

**Successor Letter of Intent
Between the City of Coachella and Golden State Energy Services
for
Development of the Energy Infrastructure Project
and Sale-Leaseback to City Utility**

Background

Lamb Energy, Inc., a California corporation (“LEI”) and the City of Coachella (“City”), a California general law city, entered into a Memorandum of Understanding dated October 30, 2017 (“2017 MOU”), pursuant to which LEI agreed to develop proposals for a public private partnership to provide electrical infrastructure and energy for new economic development areas that currently do not have sufficient capacity for electrical service.

Pursuant to that 2017 MOU, LEI through its affiliate, Golden State Energy Services, Inc. (“GSES”), worked over a period of months in coordination with the City and in subsequent discussions with the Imperial Irrigation District (“IID”) to develop a project structure whereby a private developer will build, finance and operate a new substation and distribution grid (“Infrastructure”) to connect the properties in and around the Coachella Industrial Business Park (“Project Area”) to the electrical transmission infrastructure of IID. It was also the intent of the parties to enter into contracts with IID and GSES to purchase and deliver electrical energy to such properties to allow for new industrial and agricultural development. The various transactions and contracts necessary to complete the Infrastructure and provide energy to the Project Area were referred to as the “Project”.

It was further anticipated that the City would form a special tax district to secure the payment of assessments by the owners of the properties within the Project Area to repay the private financing obtained to build the Infrastructure, pay the costs associated with the Project and provide for any compensation payable to the parties participating in the Project. This Project was memorialized in the Letter of Intent between the parties dated February 20, 2018.

Subsequent discussions with IID did not result in acceptable arrangements to deliver energy to the Project of the IID system. As such, the parties desire to reassess the structure of the Project. This successor Letter of Intent between the City and GSES (termed “Parties” for the purposes of this Successor LOI) will serve as a statement of our mutual intent to negotiate and implement the various agreements which are set forth in herein:

Project Structure

The terms and conditions of this Successor Letter of Intent and of the proposed project are as follows:

1. **Project Structure.** The intent of the Parties is that the project will be implemented pursuant to the structure set forth herein. The Parties acknowledge that as the development and implementation of the Project moves forward, it may be necessary or desirable to change certain aspects of the p to respond to legal, regulatory and/or economic issues or changes in circumstances or to respond to issues raised by third parties, and the

Parties will work together cooperatively to accommodate such changes provided that they do not materially change the rights and obligations of the Parties hereunder.

a. Formation of Municipal Utility. It is the City's intent to pass appropriate resolutions and take all other needed actions to establish a municipally-owned electricity enterprise with the requisite legal authorities to serve retail electric needs of retail customers within economic development areas at a minimum, and perhaps in other areas of the City. The City would be the exclusive provider of electric service in all applicable areas and a requirement to take electric service from the City would be a condition of permitting development within the applicable areas.

b. Facilities Construction. GSES will undertake the financing, design, construction and ownership of the all facilities in compliance with all applicable legal requirements. In addition to the utility electrical facilities, a private on-site grid is currently necessary for the project. The private on-site grid in the economic development areas at a minimum and perhaps in other areas will be developed and operated by an affiliate of GSES.

c. Facilities Lease. The Facilities will be leased by the City for a period of thirty (30) years for the purpose of allowing the City to serve the new energy load generated by the Customers. The Facilities lease will set forth all of the obligations of the City with respect to the Facilities.

d. Operation and Maintenance Agreement. The City will contract back with GSES to operate and maintain the Facilities pursuant to an operations and maintenance Agreement.

e. Billing and Collection Services. The City will enter into a billing services agreement with an affiliate of GSES in a form that is reasonably acceptable to the Parties with respect to the billing and collection services to be performed by such affiliate of GSES. The electrical bills to the Customers will include cost components for all elements required to deliver safe, reliable and cost-effective electrical service to the Customers, including additional components for the cost to finance, construct, operate and maintain the facilities and provide a service fee to the City. The designated GSES affiliate will deliver all payments received from the Customers to a designated bank account that will be a lockbox for the payment of all expenses. This lockbox will be held by a federally insured bank that is licensed to do business in the State of California and hold deposits of government entities pursuant to the requirements of the California Government Code. Once payments are deposited in the lockbox, they will be allocated and distributed to GSES (and its affiliates, as applicable), and the City and any other party that is designated by the Parties in accordance with the terms and conditions of a separate agreement. In particular, GSES may give instructions to allocate a portion of applicable fees to one or more lenders to cover debt service. The Parties will work together to coordinate documentation and ensure timely billing cycles.

f. Energy Provider. The City will enter into a power procurement agreement with GSES to procure energy and energy related services to provide power to applicable areas. It is currently anticipated that GSES will arrange for the provision of energy needed to serve the Customers on behalf of the City initially through the installation of on-site generation, followed by the construction and interconnection of the City-owned utility to the applicable transmission provider.

g. Customer Agreements. City will enter into service agreements in a form whereby the customers located in the applicable areas will commit to purchase their energy and energy delivery services exclusively from the City for a period of no less than ten (10) years.

Negotiation of Definitive Agreements and Exclusive Dealing. For a period of 12 months from the date of execution of this Successor Letter of Intent until the earlier of the signing of the all necessary agreements or the termination of this Successor Letter of Intent, City shall not directly, or indirectly, through any representatives or otherwise, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept or consider any proposal of any other person or entity other than GSES, relating to the establishment of and provision of services within City utility.

2. Approvals and Consents. Each Party will be responsible for securing each and every internal or external consent and approval as may be necessary or desirable in order to enable such Party to fully implement and operate the utility contemplated in this Successor Letter of Intent, including without limitation of the foregoing, each and every consent or approval of any regulatory body having jurisdiction.

3. Power and Authority. Each of the Parties hereby represents and warrants to the other Party that it has full power and authority to enter into this Successor Letter of Intent and that, to the extent of the binding provisions hereof, this Successor Letter of Intent is enforceable against such Party in accordance with its terms.

4. City Permits and Approvals. GSES will be required to comply with the regular City permitting process for the design and construction of all facilities. GSES will be responsible for paying all regular permit fees, but the City will not require GSES to reimburse the City for staff time incurred in reviewing and issuing local permits for the Facilities.

5. Project Costs.

(a) It is anticipated that the costs of the establishment of the City utility will ultimately be paid in full from the collection of rates and assessments in connection with the provision of energy service within the utility and that all compensation, including profit, in connection with operation of the utility will derive from such payments.

The City will bear its own costs and expenses in connection with the negotiation of this Successor Letter of Intent and all subsequent agreements and the City will carry out its obligations under those agreements at its own expense, subject to the right to charge energy users within the utility fees or surcharges to recoup administrative costs and expenses associated with its role in the Project. It is understood and agreed that the City will not subsidize the cost of electrical service to the Project Area. The City will not be responsible for any costs incurred by GSES, its partners or affiliates.

6. Termination. Unless extended or terminated by mutual written agreement of the parties, this Letter shall terminate upon the earlier of (a) the execution of all necessary agreements, or by the termination of this Letter by GSES or City at any time after 11:59 p.m. on the last day of the Negotiation Period. Upon such termination, no party shall have any obligation or liability to the other party, except for any breach or violation of the terms of this Successor Letter of Intent as provided herein.

This Letter of Intent may be signed in counterparts, each of which when so signed and delivered by PDF or mail shall be deemed an original, all of which taken together shall constitute one agreement.

If you agree to the foregoing, please return a signed copy of this Successor Letter of Intent to the undersigned at the address set forth above.

Golden State Energy Services, Inc.

By: _____
Name: _____
Title: _____

AGREED AND APPROVED:

City of Coachella

By: _____
Name: _____
Title: _____