time for energy procurement, financial and operational planning, the Policy requires advance notice of a default change decision
- The default change will take place in **October** to coincide with the change from summer (higher) to winter (lower) rates
- For 2020, jurisdictions must notify CPA by **April 1** of a default change that would go into effect in October 2020
- For future years, jurisdictions must notify CPA by **January 1** of default changes that would go into effect in October of that year

Customer Noticing and Communications

- The Policy requires CPA to notify customers at least twice about a default change, including information on customers' options
 - Customers may decline to have their rate product changed
- CPA will lead development and pay for the two required customer notifications for a jurisdiction's first default change
- Jurisdictions are encouraged to use city/county branding in customer communications.

Default Change Application

- Jurisdictions may change their default at most once every two years (i.e. cannot change a default two years in a row).
- The Policy outlines additional items to guide implementation of default changes, including:
 - Keeping customers who have already changed their rate product (e.g. opted up or down) at their selected rate.
 - Gives CPA authority to exclude certain customers from parameters of a default change
 - Provides ability for CPA to alter the default change implementation schedule

Staff Report – Agenda Item 9

To: Clean Power Alliance (CPA) Board of Directors

From: Matthew Langer, Chief Operating Officer

Approved By: Ted Bardacke, Executive Director

Subject: Procurement Approach for Greenhouse Gas Free Energy

Date: February 6, 2020

RECOMMENDATION

Adopt the following approach for CPA's mix of renewable energy and Greenhouse Gas (GHG) Free Energy:

1. CPA's **100% Green** product will contain 100% PCC1 renewable energy
2. CPA's **Clean Power** product will contain 50% renewable energy and have a GHG intensity that is lower than Southern California Edison's (SCE)
3. CPA's **Lean Power** product will meet or exceed SCE's renewable energy content
4. CPA's energy portfolio **will not contain nuclear energy**.

This approach is consistent with past Board direction but provides additional clarity in response to: (i) increasing costs for large hydroelectric energy, (ii) changes in carbon accounting implemented by AB 1110, and (iii) considering whether to accept a free allocation of large hydroelectric and nuclear energy from SCE.

Both the Executive Committee and the Community Advisory Committee formally endorsed the recommend approach at their January 15, 2020 and January 16, 2020 meetings, respectively.

BACKGROUND

CPA's clean energy procurement strategy operates under several basic constraints. First, CPA must adhere to its Joint Powers Agreement (JPA) which states that CPA should "develop an electric supply portfolio with overall lower greenhouse gas intensity and lower greenhouse gas emissions than Southern California Edison." CPA has focused on meeting this requirement through the provision of renewable energy which, absent the development of new large hydroelectric dams or nuclear facilities, is the most straightforward method of incrementally reducing global GHG emissions.

The JPA also directs CPA to "provide electricity rates that are lower or at worst competitive with those offered by SCE for similar products."

Additionally, CPA must adhere to the Board-adopted financial reserve policy. To meet this policy, CPA is targeting a *minimum* annual reserve contribution of \$30 million per year. Making a contribution of at least this amount allows CPA to meet its bank credit covenants and make progress toward an investment grade credit rating. In the long-term, earning an investment grade credit rating will lower costs, improve rate competitiveness, and free up funding for increased spending on local programs.

Both CPA's current procurement approach and the future recommended approach are balanced to ensure adherence to the JPA and Board-adopted policies.

Current GHG Free Energy Procurement Approach

GHG Free Energy is energy from resources that do not qualify as renewable but are carbon free, in particular, large hydroelectric and nuclear energy. CPA has largely focused its clean energy procurement strategy on new-build renewables that result in incremental GHG reductions. However, CPA does buy large hydro energy from existing facilities in order to meet or beat SCE's carbon content even though those purchases do not result in incremental global GHG reductions. SCE's portfolio contains GHG Free Energy from both large hydro and nuclear facilities, while CPA's GHG Free Energy has been sourced solely from large hydro.

Over the last three years, prices for large hydro have increased as much as 800% as more buyers have entered the market seeking to reduce the GHG intensity of their product offerings. Also, hydro production is dependent on snowpack, which is highly variable from year to year. As a result, future pricing and availability for large hydro is uncertain, presenting a significant financial risk to CPA.

New Carbon Accounting Rules

AB 1110, which passed in 2016, directed the California Energy Commission (CEC) to adopt new rules for carbon accounting for renewable energy. The rules were adopted by the CEC in late-2019 and will impact how CPA reports its GHG intensity beginning with the 2021 Power Content Label¹ (PCL).

California's Renewable Portfolio Standard (RPS) program defines three different types of renewable energy, known as portfolio content categories (PCC) that can be used for compliance:

- PCC1: Generated within CA or imported to CA without substitute energy
- PCC2: Imported to CA and firmed with substitute energy
- PCC3: Unbundled renewable energy credits (RECs)

The primary change resulting from AB 1110 is that PCC2 renewable energy is no longer considered GHG free by default but instead is assigned the GHG intensity of the associated substitute energy. If the substitute energy is not GHG free, the energy is still categorized as renewable, but it is assigned carbon emissions. With the recent dramatic increase in large hydro prices, PCC2 with GHG free substitute energy is more expensive and less available than standard PCC2, with pricing approaching parity to PCC1. By definition, PCC1 is GHG free.

Maintaining CPA's current portfolio and rate product carbon content levels under the new AB 1110 rules would cost approximately \$9.6 million dollars per year beginning in 2021.

¹ The 2021 Power Content Label will be published in mid-2022.

At the same time CPA forecasts that SCE's renewable energy content will increase from around 36% in 2019 to 40% in 2021, adding an additional \$1 million dollars per year for the Lean Power product to match SCE's base renewable energy level. This potential \$10.6 million increase is more than one-third of CPA's minimum annual target contribution to reserves.

SCE GHG Free Energy Allocation

As a result of discussions in the PCIA proceeding at the CPUC, CPA and SCE are in the process of negotiating an arrangement whereby CPA could accept a no cost allocation of GHG Free energy from SCE's existing large hydro and/or nuclear resources. The allocation would be free because CPA's customers pay for the cost of these facilities through the PCIA. CPA would have the option to accept the large hydro portion, nuclear portion, or both. Accepting the no cost large hydro allocation is consistent with current procurement activities and would save CPA \$3 million per year. Meanwhile, consistent with Board direction regarding CPA's 2018 procurement activities, CPA has never had nuclear energy as part of its energy portfolio.

If CPA declines all or part of the no cost GHG allocation, SCE keeps the energy and counts it on its Power Content Label and in its GHG intensity calculations.

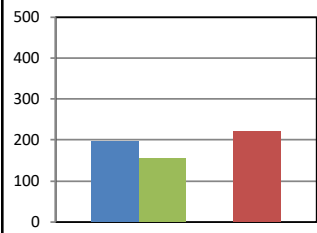
DISCUSSION

In 2021, AB 1110 carbon accounting changes will cost \$9.6 million, SCE's increasing renewable energy content will cost \$1 million, and accepting the large hydro allocation from SCE will save \$3 million. Thus, maintaining CPA's current approach to GHG Free energy procurement would cost a net total of \$7.6 million. Adding \$7.6 million in new costs is unsustainable while ensuring competitive rates and meeting CPA's reserve targets. See the chart below.

Status Quo: 2021 Cost Impact	
	2021
Increase Lean RPS content to 40%	\$1,000,000
Maintain Lean GHG Free content at 54%	6,000,000
Maintain Clean GHG Free content at 64%	3,600,000
Accept Large Hydro Allocation	(3,000,000)
Net Cost Increase	7,600,000

Below are two different prospective 2021 Power Content Labels (PCL) for CPA. In the first case, the PCL is shown based on the carbon accounting rules that were in place prior to the adoption of AB 1110. The second case shows the impact of the AB 1110 accounting change if CPA makes no changes to its procurement approach.

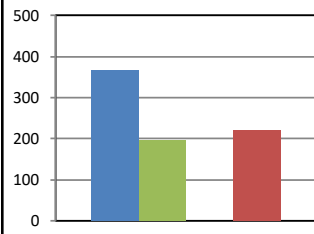
2021 Power Content Label before AB 1110

Estimated 2021 POWER CONTENT LABEL								
Greenhouse Gas Emissions Intensity (in kg CO₂e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%
196	154	0	220	Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
 <p>Unbundled RECs retired as a percentage of these electric service products' retail sales:</p>				Geothermal	3.0%	3.8%	7.6%	4.5%
				Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
				Solar	22.3%	27.9%	55.6%	14.8%
				Wind	9.9%	12.3%	24.7%	14.4%
				Coal	0.0%	0.0%	0.0%	1.5%
				Large Hydroelectric	14.0%	14.0%	0.0%	10.0%
				Natural Gas	0.0%	0.0%	0.0%	33.1%
				Nuclear	0.0%	0.0%	0.0%	9.1%
				Other	0.0%	0.0%	0.0%	0.0%
				Unspecified Electricity	46.0%	36.0%	0.0%	9.3%
				TOTAL	100.0%	100.0%	100.0%	100.0%
					0%	0%	0%	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	122

2021 Power Content Label after AB 1110 accounting change

Clean Power Alliance											
Estimated 2021 POWER CONTENT LABEL											
Greenhouse Gas Emissions Intensity (in kg CO ₂ e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix			
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%			
368	197	0	220	Biomass & biowaste	3.7%	4.6%	9.3%	2.3%			
<div></div> <div><div>Lean Power Product</div><div>Clean Power Product</div><div>100% Green Power Product</div></div>				Geothermal	3.0%	3.8%	7.6%	4.5%			
				Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%			
				Solar	22.3%	27.9%	55.6%	14.8%			
				Wind	9.9%	12.3%	24.7%	14.4%			
				Coal	0.0%	0.0%	0.0%	1.5%			
				Large Hydroelectric	14.0%	14.0%	0.0%	10.0%			
				Natural Gas	0.0%	0.0%	0.0%	33.1%			
				Nuclear	0.0%	0.0%	0.0%	9.1%			
				Other	0.0%	0.0%	0.0%	0.0%			
				Unspecified Electricity	46.0%	36.0%	0.0%	9.3%			
				TOTAL	100.0%	100.0%	100.0%	100.0%			
				Unbundled RECs retired as a percentage of these electric service products' retail sales:				0%	0%	0%	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	181

The combination of factors leading CPA to reevaluate its GHG Free energy procurement approach is an opportunity to focus CPA's activities in a way that is more intentional about CPA's larger goals of achieving real incremental carbon emission reductions by devoting resources to the new construction of renewables. The following four recommendations focus on these goals while balancing other constraints.

1. CPA's 100% Green Power product will contain 100% PCC1 renewable energy

Customers who choose the 100% Green Power product are demonstrating the highest commitment to clean energy by paying a premium price for a 100% renewable energy and 100% GHG free product. To date, CPA has only used PCC1 renewable energy in the 100% Green Power product and staff recommends that the Board affirm this approach.

Cost impact: \$0. No change to existing approach.

2. CPA's Clean Power product will contain 50% renewable energy and target a carbon content that is lower than SCE

Currently, the Clean Power product contains 50% renewable energy plus 14% large hydro. The 14% large hydro is purchased to match SCE's non-renewable GHG Free energy content which consists of both nuclear and hydro. The recommended approach is to target the carbon content of Clean Power to a level where it always has a GHG intensity that is lower than SCE's overall carbon content. The result would be a carbon intensity for Clean Power that is somewhat higher compared to 2019 levels while still beating SCE. This reduces CPA's exposure to the increasingly costly market for large hydro while also sharpening CPA's focus on the actual GHG reduction effects of procuring new renewables rather than spending money on existing hydro resources.

Cost impact: \$3 million savings. Savings from reduced large hydro purchases and free hydro allocation are partially offset by AB 1110 compliance costs for PCC2 renewable energy.

3. CPA's Lean Power product will be targeted to meet or exceed SCE's RPS content

Today, the Lean Power product contains 36% renewable energy and 14% large hydro, essentially mirroring SCE's non-renewable GHG free portfolio while meeting or slightly exceeding its renewable energy content. The recommended approach is to: (i) eliminate large hydro purchases from Lean Power, (ii) continue to target renewable energy content that meets or exceeds SCE, and (iii) taking no action to mitigate the carbon accounting impacts of AB 1110 on Lean Power. The implications of these recommendations are significant in that by reducing hydro and not mitigating AB 1110 carbon accounting impacts, the GHG intensity of Lean Power will rise significantly in 2021. Lean Power will remain CPA's value product, offering a rate 1-2% below SCE's base rate, while still meeting or beating SCE on renewable energy levels. Customers who are most concerned with the carbon content of their electricity product can still opt up to Clean Power at parity cost with SCE rates or to 100% Green Power for a 7-9% premium.

Cost impact: \$1.1 million savings. Savings from eliminating large hydro are partially reduced by increasing the Lean Power renewable energy target to 40%.

4. CPA's energy portfolio will not contain nuclear energy.

Consistent with the Board's direction from 2018, the recommendation is to reaffirm CPA's position that its portfolio will not contain nuclear energy and therefore to decline the nuclear portion of the no-cost GHG free allocation. If CPA accepted the nuclear allocation, the source power plant would be the Palo Verde Nuclear Generating Station in Arizona. Palo Verde is licensed to operate until 2047, so CPA's choice either way does not impact the continuing operation of the facility. However, upholding a no nuclear approach carries significant symbolic meaning for many of CPA's stakeholders and does not have an impact on global GHG reductions.

Cost impact: \$0. Nuclear allocation is not needed to offset other purchases under recommended approach.

Total cost impact: \$4.1 million savings across all four recommendations.

2021 Power Content Label: Recommended Approach

Estimated 2021 POWER CONTENT LABEL								
Greenhouse Gas Emissions Intensity (in kg CO ₂ e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%
				Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
				Geothermal	3.0%	3.8%	7.6%	4.5%
				Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
				Solar	22.3%	27.9%	55.6%	14.8%
				Wind	9.9%	12.3%	24.7%	14.4%
				Coal	0.0%	0.0%	0.0%	1.5%
				Large Hydroelectric	0.0%	5.0%	0.0%	10.0%
				Natural Gas	0.0%	0.0%	0.0%	33.1%
				Nuclear	0.0%	0.0%	0.0%	9.1%
				Other	0.0%	0.0%	0.0%	0.0%
				Unspecified Electricity	60.0%	45.0%	0.0%	9.3%
				TOTAL	100.0%	100.0%	100.0%	100.0%
Unbundled RECs retired as a percentage of these electric service products' retail sales:					0%	0%	0%	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

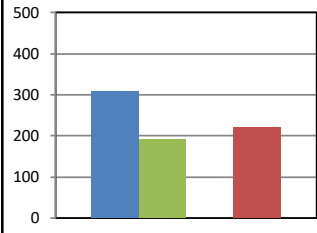
	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	182

Alternate Approach

Staff prepared an alternate approach for consideration by the Executive Committee and the Board that provides lower carbon intensity in the Lean Power product by accepting the nuclear allocation from SCE. Under this option, the carbon intensity of Lean Power would still increase compared to current levels and be higher than SCE's GHG emissions intensity, but the impact would be mitigated by additional GHG Free energy supply from the nuclear allocation. This option represents a tradeoff between avoiding nuclear energy and providing a product with lower carbon intensity to Lean Power customers.

Cost impact: \$4.1 million savings. Savings are the same as with recommended approach because free nuclear allocation is used to decrease carbon intensity of Lean Power without displacing any other purchases.

2021 Power Content Label: Alternate Approach

Estimated 2021 POWER CONTENT LABEL								
Greenhouse Gas Emissions Intensity (in kg CO ₂ e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%
 <p>308 193 0 220</p>				Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
				Geothermal	3.0%	3.8%	7.6%	4.5%
				Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
				Solar	22.3%	27.9%	55.6%	14.8%
				Wind	9.9%	12.3%	24.7%	14.4%
				Coal	0.0%	0.0%	0.0%	1.5%
				Large Hydroelectric	0.0%	5.0%	0.0%	10.0%
				Natural Gas	0.0%	0.0%	0.0%	33.1%
				Nuclear	28.0%	0.0%	0.0%	9.1%
				Other	0.0%	0.0%	0.0%	0.0%
				Unspecified Electricity	32.0%	45.0%	0.0%	9.3%
				TOTAL	100.0%	100.0%	100.0%	100.0%
	Unbundled RECs retired as a percentage of these electric service products' retail sales:				0%	0%	0%	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	166

NEXT STEPS

Staff will implement the Board's direction by communicating the GHG Free allocation decision to SCE and adjusting CPA's 2021 GHG Free energy procurement targets as

needed. Both the recommended approach and the alternate approach represent cost savings of \$4.1 million annually and significantly reduce risk by limiting CPA's exposure to the volatile large hydro energy market. As CPA plans for future investments, these incremental savings make funding for local procurement and programs more viable and CPA more fiscally secure.

Attachment: 1) Presentation on Procurement Approach for GHG Free Energy



Procurement Approach for Greenhouse Gas (GHG) Free Energy

February 6, 2020

Introduction

New issues are impacting the GHG content of CPA's energy portfolio

- Large hydro is getting more expensive and difficult to procure
- PCC2 GHG accounting rules are changing unfavorably from a cost perspective
- CPA has an opportunity to accept a free allocation of GHG Free large hydro and/or nuclear energy from SCE

Given higher costs in the market and under new accounting rules, current levels of non-renewable GHG Free procurement are unsustainable

The recommended response to this new dynamic takes into account key constraints for CPA, specifically:

- Follow Board Approved Reserve Policy (est. at \$30 million per year)
- Offer Competitive Rates (consistent with JPA)
- Develop an energy supply portfolio with lower GHG emissions intensity than SCE (consistent with JPA)

Non-renewable GHG Free Procurement

Current GHG procurement approach

- GHG free energy is energy from resources that do not qualify as renewable but are carbon free (large hydro and nuclear)
- CPA has focused its overall clean energy procurement strategy on new build renewables that result in incremental GHG reductions
- However, CPA buys large hydro energy from existing facilities to match SCE's GHG Free procurement percentage
- SCE uses nuclear and large hydro energy; CPA has only used hydro
- Large hydro prices have risen as much as 800% in the last 3 years, largely due to increased demand
- Future pricing and availability of large hydro is uncertain

Renewable Energy GHG Accounting Issues

Renewable Energy Portfolio Content Categories (PCC)

- PCC1: Generated within CA or imported to CA without substitute energy
- PCC2: Imported to CA and firmed with substitute energy
- PCC3: Unbundled RECs

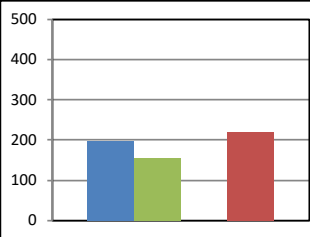
AB 1110

- Under new AB 1110 rules, PCC1 remains 100% GHG free but PCC2 renewable energy is assigned the GHG content of the associated substitute energy
- If the substitute energy is not GHG Free, the energy is still categorized as renewable, but is not treated as GHG Free
- PCC2 with GHG Free substitute energy is more expensive and less available than standard PCC2, with pricing approaching parity to PCC1

SCE GHG Free Energy Allocation

- CPA is likely to have an opportunity to accept a free allocation of GHG Free energy from SCE's large hydro and/or nuclear resources
- CPA customers pay for the cost of these facilities through the PCIA
- CPA can choose to accept the hydro portion, nuclear portion, or both
- Accepting the large hydro allocation is an obvious choice as it is consistent with current procurement approach
- Accepting the nuclear allocation would change current CPA practice of not having nuclear energy in its energy portfolio
- Accepting or rejecting all or part of the GHG free allocation does not impact actual GHG emissions; instead it impacts which entity counts the resources and emissions intensity on its Power Content Label

2021 Power Content Label: Maintaining Status Quo

Estimated 2021 POWER CONTENT LABEL									
Greenhouse Gas Emissions Intensity (in kg CO ₂ e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix	
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%	
<div><div>500</div><div>400</div><div>300</div><div>200</div><div>100</div><div>0</div><div><div></div><div></div><div></div></div><div><div>Lean Power Product</div><div>Clean Power Product</div><div>100% Green Power Product</div></div></div> <td>196</td> <td>154</td> <td>0</td> <td>220</td> <td>Biomass & biowaste</td> <td>3.7%</td> <td>4.6%</td> <td>9.3%</td> <td>2.3%</td>	196	154	0	220	Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
					Geothermal	3.0%	3.8%	7.6%	4.5%
					Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
					Solar	22.3%	27.9%	55.6%	14.8%
					Wind	9.9%	12.3%	24.7%	14.4%
					Coal	0.0%	0.0%	0.0%	1.5%
					Large Hydroelectric	14.0%	14.0%	0.0%	10.0%
					Natural Gas	0.0%	0.0%	0.0%	33.1%
					Nuclear	0.0%	0.0%	0.0%	9.1%
					Other	0.0%	0.0%	0.0%	0.0%
					Unspecified Electricity	46.0%	36.0%	0.0%	9.3%
					TOTAL	100.0%	100.0%	100.0%	100.0%
Unbundled RECs retired as a percentage of these electric service products' retail sales:					0%	0%	0%		

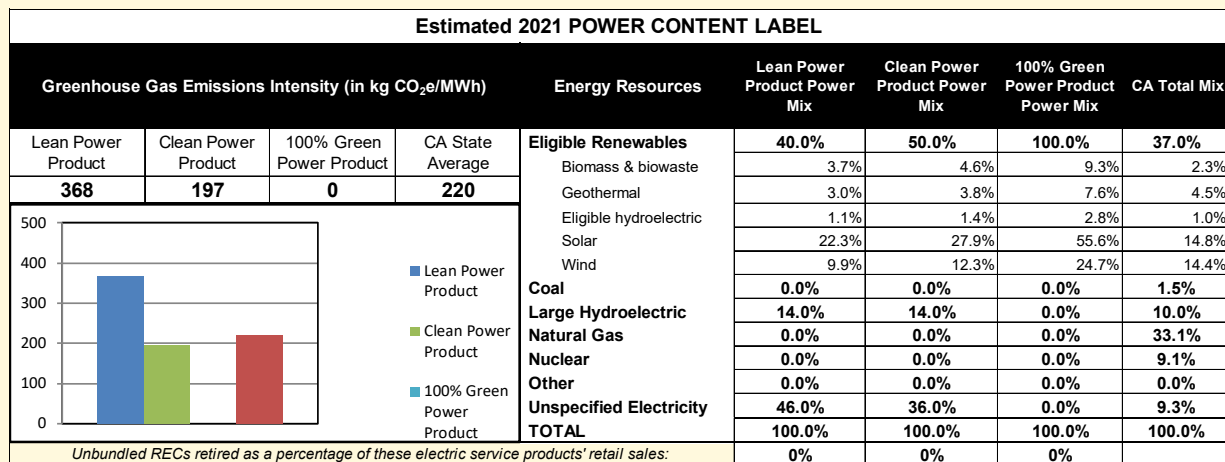
SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	122

Status Quo: 2021 Cost Impact

	2021
Increase Lean RPS content to 40%	\$1,000,000
Maintain Lean GHG Free content at 54%	6,000,000
Maintain Clean GHG Free content at 64%	3,600,000
Accept Large Hydro Allocation	(3,000,000)
Net Cost Increase	7,600,000

2021 Power Content Label: After AB 1110



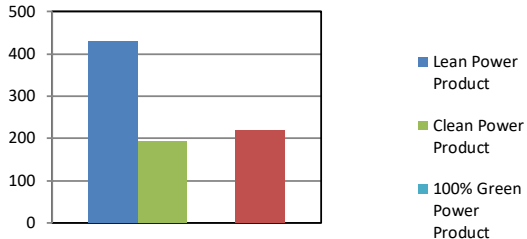
SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	181

- Current baseline
- AB 1110 increases the carbon intensity of Lean and Clean Power
- SCE's renewable energy content will increase from ~36% to ~40% by 2021

Recommended Approach: beat SCE GHG content in Clean; no GHG Free purchases in Lean; no nuclear

Estimated 2021 POWER CONTENT LABEL

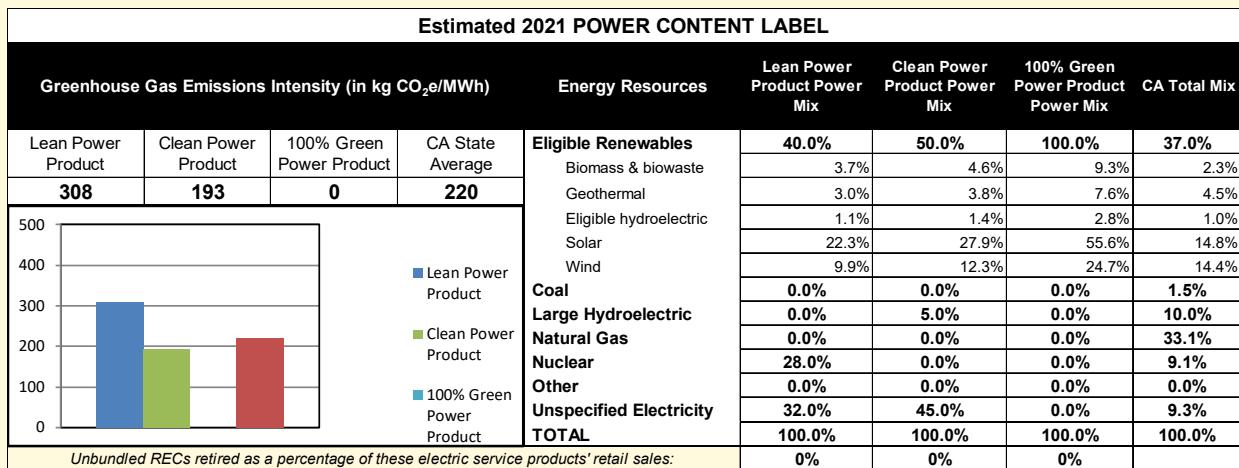
Greenhouse Gas Emissions Intensity (in kg CO ₂ e/MWh)				Energy Resources	Lean Power Product Power Mix	Clean Power Product Power Mix	100% Green Power Product Power Mix	CA Total Mix
Lean Power Product	Clean Power Product	100% Green Power Product	CA State Average	Eligible Renewables	40.0%	50.0%	100.0%	37.0%
428	193	0	220	Biomass & biowaste	3.7%	4.6%	9.3%	2.3%
 <p>■ Lean Power Product ■ Clean Power Product ■ 100% Green Power Product</p>				Geothermal	3.0%	3.8%	7.6%	4.5%
				Eligible hydroelectric	1.1%	1.4%	2.8%	1.0%
				Solar	22.3%	27.9%	55.6%	14.8%
				Wind	9.9%	12.3%	24.7%	14.4%
				Coal	0.0%	0.0%	0.0%	1.5%
				Large Hydroelectric	0.0%	5.0%	0.0%	10.0%
				Natural Gas	0.0%	0.0%	0.0%	33.1%
				Nuclear	0.0%	0.0%	0.0%	9.1%
				Other	0.0%	0.0%	0.0%	0.0%
				Unspecified Electricity	60.0%	45.0%	0.0%	9.3%
				TOTAL	100.0%	100.0%	100.0%	100.0%
Unbundled RECs retired as a percentage of these electric service products' retail sales:					0%	0%	0%	

SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	182

- Match SCE RPS percentage in Lean (\$1 million cost)
- Beat SCE GHG Free content in Clean (\$0 net cost)
- No large hydro in Lean (\$2.1 million savings)
- Accept hydro allocation (\$3 million savings)
- **NET: \$4.1 million savings**

Alternate Approach: accept nuclear for Lean, beat SCE GHG content in Clean



SCE & CPA Portfolio Level Renewable % and Greenhouse Gas (GHG) Emissions Intensity (in kg CO₂e/MWh)

	SCE	CPA
	2021 Estimate	2021 Estimate
Renewable %	40%	61%
GHG Emissions	200	166

- Match SCE RPS percentage in Lean (\$1 million cost)
- Beat SCE GHG Free content in Clean (\$0 net cost)
- Accept hydro allocation (\$3 million savings)
- Accept nuclear allocation (\$2.1 million savings)
- **NET: \$4.1 million savings**

Summary

- CPA can use the current market and regulatory dynamics as an opportunity to hone the agency's energy procurement focus on investing in new renewable energy facilities that result in actual GHG reductions
- Reducing non-renewable GHG purchases enhances financial stability, takes risk off the table, and makes funding for local procurement and programs more viable
- CPA maintains a lower overall GHG portfolio content than SCE while maintaining a no nuclear energy policy
- Customers on Lean Power rate continue to have the option of a product with higher level of renewables and a lower GHG content than SCE at no additional cost compared to SCE

Appendix: Palo Verde Background

- Palo Verde Nuclear Generating Station (PVNGS) is a nuclear power plant located near Tonopah, Arizona
- The three units at PVNGS collectively produce 3,937 MWs and the first units began commercial operation in 1986
 - Unit 1 – 1311 MWs – Commercial Operation Date: 1/28/1986
 - Unit 2 – 1314 MWs – Commercial Operation Date: 9/19/1986
 - Unit 3 – 1312 MWs – Commercial Operation Date: 1/8/1988
- Southern California Edison currently has a 15.8% ownership of the plant
 - $3,937 \text{ MWs} \times 15.8\% \text{ Ownership Share} = 622 \text{ MWs}$
- License Expiration Dates:
 - Unit 1 – 6/1/2045
 - Unit 2 – 4/24/2046
 - Unit 3 – 11/25/2047

Item V

To: Clean Power Alliance (CPA) Board of Directors

From: Christian Cruz, Interim Board Secretary

Approved by: Ted Bardacke, Executive Director

Subject: Election of Board Officers

Date: February 6, 2020

ACTION ITEMS

1. Elect Diana Mahmud, City of South Pasadena, as Board Chair for the term April 1, 2020 to June 30, 2022.
2. Elect Sheila Kuehl, County of Los Angeles, District 3, as Board Vice-Chair representing the Los Angeles County members for the term April 1, 2020 to June 30, 2022.
3. Elect Linda Parks, County of Ventura, District 2, as Board Vice-Chair representing the Ventura County members for the term April 1, 2020 to June 30, 2022.

REPORT

As prescribed by CPA's Joint Powers Agreement and Bylaws, CPA must elect Board Officers for the positions of Chair (one position) and Vice-Chair (two positions). One of the Vice-Chairs must be a Director representing a member agency located in Los Angeles County, and the other Vice-Chair must be a Director representing a member agency located in the Ventura County. Vice-Chairs must be elected by a vote of the Regular Directors from their respective Counties. The Chair may be a Director from any member agency and is elected by a vote of all Regular Directors.

The current Board Officers' terms end in March 2020 and the new Officers' terms will commence in April and will serve until June 30, 2022. Thereafter the two-year term will correspond with CPA's Fiscal Year.

There are three eligibility criteria to serve in the Officer positions:

1. Must be a Regular Director (i.e. not an Alternate);
2. Must have attended at least 50% of the regular Board Meetings in last 12 months; and
3. Must affirm your intent to serve a full two-year term as a Board Officer.

2020-2022 Board Officer Nominees

At the January 9, 2020 Board Meeting, Chair Diana Mahmud opened the nomination period for Board Officers, which concluded on January 17, 2020. One nomination was received for each of the three Board Officer positions, as follows:

- Board Chair, Diana Mahmud, City of South Pasadena
- Vice-Chair representing LA County Members: Sheila Kuehl, County of Los Angeles, District 3
- Vice-Chair representing Ventura County Members: Linda Parks, County of Los Angeles, District 2

No other nominees were received during the nomination period for any of the three positions. Each of the nominees have expressed an intent to serve the full term. As such, the action items for Board consideration on February 6, 2020 are to elect these nominees to their corresponding Board Officer position for the term beginning April 2020 through June 2022.

UPCOMING ELECTIONS

After the Board Officer elections, the Board Chair will announce the Chair appointments for the Legislative & Regulatory, Finance, and Energy Planning & Resources Committees at the March 2020 Board meeting. At that time, the Chair will open the nomination period for Executive Committee At-Large positions. The election for the At-Large positions will occur at the April 2020 Board meeting. The Executive Committee has two At-Large positions for Directors representing the LA County Members and one At-Large position for a Director representing the Ventura County Members. The eligibility criteria for the At-Large positions is the same as those for Board Officers (described above).

Item VII

To: Clean Power Alliance (CPA) Board of Directors

From: Ted Bardacke, Executive Director

Subject: Management Update

Date: February 6, 2020

Clean Energy RFO Update

CPA launched a Clean Energy Request for Offers (RFO) in the fall of 2019, consisting of two tracks. The Utility Scale track is for projects between 10MW and 400MW in size and is for standalone renewable energy projects or renewable energy projects paired with energy storage. Projects in this track must be online no later than December 31, 2023. The Distributed Track is for projects located in Los Angeles or Ventura counties between 500kW and 10MW in size and is for renewable energy, renewable energy paired with energy storage, or standalone energy storage. These projects must be online by December 31, 2024.

On January 22, 2020, the Energy Committee approved a shortlist of 11 projects for the Utility Scale track, a summary of which is attached. Power Purchase Agreements from this RFO are likely to be ready for Board consideration in the spring and summer of 2020. The Energy Committee is expected to consider a shortlist for the Distributed track for the Clean Energy RFO in February 2020.

Customer Programs Launch

Over the course of February, CPA will be formally launching its “CPA Power Response” suite of programs, which the Board approved in October 2019 as a 12-18 month Distributed Energy Resources (DER) Pilot Program. CPA Power Response has three customer elements: 1) a residential smart thermostat program; 2) a residential and commercial battery storage program; and 3) a commercial EV charger program. Each of

these programs will attempt to use existing thermostat, battery storage and EV charging infrastructure to shift customer electricity demand away from high-cost, high GHG intensity time periods in exchange for incentive payments.

Also in February, CPA will launch a web-based solar and storage marketplace in collaboration with [EnergySage](#), a private company operating in 30 states that was spun out of the US Department of Energy's SunShot program. CPA's Solar and Storage Marketplace will enable residential, multifamily and small commercial customers to get free expert advice on solar and battery storage installation – including cost savings estimates tied directly to CPA's rate structure – as well as price quotes from pre-screened solar installers.

A press release announcing the formal launch of both CPA Power Response and the Solar and Storage Marketplace will be sent out later this month.

Financial Performance

CPA's financial performance continued to improve in October and November after from a first quarter of Fiscal Year 2019/2020 that was below expectations. In November energy revenue was 9% higher than budget and energy costs were 2% less than budgeted. Net income for November was \$5.1 million greater than budget forecast.

The monthly financial dashboard for November is attached to this report. The favorable monthly results could be misleading as they result primarily from timing differences arising from the sale of congestion revenue rights (CRRs) in the annual auction administered by the California Independent Systems Operator. The sale of CRRs reduced the cost of energy for the month and were booked in November but CPA expects to incur congestion costs, which the CRRs are designed to offset, over the course of 2020.

Opt-Actions

At the end of 2019, CPA's commercial (Phases 1, 2, and 4) opt-out rate was 6.43%. CPA's commercial customer base has essentially stabilized in terms of number of

accounts. CPA's Residential (Phase 3) opt-out rate is 5.47% and has reached steady state. A summary of opt-action data by jurisdiction is attached.

Total opt-out by load is estimated to be 15.33% reflecting higher opt-out rates among large commercial customers.

CPA intends to revise its opt-out reporting methodology in the coming months to combine mass enrollment opt-out numbers with new move-ins and move-outs to report an overall "participation rate." This will allow staff to better monitor significant changes in customer behavior while controlling for the weekly churn of move-ins, move-outs and other typical account changes.

Customer Service Center Performance

Call center performance has remained steady through January, with call volume slightly higher in January at 3,327 call versus 2,972 calls in December and significantly down from a peak of over 10,000 calls per month in Q3 2019. In January, 98.6% of calls were answered within 60 seconds, and average wait time was 14 seconds.

Contracts Executed in December 2019 Under Executive Director Authority

Clean Energy Counsel was contracted to assist with negotiation Power Purchase Agreements and other energy procurement matters for a not-to-exceed amount of \$114,000.

A list of non-energy contracts executed under the Executive Director's signing authority is attached. The list includes all open contracts as well as all contacts, open or completed, executed in the past 12 months.

Staffing Update

Gabriela Monzon was hired as CPA's Clerk of the Board. With over 10 years of experience in both the legal and municipal clerk fields, she joins the agency from the City of Culver City where she served as a City Clerk Specialist overseeing a variety of records

keeping, meeting and agenda management, and elections tasks. Gabriela also worked in the Clerk's office of the Southern California Association of Governments (SCAG), a multi-jurisdictional body representing 197 local governments across Southern California. Gabriela starts with CPA on February 10.

Events & Community Outreach

VerdeXchange: January 27 – 29, 2020

CPA participated in the 2020 VerdeXchange Conference, which draws several hundred industry professionals and subject matter experts in the water, energy, transportation, and sustainable technology fields. Ted Bardacke, CPA's Executive Director, was featured in the Conference's "Future of Energy Markets" plenary panel session, which also included the Chair of the California Wildfire Safety Advisory Board, the Chair of the California Energy Commission, and a former President of Southern California Edison.

Lunar New Year Festivals: February 1, 2020

CPA's outreach staff participated in community festivals in the San Gabriel Valley this month celebrating the Lunar New Year and reaching CPA's Chinese-speaking customers to provide information on customers' energy rate options.

- Attachments:**
- 1) 2019 Clean Energy RFO Shortlist (Utility Scale)
 - 2) November 2019 Financial Dashboard
 - 3) Customer Opt-Actions Report
 - 4) Non-energy Contracts Executed under Executive Director Authority

2019 Clean Energy RFO – Utility Scale Shortlist

11 projects
4,445,999 MWh / year

NPV Quartile		Online	Technology Type	MW Gen Range	MW Storage Range	Environmental Stewardship	Benefits to DACS	Workforce Development	Project Location	Development Risk Rating	City
1	A	Q4 2021	Solar + Storage	51-100	50-100	Medium	High	High	Medium	High	El Centro
1	B	Q1 2023	Solar + Storage	51-100	50-100	High	Medium	Medium	Medium	High	Jacumba
1	C	Q4 2022	Solar + Storage	51-100	0-49	Neutral	High	High	Medium	High	Lost Hills
1	D	Q4 2022	Solar + Storage	101-200	101-200	Neutral	High	High	Medium	High	Los Banos
1	E	Q4 2023	Solar + Storage	201-400	101-200	Neutral	Neutral	High	Medium	High	Blythe
1	F	Q4 2023	Solar + Storage	51-100	0-49	Neutral	High	High	Medium	Medium	Avenal
1	G	Q4 2023	Solar + Storage	201-400	101-200	Neutral	High	High	Medium	High	Unin. Tulare County
1	H	Q4 2022	Solar + Storage	51-100	50-100	High	High	High	Medium	High	Mettler
2	I	Q3 2021	Solar + Storage	51-100	50-100	Neutral	High	High	Medium	High	Victorville
3	J	Q4 2022	Solar + Storage	51-100	0-49	Neutral	Medium	High	High	High	Unin. LA county and Rosamond
3	K	Q1 2020	Hydro	0-50	NA	Neutral	Medium	Medium	Medium	High	Lemon Cove

2019 Clean Energy RFO – Utility Scale Shortlist

11 projects
4,445,999 MWh / year

	Environmental Stewardship	Benefits to DACS	Workforce Development	Project Location	Development Risk Score
High	20%	70%	90%	10%	90%
Medium	10%	20%	10%	90%	10%
Neutral	70%	10%	NA	NA	NA
Low	0%	0%	0%	0%	0%

*excludes existing projects



Financial Dashboard

Summary of Financial Results

YTD
November
2019

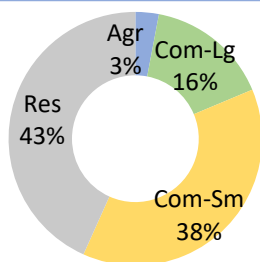
Active Accounts

1,010,000

Opt-Out %

5.3%

YTD Sales Volume
5,132 GWh

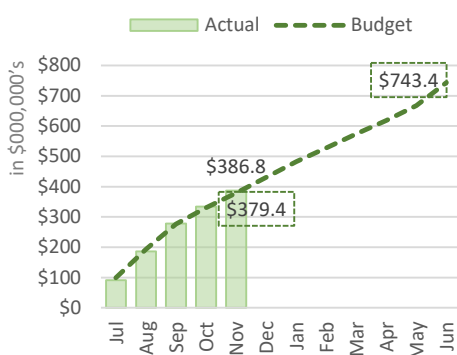


in \$000,000's	November				Year-to-Date			
	Actual	Budget	Variance	%	Actual	Budget	Variance	%
Energy Revenues	\$52.5	\$48.4	\$4.1	9%	386.8	379.4	7.3	2%
Cost of Energy	\$49.6	\$50.6	-\$0.9	-2%	366.9	359.2	7.8	2%
Net Energy Revenue	\$2.8	-\$2.2	\$5.0	230%	19.8	20.2	-0.4	-2%
Operating Expenditures	\$2.0	\$2.0	\$0.0	-2%	9.0	10.6	-1.6	-15%
Net Income	\$0.9	-\$4.2	\$5.1	121%	10.8	9.7	1.1	12%

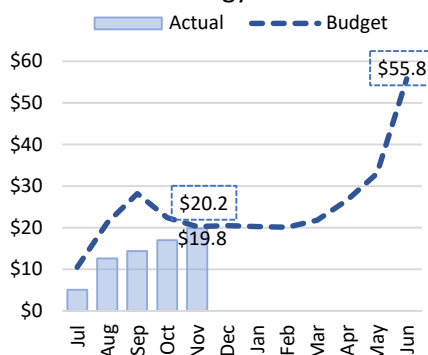
- CPA recorded results for the period that were above budget. The favorable results result primarily from timing differences arising from the sale of congestion revenue rights (CRRs) in the annual auction administered by the California Independent Systems Operator. The sale of CRRs reduced the cost of energy for the month. CRR annual auction results can not be reasonably estimated and CRR sales were spread out over the fiscal year for budgeting purposes. CPA expects to incur congestion costs, which the CRRs are designed to offset, over the course of 2020. Expenditures remain within authorized budget limits. For year-to-date:

- Revenues of \$386.8 million were \$7.3 million or 2% above budgeted revenues. Cost of energy of \$366.9 million was 2% above budgeted energy costs.
- Operating expenditures of \$9.0 million were 15% lower than budgeted primarily due to lower than budgeted staffing, technical and legal costs.
- Net income of \$10.8M was \$1.1 million above budgeted net income of \$9.7M.
- Management believes that available liquidity and bank lines of credit are sufficient for CPA to continue to meet its obligations.

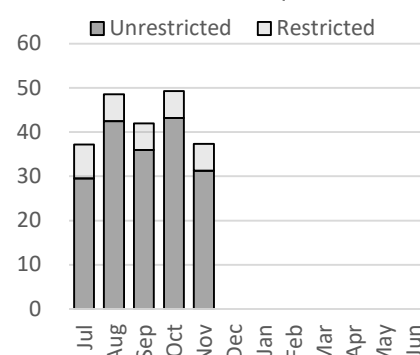
Cumulative Revenue



Net Energy Revenue



Cash & Cash Equivalents



Definitions:

Accounts: Active Accounts represent customer accounts of active customers served by CPA per Calpine Invoice.

Opt-out %: Customer accounts opted out divided by eligible CPA accounts

YTD Sales Volume: Year to date sales volume represents the amount of energy (in gigawatt hours) sold to retail customers

Revenues: Retail energy sales less allowance for doubtful accounts

Cost of energy: Cost of energy includes direct costs incurred to serve CPA's load

Operating expenditures: Operating expenditures include general, administrative, consulting, payroll and other costs required to fund operations

Net income: Net income represents the difference between revenues and expenditures before depreciation and capital expenditures

Cash and Cash Equivalents: Includes cash held as bank deposits.

Year to date (YTD): Represents the fiscal period beginning July 1, 2018

Clean Power Alliance - Residential Customer Status Report - January 27, 2020

		Opt Percentage by City & County				
CPA Cities & Counties	Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
AGOURA HILLS	Lean Power	7,405	0.39%	0.22%	0.00%	6.95%
ALHAMBRA	Clean Power	30,641	0.13%	0.00%	1.06%	2.91%
ARCADIA	Lean Power	19,767	0.13%	0.08%	0.00%	2.91%
BEVERLY HILLS	Clean Power	15,208	0.20%	0.00%	1.36%	1.82%
CALABASAS	Lean Power	9,094	0.20%	0.14%	0.00%	3.51%
CAMARILLO	Lean Power	25,941	0.40%	0.28%	0.00%	8.70%
CARSON	Clean Power	25,185	0.09%	0.00%	0.96%	2.83%
CLAREMONT	Clean Power	11,779	0.50%	0.00%	1.94%	7.51%
CULVER CITY	100% Green Power	16,402	0.00%	1.27%	3.62%	3.94%
DOWNEY	Clean Power	33,990	0.06%	0.00%	1.07%	3.35%
HAWAIIAN GARDENS	Clean Power	3,198	0.03%	0.00%	0.97%	2.28%
HAWTHORNE	Lean Power	25,145	0.13%	0.03%	0.00%	1.64%
LOS ANGELES COUNTY	Clean Power	283,636	0.13%	0.00%	1.31%	3.40%
MALIBU	Clean Power	5,644	0.21%	0.00%	1.61%	3.12%
MANHATTAN BEACH	Clean Power	14,269	0.57%	0.00%	2.24%	3.15%
MOORPARK	Clean Power	11,513	0.31%	0.00%	2.97%	14.28%
OJAI	100% Green Power	3,113	0.00%	1.16%	4.88%	8.74%
OXNARD	100% Green Power	50,700	0.00%	0.47%	2.69%	6.47%
PARAMOUNT	Lean Power	12,851	0.03%	0.02%	0.01%	1.82%
REDONDO BEACH	Clean Power	29,732	0.34%	0.00%	1.76%	2.76%
ROLLING HILLS ESTATES	100% Green Power	2,949	0.00%	2.00%	7.19%	5.93%
SANTA MONICA	100% Green Power	47,998	0.00%	0.70%	3.08%	5.74%
SIERRA MADRE	Clean Power	4,871	0.70%	0.00%	2.05%	4.50%
SIMI VALLEY	Lean Power	41,820	0.15%	0.15%	0.00%	9.67%
SOUTH PASADENA	100% Green Power	10,828	0.00%	0.66%	3.12%	3.93%
TEMPLE CITY	Lean Power	11,681	0.12%	0.06%	0.00%	3.06%
THOUSAND OAKS	100% Green Power	45,559	0.00%	1.80%	7.29%	17.09%
VENTURA	100% Green Power	39,562	0.00%	1.12%	4.12%	10.40%
VENTURA COUNTY	100% Green Power	31,214	0.00%	0.91%	4.83%	11.68%
WEST HOLLYWOOD	100% Green Power	23,375	0.00%	0.46%	1.94%	2.36%
WHITTIER	Clean Power	28,439	0.15%	0.00%	1.45%	4.25%
Total		923,509	0.13%	0.31%	1.95%	5.47%

Opt Percentage by Default Tier					
Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
100% Green Power	271,700	0.00%	0.96%	4.07%	8.71%
Clean Power Power	498,105	0.17%	0.00%	1.38%	3.64%
Lean Power	153,704	0.19%	0.13%	0.00%	5.67%
Total	923,509	0.13%	0.31%	1.95%	5.47%

Clean Power Alliance - Non-Residential Customer Status Report - As of January 27, 2020

Opt Percentage by City & County						
CPA Cities & Counties	Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
AGOURA HILLS	Lean Power	1,582	0.00%	0.00%	0.25%	6.64%
ALHAMBRA	Clean Power	5,007	0.00%	0.00%	0.56%	7.03%
ARCADIA	Lean Power	3,681	0.00%	0.19%	0.00%	3.18%
BEVERLY HILLS	Clean Power	4,431	0.02%	0.00%	0.65%	2.41%
CALABASAS	Lean Power	1,274	0.00%	0.00%	0.00%	8.40%
CAMARILLO	Lean Power	5,165	1.28%	0.17%	0.00%	7.90%
CARSON	Clean Power	4,941	0.00%	0.00%	0.65%	6.48%
CLAREMONT	Clean Power	1,617	0.06%	0.00%	0.93%	5.32%
CULVER CITY	100% Green Power	3,529	0.00%	0.68%	1.62%	4.82%
DOWNEY	Clean Power	4,769	0.00%	0.00%	0.67%	4.17%
HAWAIIAN GARDENS	Clean Power	584	0.00%	0.00%	0.51%	1.03%
HAWTHORNE	Lean Power	4,113	0.00%	0.02%	0.05%	3.19%
LOS ANGELES COUNTY	Clean Power	29,541	0.03%	0.01%	0.79%	3.84%
MALIBU	Clean Power	1,388	4.03%	0.00%	0.07%	4.32%
MANHATTAN BEACH	Clean Power	2,004	4.84%	0.00%	1.00%	4.24%
MOORPARK	Clean Power	1,895	1.06%	0.00%	0.79%	7.28%
OJAI	100% Green Power	828	0.00%	1.57%	4.59%	7.13%
OXNARD	100% Green Power	8,740	0.10%	0.21%	9.15%	8.78%
PARAMOUNT	Lean Power	3,155	0.06%	0.00%	0.00%	4.47%
REDONDO BEACH	Clean Power	4,970	0.00%	0.00%	0.91%	3.24%
ROLLING HILLS ESTATES	Lean Power	528	5.11%	0.19%	0.00%	7.95%
SANTA MONICA	100% Green Power	9,140	0.18%	0.78%	2.89%	6.51%
SIERRA MADRE	Clean Power	515	0.00%	0.00%	2.14%	3.11%
SIMI VALLEY	Lean Power	5,890	0.20%	0.03%	0.00%	6.40%
SOUTH PASADENA	Clean Power	1,422	0.07%	0.00%	1.27%	2.25%
TEMPLE CITY	Lean Power	1,427	0.00%	0.00%	0.00%	1.19%
THOUSAND OAKS	100% Green Power	7,501	0.07%	0.19%	3.73%	13.85%
VENTURA	100% Green Power	8,659	0.01%	1.48%	4.91%	9.54%
VENTURA COUNTY	100% Green Power	7,110	0.08%	1.32%	3.56%	19.40%
WEST HOLLYWOOD	100% Green Power	4,111	0.00%	0.27%	1.82%	3.28%
WHITTIER	Clean Power	4,229	0.00%	0.00%	0.64%	2.96%
Total		143,766	0.23%	0.28%	1.88%	6.43%

Opt Percentage by Default Tier					
Default Tier	Total Eligible Accounts	Opt Up %	Opt Mid %	Opt Down %	Opt Out %
100% Green Power	49,618	0.00%	0.76%	4.42%	10.02%
Clean Power Power	67,313	0.27%	0.00%	0.76%	4.19%
Lean Power	26,835	0.40%	0.07%	0.03%	5.39%
Total	143,766	0.23%	0.28%	1.88%	6.43%

Clean Power Alliance					
Non-energy contracts executed under Executive Director authority Rolling 12 months -- Open contracts shown in Bold					
Vendor	Purpose	Month	NTE Amount	Status	Notes
Clean Energy Counsel	PPA Negotiations/Energy Procurement	January 2019	\$ 114,000	Active	
Omni Government Relations & Pinnacle Advocacy, LLC	Lobbying Services Contract	December 2019	\$ 108,000	Active	
Cameron-Cole, LLC	3rd Party Independent GHG Verification Services	November 2019	\$ 9,000	Active	
CLG Group	Executive Training	November 2019	\$ 15,000	Active	
Elite Edge Consulting	Accounting system evaluation, selection, and implementation	November 2019	\$ 50,000	Active	
Surowski Design + Development	Web Development Services	October 2019	\$ 12,000	Active	
Inventure Recruitment	Ongoing Recruitment Services	October 2019	\$ 120,000	Active	
JLL	Real Estate Brokerage Services	October 2019	NA	Active	Broker to be paid by building owner
Siemens	Integrated Resource Planning for 2020 CPUC IRP Compliance	October 2019	\$ 62,500	Active	25% cost share with 3 other CCAs
Jarvis, Fay & Gibson, LLP	Legal Services Agreement (General Public Law, Commercial Real Estate Leases, and Environmental Matters)	September 2019	\$ 10,000	Active	
Keyes & Fox	Legal Services Agreement (Energy Procurement & Legislative and Regulatory Issues)	September 2019	\$ 25,000	Active	
The Harmon Press	Professional Printing Services	September 2019	\$ 24,000	Active	
The Climate Registry	2018 GHG Reporting	September 2019	\$ 4,000	Active	
Abbot, Stringham and Lynch	2018 CEC Power Source Disclosure Audit	August 2019	\$ 12,400	Completed	
West Coast Mailers	Bulk Mailing Services	August 2019	\$ 20,000	Active	
InterEthnica	Written Translation Services, Typesetting, and Graphic Design in Spanish, Chinese, and Korean.	August 2019	\$ 10,000	Active	
Holland and Hart	NTE increase for NextEra PPA	August 2019	\$ 19,800	Completed	10% increase of original contract NTE of \$18,000

Clean Power Alliance					
Non-energy contracts executed under Executive Director authority					
Rolling 12 months -- Open contracts shown in Bold					
Vendor	Purpose	Month	NTE Amount	Status	Notes
Baker Tilly	FY 2018/2019 Financial Audit	August 2019	\$ 30,000	Completed	
Bill Gurnsey	Subset Customer Outreach	June 2019	\$ 15,000	Active	
E3	TOU Rate Analysis	June 2019	\$ 125,000	Completed	
Manatt Phelps	Legal Services (JPA governance research)	May 2019	\$ 15,000	Active	
Abbot, Stringham and Lynch	Green-E Certification - 100% Green Power Product	May 2019	\$ 6,200	Completed	
Abbot, Stringham and Lynch	AMI Data Audit	April 2019	\$ 13,500	Completed	
SHI International	VPN and SQL Database (IT)	April 2019	\$ 6,500	Completed	
Polsinelli	Legal services (Employment Law)	March 2019	\$ 18,000	Active	
Chapman	Legal services (Credit Agreement)	March 2019	\$ 10,000	Completed	