

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



March 28, 2016

Advice Letter 4925-G

Ronald van der Leeden
Director, Regulatory Affairs
Southern California Gas
555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011

**SUBJECT: Request for Approval of a Sale of Real Property Pursuant to Public Utilities
Code Section 851 and General Order 173**

Dear Mr. van der Leeden:

Advice Letter 4925-G is effective as of March 10, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957
RvanderLeeden@semprautilities.com

February 9, 2016

Advice No. 4925
(U 904 G)

Public Utilities Commission of the State of California

Subject: Request for Approval of a Sale of Real Property Pursuant to Public Utilities Code Section 851 and General Order 173

Southern California Gas Company (“SoCalGas” or “Utility”) respectfully requests approval from the California Public Utilities Commission (“Commission”) under Public Utilities Code Section 851 (“Section 851”) and General Order (GO) 173 to sell a portion of certain fee-owned, real property (the “Property”) to the City of Santa Clarita, a municipal corporation (“Buyer”) on the terms and conditions set forth in the Purchase and Sale Agreement and Joint Escrow Instructions between SoCalGas and Buyer dated as of [blank date] 2015 (the “Purchase Agreement”), a copy of which is included herein as Attachment A.

SoCalGas believes that the transfer of the Property to Buyer will not affect SoCalGas’ use and operation of any of its other property or facilities, and the transaction will not have any impact on ratebase or affect the ability of the Utility to serve its customers or the public.

Background

SoCalGas owns a fee interest in certain real property in the City of Santa Clarita, California, consisting of approximately 8.73 acres and designated as Los Angeles County Assessor’s Parcel Number 2811-001-801 (the “Original Parcel”). The Original Parcel is located adjacent to the San Francisquito Creek Trail and is used by SoCalGas as an operating base and material storage yard.

Buyer seeks to acquire a fee simple interest over an approximately 10,874 square-foot portion of the Original Parcel described in Exhibit A and depicted in Exhibit B of Attachment B in connection with Buyer’s San Francisquito Creek Trail Americans with Disabilities Act (ADA) Access Ramp Upgrade Project. Buyer made an offer to acquire the Property from SoCalGas pursuant to the California eminent domain statutes. In lieu of

condemnation, SoCalGas and Buyer have negotiated a voluntary purchase and sale of the Property.

The Property is part of a larger storage yard used by SoCalGas for the storage of pipes, fittings, and other materials. The Property is minimally improved with gravel paving, chain link fencing, and irrigated landscaping. There are no building improvements on the Property. SoCalGas has determined that the materials stored on the Property can be relocated onto the remaining storage yard portion of the Original Parcel. The sale and transfer of the Property will not have an adverse effect on the public interest or the ability of SoCalGas to provide safe and reliable service to its customers at reasonable rates.

Information Required under Rules 3 and 4 of GO 173

A. Rule 3 – Requirements

SoCalGas is permitted to file this Advice Letter seeking Commission approval under Section 851 because the company believes it has satisfied the eligibility requirements set forth in Rule 3 of GO 173 as follows:

3a. The activity proposed in the transaction will not require environmental review by the Commission as Lead Agency under California Environmental Quality Act (CEQA).

SoCalGas believes this transaction is not a “project” under CEQA pursuant to CEQA Guidelines Section 15378. If, however, the Commission were to determine this transaction is a project under CEQA, then SoCalGas believes that the Categorical Exemption set forth in CEQA Guidelines Section 15061(b)(3) applies. No other governmental agency is a CEQA lead or CEQA responsible agency for purposes of this transaction, and SoCalGas is not aware of any other discretionary or ministerial permits required in order to complete the transfer of the Property.

3b. The transaction will not have an adverse effect on the public interest or on the ability of the utility to provide safe and reliable service to customers at reasonable rates.

The Property is a small portion of a larger 380,279 square-foot parcel. The Property contains minimal improvements and a minimal amount of stored materials. The materials stored on the Property can be relocated onto the larger, remaining storage yard of the Original Parcel. No building or site improvements on the Original Parcel will be affected by the transaction.

3c. Any financial proceeds from the transaction will be either booked to a memorandum account for distribution between shareholders and ratepayers during the next general rate case or be immediately divided between shareholders and ratepayers based on a specific distribution formula previously approved by the Commission for that utility.

The financial proceeds received by SoCalGas from the sale of the Property will be handled in accordance with the policy for the allocation of gains and losses on the sale of Utility assets adopted in the Commission's Gain on Sale Rulemaking in Decision (D.) 06-05-041. SoCalGas will credit the ratepayer's 67% allocation of the gain on sale to the Gain/Loss on Sale Memorandum Account. The gain is computed as the net proceeds received from the sale of the Property, less the acquisition cost of the Property and income taxes (i.e., at the combined federal and statutory income tax factor) on the sales transaction.

3d. If the transaction results in a fee interest transfer of real property, the property does not have a fair market value in excess of \$5 million.

The purchase price for the Property of \$134,000, as set forth in the Purchase Agreement, represents the fair market value as negotiated between SoCalGas and the Buyer after each party had the Property independently appraised. Buyer made an offer of \$127,000 based upon an appraisal performed by an independent certified general real estate appraiser in accordance with California eminent domain statutes. SoCalGas obtained a separate, independent MAI appraisal, which concluded a value of \$141,400. Buyer and Seller agreed to split the difference between the two appraisals to arrive at the purchase price of \$134,000.

3e. If the transaction results in a sale of a building, the building does not have a fair market value in excess of \$5 million.

Not applicable. The Property is unimproved.

3f. If the transaction is for the sale of depreciable assets, the assets do not have a fair market value in excess of \$5 million.

Not applicable. The transaction does not include the sale of depreciable assets.

3g. If the transaction is a lease or a lease-equivalent, the total net present value of the lease payments, including any purchase option, does not have a fair market value in excess of \$5 million, and the term of the lease will not exceed 25 years.

Not applicable. The transaction does not involve a lease or lease-equivalent.

3h. If the transaction conveys an easement, right-of-way, or other less than fee interest in real property, the fair market value of the easement, right-of-way, or other interest in the property does not exceed \$5 million.

Not applicable. The transaction does not involve the conveyance of an easement, right-of-way, or other less than fee interest in real property.

3i. The transaction will not materially impact the ratebase of the utility.

This transaction will not impact the SoCalGas ratebase, given the relatively nominal asset value of the Property.

3j. If the transaction is a transfer or change in ownership of facilities currently used in regulated utility operations, the transaction will not result in a significant physical or operational change in the facility.

Not applicable. The Property is not currently used in regulated Utility operations.

3k. The transaction does not warrant a more comprehensive review that would be provided through a formal Section 851 application.

Given the relatively nominal value and the lack of impact to the Original Parcel and its operations, this transaction does not warrant a more-comprehensive review under Section 851. Moreover, this transaction is typical of transaction for which GO 173 was developed.

A. Rule 4 – Requirements

Rule 4 of GO 173 requires that the following information be included in this submission:

4a. Identity and addresses of all parties to the proposed transaction.

“SoCalGas”

Southern California Gas Company
555 W. Fifth Street
Los Angeles, CA 90013

“Buyer”

City of Santa Clarita, a municipal corporation
23920 Valencia Blvd., Suite 120
Santa Clarita, CA 91355

4b. A complete description of the property, including its present location, condition, and use.

The Property consists of 10,874 square feet of minimally improved real property in the City of Santa Clarita, County of Los Angeles, California. A complete legal description of the Property is set forth in Exhibit A and Exhibit B of the Purchase Agreement included herewith as Attachment B.

4c. *The transferee's intended use of the property.*

Buyer seeks to acquire the Property in connection with Buyer's San Francisquito Creek Trail ADA Access Ramp Upgrade Project. Buyer will be widening and realigning the existing bike path adjacent to the Property that connects Newhall Ranch Road to the San Francisquito Creek Trail.

4d. *A complete description of the financial terms of the proposed transaction.*

Buyer shall pay SoCalGas a total purchase price of \$134,000, of which \$5,000 has been placed on deposit in escrow. Buyer is to pay for all closing and escrow costs, as more particularly set forth in the Purchase Agreement.

4e. *A description of how the financial proceeds of the transaction will be distributed.*

The financial proceeds received by SoCalGas from the sale of the Property will be handled in accordance with the policy for the allocation of gains and losses on the sale of gas distribution assets adopted in the Commission's Gain on Sale Rulemaking in D.06-05-041. SoCalGas will credit the ratepayer's 67% allocation of the gain on sale to the Gain/Loss on Sale Memorandum Account. The gain is computed as the net proceeds received from the sale of the Property, less the acquisition cost of the Property and income taxes (i.e., at the combined federal and statutory income tax factor) on the sales transaction.

4f. *A statement on the impact of the transaction on ratebase and any effect on the ability of the utility to serve customers and the public.*

The Property is a small portion of a larger 8.73-acre parcel. The Property contains minimal improvements and a minimal amount of stored materials. The materials stored on the Property can be relocated onto the larger, remaining storage yard of the Original Parcel. No building or site improvements on the Original Parcel will be affected by the transaction. Moreover, the Property has a relatively nominal asset value, as reflected in the purchase price. Accordingly, the transaction will not have any impact on ratebase and will not have any effect on the ability of the Utility to serve its customers or the public.

4g. *For sales of real property and depreciable assets, the original cost, present book value, and present fair market value, and a detailed description of how the fair market value was determined (e.g., appraisal).*

Based upon the original cost and current book value of the Original Property, the proportionate original cost and current net book value of the Property is \$4,502. The purchase price for the Property of \$134,000, as set forth in the Purchase Agreement, represents the fair market value as negotiated between SoCalGas and the buyer after each party had the Property independently appraised. Buyer made an offer of \$127,000 based upon an appraisal performed independent certified

general real estate appraiser in accordance with California eminent domain statutes. SoCalGas obtained a separate, independent MAI appraisal, which concluded a value of \$141,400. Buyer and Seller agreed to split the difference between the two appraisals to arrive at the purchase price of \$134,000.

4h. For leases of real property, the fair market rental value, a detailed description of how the fair market rental value was determined, and any additional information necessary to show compliance with Rule 3(g) above.

Not applicable. The transaction does not involve a lease.

4i. For easements or rights-of-way, the fair market value of the easement or right-of-way and a detailed description of how the fair market value was determined.

Not applicable. The transaction does not involve an easement or right-of-way.

4j. A complete description of any recent past (within the prior two years) or anticipated future transactions that may appear to be related to the present transaction, such as sales or leases of interests in the same real property or real property that is located near the property at issue or that are being transferred to the same transferee; or for depreciable assets, sales of similar assets or sales to the same transferee.

There are no recent past or anticipated future transactions that may appear to be related to the sale of the Property.

4k. Sufficient information and documentation (including environmental documentation) to show that all of the eligibility criteria stated in Rule 3 above have been met.

As set forth above, SoCalGas believes that all applicable eligibility criteria stated in Rule 3 have been satisfied.

4l. The filing utility may submit additional information to assist in the review of the advice letter, including recent photographs, scaled maps, drawings, etc.

Please see the Purchase and Sale Agreement executed between SoCalGas and Buyer dated [blank date] 2015, a copy of which included herein as Attachment A.

4m. Environmental Information: If the applicant believes that the transaction is not a Project under CEQA, the applicant shall include an explanation of its position.

SoCalGas believes this transaction is not a “project” under CEQA pursuant to CEQA Guidelines Section 15378. If, however, the Commission were to determine this transaction is a project under CEQA, then SoCalGas believes that the Categorical Exemption set forth in CEQA Guidelines Section 15061(b)(3) applies. No other governmental agency is a CEQA lead or CEQA responsible agency for purposes of this transaction, and SoCalGas is not aware of any other discretionary or ministerial permits required in order to complete the transfer of the Property.

Protest

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received within 20 days of the date of this advice letter, which is February 29, 2016. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is given below.

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Tariff Manager – GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-mail: snewsom@SempraUtilities.com

For questions, please contact Michelle Meghrouni at (213) 244-4809 or by electronic mail at: mmeghrouni@semprautilities.com.

Effective Date

SoCalGas believes that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. SoCalGas respectfully requests that this filing be approved on March 10, 2016, which is 30 calendar days from the date filed.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387.

Ronald van der Leeden
Director- Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4925

Subject of AL: Request for Approval of a Sale of Real Property Pursuant to Public Utilities Code Section 851 and General Order 173

Keywords (choose from CPUC listing): Section 851

AL filing type: Monthly Quarterly Annual One-Time Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

None

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: 3/10/16

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Service affected and changes proposed¹: See Advice Letter

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
Los Angeles, CA 90013-1011
SNewsom@semprautilities.com
Tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A

Advice No. 4925

Purchase Agreement

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

This Purchase and Sale Agreement and Joint Escrow Instructions (this "**Agreement**"), dated as of _____, 2015, is between Southern California Gas Company, a California corporation ("**Seller**"), and the City of Santa Clarita, a municipal corporation ("**Buyer**"). Buyer and Seller shall sometimes be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

- A. Seller owns certain land located in the City of Santa Clarita, California, consisting of approximately 8.73 acres ("**Original Parcel**") and designated as Los Angeles County Assessor's Parcel Number 2811-001-801.
- B. Seller has agreed to sell to Buyer, and Buyer has agreed to purchase from Seller, an approximately 10,874 square foot portion of the Original Parcel described in Exhibit A and depicted on Exhibit B attached hereto and made a part hereof (the "**Property**"), subject to and on the terms and conditions set forth below.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. Effectiveness of Agreement.

- (a) Not more than two (2) Business Days after Buyer and Seller shall have executed this Agreement, Buyer and Seller shall each deposit two (2) original executed counterparts of this Agreement with Escrow Holder (as defined in Section 4(a) below). As used in this Agreement, the term "**Business Day**" or "**Business Days**" means any day other than a Saturday, Sunday, day on which the Escrow Holder is closed for business, or day designated by the federal government or the State of California as a holiday.
- (b) This Agreement shall be effective as of the date that this Agreement shall have been duly executed and delivered to Escrow Holder by Buyer and Seller. The date that this Agreement becomes effective in accordance with this Section 1(b) shall be referred to herein as the "**Effective Date**".

2. Purchase and Sale.

Seller hereby agrees to sell and convey to Buyer, and Buyer hereby agrees to purchase from Seller, subject to the terms and conditions set forth in this Agreement, the Property.

3. Purchase Price.

- (a) The purchase price for the Property shall be One Hundred Thirty-Four Thousand and No/100 Dollars (\$134,000.00) ("**Purchase Price**"), subject to any prorations or adjustments to the Purchase Price made in accordance with this Agreement.

(b) Buyer shall pay the Purchase Price as follows:

- (i) Within five (5) Business Days after the Effective Date, Buyer shall deposit Five Thousand and No/100 Dollars (\$5,000.00) (together with all interest earned thereon, the "**Deposit**"), in immediately available funds, with Escrow Holder. Escrow Holder shall place the Deposit into an interest-bearing account for the benefit of Buyer. The Deposit shall be non-refundable to Buyer except as otherwise expressly set forth in this Agreement, including, but not limited to, as set forth in Sections 5(d)A, 5(h), 6(c) and 16. Any interest accrued shall be applied to the Purchase Price at Closing.
- (ii) At or prior to the Closing, Buyer shall deposit, in immediately available funds, with Escrow Holder an amount, which when combined with the amount of the Deposit, is equal to the Purchase Price, plus any amount required to pay closing costs required to be paid by Buyer in accordance with this Agreement.

4. Escrow.

- (a) By this Agreement, Buyer and Seller hereby establish an escrow with Golden State Escrow, Inc., located at 1421 E. Cooley Ave, Colton, CA ("**Escrow Holder**") to effect the transactions contemplated in this Agreement (the "**Escrow**"). The Escrow shall be opened upon Escrow Holder's receipt of Buyer's and Seller's original executed counterparts of this Agreement in accordance with Section 1(a) above. Upon receipt of Buyer's and Seller's original executed counterparts of this Agreement, Escrow Holder shall complete the "**Escrow Holder's Receipt of Purchase and Sale Agreement**" at the end of this Agreement, confirming receipt of Buyer's and Seller's counterparts to this Agreement and setting forth the Effective Date and the date of the Scheduled Closing, and shall deliver to each of Buyer and Seller one (1) copy of the fully executed Agreement. Upon receipt of the Deposit, Escrow Holder shall complete the "**Escrow Holder's Receipt of Deposit**" at the end of this Agreement, confirming receipt of the Deposit, and shall deliver to each of Buyer and Seller one (1) copy of the fully executed Agreement.
- (b) Escrow Holder shall administer the Escrow in accordance with this Agreement and any additional joint escrow instructions executed with Escrow Holder by Seller and Buyer to effect the transactions contemplated in this Agreement (as the same may be supplemented or amended from time to time, the "**Supplemental Escrow Instructions**").
- (c) Not less than five (5) Business Days prior to the Scheduled Closing as defined in Section 9, Escrow Holder shall promptly prepare and deliver to Seller and Buyer a settlement statement, reflecting the allocation of the Purchase Price and any other monies owed by Buyer and Seller (the "**Settlement Statement**").
- (d) Upon (i) Seller's and Buyer's written approval of the Settlement Statement, (ii) confirmation from Seller that all of Seller's conditions precedent set forth in Section 7 below have been satisfied, and (iii) confirmation from Buyer that all of Buyer's conditions precedent set forth in Section 8 below have been satisfied, Escrow Holder shall disburse the Purchase Price in accordance with the approved Settlement

Statement and record the Deed (as defined in Section 8(a)(i) below) in the Official Records. Escrow Holder shall deliver to each of Seller and Buyer a conformed copy of the recorded Deed as soon as practicable after the Deed is recorded in the Official Records. Escrow shall be closed upon the recordation of the Deed in the Official Records (the "Closing").

5. Title Review.

- (a) Within ten (10) days after the Effective Date, Buyer shall obtain from Title Company, at Buyer's sole cost and expense, preliminary reports setting forth the matters affecting the title to the Property, together with legible copies of any recorded documents relating to such matters (collectively, the "Title Reports").
- (b) During the period after the Effective Date through the earlier to occur of (i) the Closing, or (ii) the termination of this Agreement, Seller (A) shall not cause or permit any mechanic's or materialman's liens to be filed against the Property arising from any work, services or materials contracted by or at the direction of or for the benefit of Seller, (B) shall not, without the prior written consent of Buyer, which may be granted or withheld in Buyer's reasonable discretion, sell, convey, grant or assign to any other party or materially amend any easement, servitude, lease, option, license, covenant, condition, restriction, profit, mortgage, deed of trust, security instrument, lien, hypothecation or encumbrance affecting the Property or any interest therein, on or off record (each, an "Encumbrance"), and (C) shall not, without the prior written consent of Buyer, which may be granted or withheld in Buyer's reasonable discretion, enter into any contract or agreement regarding the sale, operation, management, repair, development or improvement of the Property or any other matter affecting the Property, which would be binding on Buyer or the Property.
- (c) With respect to any title exception or condition affecting the Property, Buyer may deliver to Seller a written notice of exception ("Title Objection Notice") by the later of (i) the date that is twenty (20) days after Buyer's receipt of the Title Reports, or (ii) the date that is five (5) Business Days after receipt of actual notice of any additional title exception. If Buyer shall have delivered to Seller any Title Objection Notice with respect to any title exception, then within five (5) Business Days after receipt of the Title Objection Notice, Seller shall deliver to Buyer a response to the Title Objection Notice, stating either that (A) Seller shall cure such title exception at or prior to Closing and provide Buyer with evidence satisfactory to Buyer that such title exception shall be removed from title as of or prior to the Closing, or (B) Seller shall not cure such title exception. If Seller fails to deliver to Buyer any response to the Title Objection Notice within five (5) Business Days after receipt of the Title Objection Notice, then Seller shall be conclusively deemed to have elected not to cure such title exception.
- (d) If Seller is obligated or has elected to cure any title exception under this Section 5, but fails to cure such title exception at or prior to the Scheduled Closing, or if Seller has elected not to cure any title exception under Section 5(c)(B) above, then Buyer may elect, in its sole discretion, by delivery of written notice to Seller and Escrow Holder, to either (A) terminate this Agreement, in which case Escrow Holder shall promptly refund the Deposit to Buyer, and neither Seller nor Buyer shall have any further rights or obligations under this Agreement, other than those obligations that survive the expiration or earlier termination of this Agreement, or (B) proceed to the

Closing in accordance with this Agreement without any reduction in the Purchase Price.

- (e) Upon the Closing, Buyer shall obtain from the Title Company, at Buyer's sole cost and expense, a CLTA Owner's Policy of Title Insurance, in the full amount of the Purchase Price, showing good and marketable fee simple title to the Property, subject only to the Permitted Exceptions and any other standard printed policy terms, conditions and exclusions registered by the Title Company with the State of California for inclusion in an owner's policy of title insurance (the "**Title Policy**").
- (f) The term "**Permitted Exceptions**" shall mean, collectively, all title exceptions affecting the Property with respect to which Buyer, after receiving actual notice of such title exception, either failed to deliver a Title Objection Notice, or having delivered a Title Objection Notice, subsequently waived in writing any objection. At the Closing, Seller shall convey to Buyer good and marketable fee simple title to the Property, subject only to the Permitted Exceptions.
- (h) Notwithstanding anything to the contrary contained in this Agreement, Buyer hereby acknowledges that the Property is currently encumbered by that certain First Mortgage Indenture, dated as of October 1, 1940, as subsequently amended and/or supplemented, as each of the same may have been recorded in Official Records of Los Angeles County, California, (the "**Trust Indenture**"). The successor and current trustee under the Trust Indenture is U.S. Bank National Association, a corporation "**Trustee**"). Buyer and Seller hereby acknowledge and agree that the release of the Property from the lien of the Trust Indenture is a condition precedent to the consummation of the purchase and sale of the Property in accordance with this Agreement. Seller shall use reasonable efforts to obtain a release from the Trustee of the fee interest in the Property from the lien of the Trust Indenture prior to Closing; provided, however, Seller shall have no obligation to seek such release unless and until Buyer has completed its Due Diligence and this Agreement has not otherwise terminated pursuant to any express provisions therefor. Buyer and Seller hereby agree that if the Seller is not able to obtain such release prior to Closing, this Agreement shall automatically and immediately terminate without the need for any further action by Buyer or Seller, in which case Escrow Holder shall promptly refund the Deposit to Buyer, and Buyer and Seller shall have no further obligations to each other under this Agreement, except those obligations that, by their terms survive the termination of this Agreement. If Seller receives actual notice that the Trustee has denied the request for release, then Seller shall promptly deliver written notice of such denial to the Buyer, provided that the delivery of such written notice shall not be a prerequisite to the termination of this Agreement. Buyer and Seller hereby agree that the failure of the Trustee to approve the release and the resulting termination of this Agreement and subsequent failure to consummate the purchase and sale of the Property in accordance with this Agreement shall not constitute either a Seller Default or a Buyer Default under this Agreement.

6. Due Diligence / Condition of Property.

- (a) During the period commencing on the Effective Date and expiring as of 5:00 p.m. Pacific time on the date that is five (5) days after the Effective Date (the "**Due Diligence Period**"), Buyer and Buyer's employees, agents, representatives,

contractors and their respective successors and assigns ("**Buyer Representatives**") may, upon reasonable notice to Seller, enter the Property to perform such reports, inspections, tests, analyses, review, studies, audits and inquiries regarding the Property that Buyer deems necessary or desirable (collectively, the "**Due Diligence**"), and Seller shall have the right (but not the obligation) to be present or have a representative present while such Due Diligence is being conducted. Buyer shall promptly repair any damage to the Property caused by the performance of such Due Diligence by Buyer during the Due Diligence Period. Buyer shall comply with any and all applicable laws, ordinances, codes, statutes, rules, regulations, orders, decisions, decrees, permits, edicts and directives issued by any governmental authority ("**Applicable Laws**") in the performance of the Due Diligence. Buyer will indemnify, defend and hold Seller harmless against any and all losses, liabilities, claims, demands, damages, causes of action, liens, obligations, fines, penalties, costs and expenses (including but not limited to all investigation costs and reasonable consulting, engineering, in-house or outside attorney's fees or other professional fees (collectively, "**Claims**") arising from Buyer's entry on the Property to perform its Due Diligence.

- (b) Insurance. During the Due Diligence Period, Buyer shall, at its sole expense, maintain in effect the following minimum insurance coverages to protect Seller and Buyer from Claims arising out of Buyer's or the Buyer Representatives' presence within or use of the Property: (a) comprehensive occurrence form commercial general liability insurance, insuring against liability arising from bodily injury, property damage, personal and advertising injury, independent contractors liability, products and completed operations and contractual liability, with limits of not less than One Million Dollars (\$1,000,000) per occurrence and not less than Two Million Dollars (\$2,000,000) in the aggregate, for bodily injury, death and property damage; (b) workers' compensation insurance and employer's liability insurance in accordance with statutory requirements; and (c) automobile liability insurance, insuring against liability for damages because of bodily injury, death, or damage to property, (including loss of use thereof), and occurring in any way related to the use, loading or unloading of any of Buyer's automobiles (including owned, non-owned, leased, rented and/or hired vehicles), with a combined single limit per occurrence of not less than Five Million Dollars (\$5,000,000). Prior to any entry into the Property by Buyer or the Buyer Representatives, Buyer shall deliver to Seller policies or certificates evidencing such insurance coverages, naming Seller and its parent company, Sempra Energy, and its subsidiaries, affiliates and their respective officers, directors, employees, agents, representatives, successors and assigns as additional insureds and providing that such insurance coverages may not be modified or terminated except upon not less than thirty (30) calendar days prior written notice to Seller and containing severability of interest and cross-liability clauses. The required policies, and any of Buyer's policies providing coverage excess of the required policies, shall provide that the coverage is primary for all purposes and Buyer shall not seek any contribution from any insurance or self-insurance maintained by Seller and shall contain a waiver of subrogation in favor of Seller. All required policies of insurance shall be written by companies having an A.M. Best rating of "A-, VII" or better, or equivalent. Buyer shall be solely responsible for any deductible or self-insured retention on insurance required hereunder this Agreement.
- (c) As of or prior to the expiration of the Due Diligence Period, Buyer shall deliver to Seller written notice either (i) approving the results of the Due Diligence (an

“Approval Notice”), in which case Buyer and Seller shall proceed with the Closing, or (ii) disapproving the results of the Due Diligence, in which case this Agreement shall be terminated, and Escrow Holder shall promptly refund the Deposit to Buyer, and neither Party shall have any further rights or obligations under this Agreement, except those obligations that survive the expiration or termination of this Agreement. If Buyer fails to deliver an Approval Notice at or prior to the expiration of the Due Diligence Period, then Buyer shall be conclusively deemed to have disapproved the results of the Due Diligence and to have elected to terminate this Agreement.

7. Seller's Conditions Precedent. The following shall be conditions precedent to Seller's obligation to proceed with the Closing and consummate the sale of the Property in accordance with this Agreement:
- (a) Seller shall have received confirmation from Escrow Holder that Escrow Holder has received all of the following from Buyer:
 - (i) The Deposit, together with the remainder of the Purchase Price;
 - (ii) One (1) copy of the Settlement Statement, duly approved by Buyer,
 - (iii) Two (2) originals of a preliminary change in ownership statement as required under the California Revenue and Taxation Code, duly executed by Buyer;
 - (iv) Three (3) original counterparts of the Supplemental Escrow Instructions, if any, duly executed by Buyer;
 - (v) Such additional documents as may be reasonably requested by Seller or Escrow Holder to consummate the transactions contemplated in this Agreement.
 - (b) Seller shall have obtained approval from the California Public Utilities Commission (the “CPUC”) for the sale of the Property, as more particularly described in Section 14 below (the “CPUC Approval”).
 - (c) Buyer shall have performed, in all material respects, all covenants and obligations to be performed by Buyer at or prior to the Closing in accordance with this Agreement.
 - (d) Buyer's representations and warranties set forth this Agreement shall be true and correct as of the Closing Date, as if made on the Closing Date.
8. Buyer's Conditions Precedent. The following shall be conditions precedent to Buyer's obligation to proceed with the Closing and consummate the sale of the Property in accordance with this Agreement:
- (a) Buyer shall have received confirmation from Escrow Holder that Escrow Holder has received all of the following from Seller:

- (i) One (1) original grant deed ("Deed") in the form attached hereto as Exhibit C, duly executed by Seller and properly notarized;
 - (ii) One (1) copy of the Settlement Statement, duly approved by Seller;
 - (iii) An original of a preliminary change in ownership statement as required under the California Revenue and Taxation Code, duly executed by Seller;
 - (iv) An original counterpart of the Supplemental Escrow Instructions, if any, duly executed by Seller and;
 - (v) Such additional documents as may be reasonably requested by Buyer or Escrow Holder to consummate the transactions contemplated in this Agreement.
- (b) Seller shall have performed, in all material respects, all covenants and obligations to be performed by Seller at or prior to the Closing in accordance with this Agreement.
 - (c) Seller's representations and warranties set forth in this Agreement shall be true and correct as of the Closing Date, as if made on the Closing Date.
 - (d) Buyer shall have approved the title matters affecting the Property and received confirmation that the Title Company is irrevocably committed to issue the Title Policy in accordance with Section 5 above.

9. Closing of Escrow.

- (a) Subject to the satisfaction of all of Seller's conditions precedent set forth in Section 7 above and Buyer's conditions precedent set forth in Section 8 above, Buyer and Seller shall use diligent good faith efforts to cause the Closing to occur no later than 5:00 p.m. Pacific Time on or before the date that is seventy-five (75) days after the Effective Date (the "**Scheduled Closing**"), provided, however, that the Scheduled Closing may be postponed as follows: (i) if, as of the Scheduled Closing, all of Seller's conditions precedent set forth in Section 7 of this Agreement shall have been satisfied, but any of Buyer's conditions precedent set forth in Section 8 of this Agreement shall not have been satisfied for any reason other than the fault of Buyer, then Buyer may elect to postpone the Closing for a reasonable period of time not to exceed ten (10) Business Days in order to permit Buyer's conditions precedent set forth in Section 8 of this Agreement to be satisfied, (ii) in order for Seller to obtain the release of the Property from the lien of the Trust Indenture as contemplated by Section 5(h) above, or (iii) upon the mutual written agreement of the Parties.
- (b) Buyer shall pay the following closing costs at the Closing:
 - (i) One hundred percent (100%) of the portion of the premium for the Title Policy that is equal to the premium for a California Land Title Association Owner's Title Policy insuring the Property in the full amount of the Purchase Price;
 - (ii) One hundred percent (100%) of all customary expenses due to Escrow Holder in connection with the Escrow, including but not limited to charges for the preparation, acknowledgment and recordation of documents necessary to effect

the transactions contemplated in this Agreement and implement any Supplemental Escrow Instructions (collectively, "Escrow Fees");

- (iii) One hundred percent (100%) of all customary expenses due in connection with the acknowledgment and recordation of documents necessary to effect the transactions contemplated in this Agreement (collectively, "Recordation Fees");
 - (iv) One hundred percent (100%) of the cost of any surveys needed in connection with the sale and purchase of the Property and;
 - (v) One hundred percent (100%) of any documentary transfer taxes assessed in connection with the transactions contemplated in this Agreement; and
- (c) Seller shall be responsible for all *ad valorem* taxes and assessments on the Property attributable to any period up through and including the Closing. Buyer shall be responsible for all *ad valorem* taxes and assessments on the Property attributable to any period from and after the Closing. Each of Buyer and Seller shall pay through Escrow its pro-rata share of such *ad valorem* taxes and assessments for the current tax fiscal year. Any other taxes or assessments imposed on the Property for a fixed period that includes the date of the Closing shall be prorated between Buyer and Seller depending on the portion of the applicable period during which each will own the Property. Escrow Holder shall prorate all taxes and assessments on a 365-day basis. Buyer shall pay any supplemental real property taxes levied on the Property as a result of the change of ownership of the Property effected by the sale of the Property by Seller to Buyer. All installments of any bond or assessment that constitutes a lien on the Property at the Closing shall be assumed by Buyer.

10. Seller's Representations and Warranties.

- (a) Seller hereby makes the following representations and warranties as of the Effective Date and as of the Closing (or if made as of a specific date, as of such specific date):
 - (i) Ownership; Power; Authority. Seller owns the fee simple interest in the Property. Seller is a corporation, duly organized under the laws of the State of California, authorized to conduct business in California, and has the requisite right, power and authority to execute, deliver and perform the terms and conditions of this Agreement and to consummate the transactions contemplated in this Agreement. Seller has taken all actions necessary to authorize the execution, delivery and performance of the terms and conditions of this Agreement and all other documents and agreements to be executed and/or delivered in connection with or pursuant to this Agreement. The performance by Seller of Seller's obligations and responsibilities under this Agreement will not violate or constitute a default under the terms and provisions of any material agreement, document or instrument to which Seller is a party or by which Seller or the Property is bound or affected. All proceedings required to be taken by or on behalf of Seller to authorize Seller to execute, deliver and perform the terms and conditions of this Agreement have been duly and properly taken. No further consent of any person or entity is required in connection with the execution and delivery of, or performance by Seller of its obligations under this Agreement.
 - (ii) Enforceability. This Agreement and all other documents and agreements to be

executed and/or delivered in connection with or pursuant to this Agreement constitute or shall constitute the valid and binding obligation of Seller, enforceable against Seller in accordance with their terms, except as such enforcement may be limited by (A) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other Applicable Laws affecting or relating to the rights of creditors generally, or (B) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.

- (iii) Foreign Person. Seller is not a "foreign person" as defined in Section 1445 of the United States Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.
- (iv) Applicable Laws. To the best of Seller's knowledge, Seller has not received any notice from any governmental authority of any violation of any Applicable Law affecting the Property.
- (v) No Litigation, Bankruptcy, Condemnation or Special Assessment Proceedings. There is no litigation pending or, to the best of Seller's knowledge, threatened, against Seller that arises out of the ownership of the Property or that might affect the value or use or development of the Property or the ability of Seller to perform Seller's obligations under this Agreement. There are no voluntary or involuntary bankruptcy proceedings pending or, to the best of Seller's knowledge, involuntary bankruptcy proceedings threatened, against Seller, and Seller is not currently subject to any bankruptcy order or judgment affecting the Property. There are no condemnation, zoning or other land use regulation proceedings or special assessment proceedings pending or, to the best of Seller's knowledge, threatened, with respect to the Property.
- (vi) No Violation of Environmental Law/Storage Tanks. To the best of Seller's knowledge, (A) there are no environmental proceedings pending or, to the best of Seller's knowledge, threatened, with respect the Property, (B) Seller has not received actual notice from any governmental Authority of any violation of Environmental Law (as defined below) with respect to the Property, and (C) there are no underground storage tanks located within the Property.
- (vii) Permits and Approvals. The Property has received all approvals and permits that are required for its current operation, in accordance with Applicable Laws. Seller has not received actual notice from any Governmental Authority of any violation of any permit or approval with respect to the Property.
- (viii) Due Diligence Materials. To the best of Seller's knowledge, any Due Diligence Materials delivered by Seller to Buyer pursuant to this Agreement are complete and correct copies. Seller makes no representation or warranty as to the content or accuracy of any Due Diligence Materials that were prepared by third parties for Seller's use.
- (ix) Brokers' Commissions. Seller has not entered into any agreement or taken any action that will result in any obligation to pay any brokerage, finder's fee or similar commission in connection with the purchase and sale of the Property as

contemplated in this Agreement.

- (b) As used herein, the phrase "Seller's knowledge" will be limited to the actual knowledge of Martha Solano, without duty of inquiry or investigation into the matter so qualified. "Seller's knowledge" will not be construed to refer to the knowledge of any other agent or employee or principal of Seller. Martha Solano will have no personal liability to Buyer for any breach of any representations or warranties in this Agreement.
- (c) The representations and warranties contained herein shall survive the execution and delivery of the Deed and the Closing for a period of eighteen (18) months and shall be deemed to have been made again at Closing as a condition to the Closing. If Buyer fails to provide written notice to Seller of any breach of a representation or warranty contained in this Section 10 within the period set forth in this Section 10 for survival of such representation or warranty, Buyer will be deemed to have waived all claims for breach of such representation or warranty.
- (d) As used in this Section 10, "**Environmental Law**" shall mean any Applicable Law relating to: (a) air emissions or the storage, use, release, generation, treatment, storage or disposal of hazardous or toxic wastes, wastewater discharges and similar environmental matters; or (b) the impact of the matters described in the preceding clause upon human health or the environment, including but not limited to the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. § 9601 et seq.), the Hazardous Materials Transportation Act (49 U.S.C. § 5101 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. § 1251 et seq.), the Clean Air Act (42 U.S.C. § 7401 et seq.), the Toxic Substances Control Act (15 U.S.C. § 2601 et seq.), the Oil Pollution Act (33 U.S.C. § 2701 et seq.), the Occupational Safety and Health Act (29 U.S.C. § 651 et seq.), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 et seq.), the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 et seq.), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 et seq.), the Hazardous Substance Account Act (Cal. Health & Safety Code § 25300 et seq.), the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 et seq.), and the California Clean Air Act (Cal. Health & Safety Code § 39000 et seq.).

11. Buyer's Representations and Warranties.

- (a) Buyer hereby makes the following representations and warranties as of the Effective Date and as of the Closing (or if made as of a specific date, as of such specific date):
 - (i) Organization; Standing; Power; Authority. Buyer is a municipal corporation, duly organized and existing in the State of California, and has the requisite right, power and authority to execute, deliver and perform the terms and conditions of this Agreement and to consummate the transactions contemplated in this Agreement. Buyer has taken all municipal action necessary to authorize the execution, delivery and performance of the terms and conditions of this Agreement and all other documents and agreements to be executed and/or

delivered in connection with or pursuant to this Agreement. The individual executing this Agreement and any other documents or agreements to be executed and/or delivered in connection with or pursuant to this Agreement has been duly authorized to do so. The performance by Buyer of Buyer's obligations and responsibilities under this Agreement will not violate or constitute a default under the terms and provisions of any material agreement, document or instrument to which Buyer is a party or by which Buyer is bound or affected. All proceedings required to be taken by or on behalf of Buyer to authorize Buyer to execute, deliver and perform the terms and conditions of this Agreement have been duly and properly taken. No further consent of any person or entity is required in connection with the execution and delivery of, or performance by Buyer of its obligations under this Agreement.

- (ii) Enforceability. This Agreement and all other documents and agreements to be executed and/or delivered in connection with or pursuant to this Agreement constitute or shall constitute the valid and binding obligation of Buyer, enforceable against Buyer in accordance with their terms, except as such enforcement may be limited by (A) the effect of bankruptcy, insolvency, reorganization, receivership, conservatorship, arrangement, moratorium or other Applicable Laws affecting or relating to the rights of creditors generally, or (B) the rules governing the availability of specific performance, injunctive relief or other equitable remedies and general principles of equity, regardless of whether considered in a proceeding in equity or at law.
 - (iii) Brokers' Commissions. Buyer has not entered into any agreement or taken any action that will result in any obligation to pay any brokerage, finder's fee or similar commission in connection with the purchase and sale of the Property as contemplated in this Agreement.
- (b) The representations and warranties contained herein shall survive the execution and delivery of the Deed and the Closing for a period of eighteen (18) months and shall be deemed to have been made again at Closing as a condition to the Closing. If Seller fails to provide written notice to Buyer of any breach of a representation or warranty contained in this Section 11 within the period set forth in this Section 11 for survival of such representation or warranty, Seller will be deemed to have waived all claims for breach of such representation or warranty.

12. "As-Is" Nature of Sale.

- (a) Subject to Seller's obligations set forth in this Agreement, and without limiting or negating any of Seller's representations and warranties set forth in this Agreement, Buyer shall purchase the Property, "as-is" with all faults and conditions. Buyer hereby acknowledges that, except as otherwise expressly set forth in Section 10 of this Agreement, Seller has made and makes no representations or warranties of any kind or nature, express or implied, with respect to the Property, and Seller hereby expressly disclaims (i) any implied warranty of habitability, merchantability and suitability for a particular purpose, and (ii) any warranties implied or arising from a course of dealing or usage of trade. Buyer expressly acknowledges and agrees that Seller has not tested and will not test any of the existing pipelines (including any insulation or painted surfaces) and related equipment located on, under or around the Property to determine if the presence of PCBs, lead paint or asbestos is present.

Buyer acknowledges and agrees that it is informed that federal regulations govern and restrict the use and reuse of PCB-contaminated natural gas pipes and appurtenances, including without limitation, prohibition on the use of such material in contact with food, feed or drinking water, and that asbestos, lead and other heavy metals from paint, paint chips, and dust can pose health and environmental hazards and must be managed properly, including removal, storage, transportation and disposal. Buyer shall be responsible for managing, removing and disposing of all such pipelines, equipment and related materials in strict compliance with all applicable federal, state and local requirements

- (b) The transaction contemplated by this Agreement has been negotiated between Buyer and Seller, and this Agreement reflects the mutual agreement of Buyer and Seller. Buyer hereby acknowledges that Buyer has conducted or shall conduct all such Due Diligence that it deems necessary or desirable, and Buyer shall rely on Buyer's Due Diligence and Buyer's own judgment in determining whether to purchase the Property.
- (c) Effective from and after the Closing, Buyer hereby waives, releases, acquits, and forever discharges Seller, and Seller's agents, managers, members and employees to the maximum extent permitted by law, of and from any and all Claims, direct or indirect, known or unknown, foreseen or unforeseen, that it now has or that may arise in the future because of or in any way growing out of or connected with this Agreement and the Property (including without limitation the Condition of the Property), provided, however, that such waiver, release, acquittal and discharge shall not apply to (i) any default of Seller under this Agreement, including but not limited to any breach of Seller's covenants, representations and warranties set forth in this Agreement, or (ii) any matters arising from Seller's fraud or intentional misrepresentation. IF IN ANY WAY APPLICABLE TO THE FOREGOING RELEASE, BUYER EXPRESSLY WAIVES RIGHTS GRANTED UNDER CALIFORNIA CIVIL CODE §1542 AND ANY OTHER PROVISION OF LAW THAT PROVIDES THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT BUYER DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH, IF KNOWN BY IT, MUST HAVE MATERIALLY AFFECTED ITS AGREEMENT TO RELEASE SELLER.

Seller and Buyer have each initialed this Section 12 (c) to further indicate their awareness and acceptance of each and every provision of this Agreement. The provisions of this Section 12 will survive Closing.

Seller's Initials

Buyer's Initials

13. Indemnification.

Buyer hereby agrees that it shall be solely liable for and shall indemnify, defend and hold harmless Seller and Seller's current and future, direct and indirect parent company(ies), subsidiaries, affiliates, divisions and their respective directors, officers, shareholders, employees, agents, representatives, and Seller's contractors and/or subcontractors, tenants, invitees, licensees, permittees, and successors and assigns (collectively, "Seller Indemnitees") from and against any and all claims, actions, suits, proceedings, losses, liabilities, penalties, damages, costs or expenses (including reasonable attorney fees and disbursements by their outside and in-house counsel) of any kind whatsoever arising from the obligations or actions of Buyer in connection with the transaction contemplated in this Agreement or otherwise arising out of Buyer's acceptance of the

"as-is" condition of the Property ("Claims"), including without limitation, any such Claims resulting from injuries or death of any person, damage or destruction of any property, including property of any Seller Indemnitee, any third party claims arising out of or in any way connected with Buyer's (including any party acting for or on behalf of Buyer ("Buyer Party")), and for any violation, default or breach by Buyer of the terms and conditions of this Agreement; provided, however, that the foregoing indemnity shall not include Claims to the extent directly arising from the actions of Seller with respect to the Property prior to the Closing or to the extent the Claims are caused by the willful misconduct or gross negligence of Seller or any Seller Indemnitee.

14. Approval of California Public Utilities Commission. Buyer and Seller hereby acknowledge and agree that receipt of the requisite approvals of the CPUC, as required under Applicable Laws, including but not limited to Section 851 of the California Public Utilities Code, is a condition precedent to the consummation of the purchase and sale of the Property in accordance with this Agreement. Seller shall have no obligation to seek CPUC Approval unless and until Buyer has completed its Due Diligence and this Agreement has not otherwise terminated pursuant to any express provisions therefor. Buyer and Seller hereby agree that if the CPUC denies the application for the CPUC Approval, this Agreement shall automatically and immediately terminate without the need for any further action by Buyer or Seller, in which case Escrow Holder shall promptly refund the Deposit to Buyer, and Buyer and Seller shall have no further obligations to each other under this Agreement, except those obligations that, by their terms survive the termination of this Agreement. If either Party receives actual notice that the CPUC has denied the application for the CPUC Approval, then the receiving Party shall promptly deliver written notice of such denial to the other Party, provided that the delivery of such written notice shall not be a prerequisite to the termination of this Agreement. Buyer and Seller hereby agree that the failure of the CPUC to issue the CPUC Approval and the resulting termination of this Agreement and subsequent failure to consummate the purchase and sale of the Property in accordance with this Agreement shall not constitute either a Seller Default or a Buyer Default under this Agreement.

15. Buyer Default. If Buyer fails to consummate the Closing in accordance with this Agreement or defaults in any manner under this Agreement, then Seller's sole remedy shall be to terminate this Agreement, in which case neither Seller nor Buyer shall have any further rights or obligations under this Agreement, other than those obligations that survive the expiration or earlier termination of this Agreement; PROVIDED, HOWEVER, THAT BY INITIALING THIS SECTION, BUYER AND SELLER HEREBY AGREE THAT, IN THE EVENT OF A BUYER DEFAULT, (A) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO FIX ACTUAL DAMAGES, (B) AN AMOUNT EQUAL TO THE DEPOSIT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO SELLER, (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO SELLER SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF SELLER, (D) SELLER MAY RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES AND (E) THE PAYMENT OF THE DEPOSIT TO SELLER AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT RATHER IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE.

Buyer's Initials:



Seller's Initials:



16. Seller Default. If Seller fails to consummate the Closing in accordance with this Agreement or defaults in any manner under this Agreement, then Buyer may pursue any and all remedies at law

24. Prior Agreements. This Agreement supersedes any and all oral or written agreements between the Parties regarding the Property which are prior in time to this Agreement. Neither Buyer nor Seller shall be bound by any prior understanding, agreement, promise, representation or stipulation, express or implied, not specified herein.
25. Further Assurance. Buyer and Seller agree to execute all such necessary documents and instruments and cooperate and do all acts and things as reasonably shall be requested by either party in order to consummate the transactions contemplated in this Agreement, including, but not limited to, the lot line adjustment and conditional use permit requirements in the Agreement to allow Buyer to use the Property in the conduct of its business. The foregoing shall remain in effect after the Closing.
26. Successors and Assign. This Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties.
27. Severability. If any portion of this Agreement is held to be unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall remain in full force and effect.
28. No Third Party Beneficiaries. Nothing in this Agreement shall be construed to confer any third party benefit on any other person not a party hereto, including but not limited to any broker, with respect to this Agreement.
29. Construction of Agreement. The language in all parts of this Agreement shall be in all cases construed simply according to its fair meaning and not strictly for or against either of the Parties. The language of this Agreement and all documents and instruments referred to in this Agreement have been prepared, examined, negotiated and revised by each Party and its legal counsel, and no implication shall be drawn and no provision shall be construed against any Party by virtue of the purported identity of the drafter of this Agreement. The section headings of this Agreement are for purposes of reference only and shall not be used for limiting or interpreting the meaning of any section of this Agreement. When required by the context, whenever the singular is used in this Agreement, the same shall include the plural, and the plural shall include the singular, the masculine gender shall include the feminine and neuter genders, and vice versa. As used in this Agreement, the term "Seller" shall include the respective successors and assigns of Seller, and the term "Buyer" shall include the successors and permitted assigns of Buyer.
30. No Partnership or Joint Venture. Buyer and Seller shall not be partners or joint venturers with each other and nothing in this Agreement shall create or be deemed to create any partnership or joint venture between Buyer and Seller.
31. Natural Hazard Disclosure Statement. As used herein, the term "Natural Hazard Area" shall mean those areas identified as natural hazard zones in the Natural Hazard Disclosure Act, Sections 8589.3, 8589.4, and 51183.5 of the California Government Code and Sections 2621.9, 2694, and 4136 of the California Public Resources Code, as amended (the "**Natural Hazard Disclosure Act**"). Buyer shall obtain a Natural Hazard Disclosure Statement ("**Natural Hazard Disclosure Statement**"). Buyer has retained the services of Disclosure Source (the "**Natural Hazard Consultant**") to examine the maps and other information made available to the public by government agencies for the purpose of enabling Seller to fulfill its disclosure obligations with respect to the Natural Hazard Disclosure Act and to prepare a written report of the result of its examination (the "**Natural Hazard Report**"). Buyer acknowledges that the Natural Hazard Report fully and completely discharges Seller from its disclosure obligations under the Natural Hazard Disclosure Act, and, for the purpose of this Agreement, the provisions of Section 1103.4 of the California Civil Code shall be deemed to apply and the Natural Hazard Consultant shall be


deemed to be an expert dealing within the scope of its expertise with respect to the examination and Natural Hazard Report. Buyer hereby acknowledges and agrees that nothing contained in the Natural Hazard Disclosure Statement shall release Buyer from its obligation to fully investigate the condition of the Property, including but not limited to whether the Property is located in any Natural Hazard Area and that Buyer has the expertise to perform, and has performed, such investigations. Buyer further acknowledges and agrees that the matters set forth in the Natural Hazard Disclosure Statement or Natural Hazard Report may change on or prior to the Closing Date and that Seller has no obligation to update, modify, or supplement the Natural Hazard Disclosure Statement or Natural Hazard Report. Buyer shall be solely responsible for preparing and delivering its own Natural Hazard Disclosure Statement to subsequent prospective buyers of the Property.

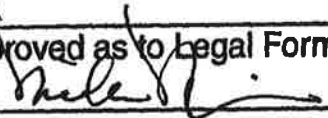
32. Assignment. Buyer may not assign this Agreement without Seller's prior written consent, which shall not be unreasonably withheld, conditioned or delayed, except that Buyer shall have the right to assign this Agreement and all of Buyer's rights under this Agreement to any entity controlling, controlled by or under common control with Buyer, without Seller's consent, provided that the assignee assumes all duties and obligations of Buyer under this Agreement. Upon the assignee's assumption of Buyer's duties and obligations, Buyer shall not be relieved of liability under this Agreement.

IN WITNESS WHEREOF, Buyer and Seller hereby execute this Purchase Agreement and Joint Escrow Instructions as of the date first above written.

SELLER


SOUTHERN CALIFORNIA GAS COMPANY,
a California corporation

By: 
Name: Jim Scifert
Title: Manager - Corporate Real Estate Planning
San Diego Gas & Electric Company,
Duly Authorized Agent for
Southern California Gas Company

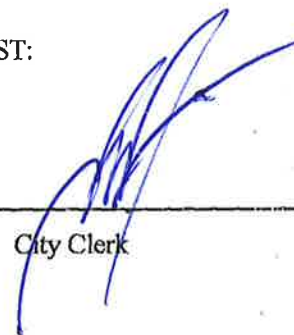
Approved as to Legal Form
By: 
Michelle Meghrouni
Date: 11/4/15

BUYER

CITY OF SANTA CLARITA,
a municipal corporation

By: 
Name: Frank Olveda
Title: Assistant City Manager

ATTEST:



City Clerk

APPROVED AS TO FORM:



City Attorney

ACCEPTANCE BY ESCROW HOLDER

The undersigned hereby acknowledges that it has received a fully executed counterpart original of the Purchase and Sale Agreement dated as of _____, 2015, by and between Seller and Buyer. The undersigned agrees to act as the Escrow Holder under this Agreement and to comply with the instructions set forth herein.

GOLDEN STATE ESCROW, INC.

By: _____

Name: _____

Title: _____

Dated: _____, 2015

ATTACHMENT B

Advice No. 4925

Legal Description, Plat, and Grant Deed

EXHIBIT A

LEGAL DESCRIPTION

THAT PORTION OF PARCEL 1, IN THE CITY OF SANTA CLARITA, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS SHOWN ON PARCEL MAP NO. 19711 FILED IN BOOK 237 PAGES 5 THROUGH 7, INCLUSIVE, OF MAPS, RECORDS OF LOS ANGELES COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEASTERLY CORNER OF SAID PARCEL 1;

THENCE SOUTHWESTERLY ALONG THE SOUTHEASTERLY LINE OF SAID PARCEL 1 SOUTH 18°58'29" WEST 154.97 FEET TO A POINT ON A CURVE CONCAVE WESTERLY HAVING A RADIUS OF 15.51 FEET, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 71°12'23" EAST;

THENCE LEAVING SAID SOUTHEASTERLY LINE AND NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 70°33'13" AN ARC DISTANCE OF 19.10 FEET TO THE BEGINNING OF A TANGENT REVERSE CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 33.92 FEET;

THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 52°57'31" AN ARC DISTANCE OF 31.35 FEET;

THENCE TANGENT TO SAID CURVE NORTH 01°11'55" EAST 77.09 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE WESTERLY HAVING A RADIUS OF 94.08 FEET;

THENCE NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 33°11'21" AN ARC DISTANCE OF 54.50 FEET;

THENCE TANGENT TO SAID CURVE NORTH 31°59'26" WEST 125.17 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE EASTERLY HAVING A RADIUS OF 27.82 FEET;

THENCE NORTHERLY ALONG SAID CURVE THROUGH A CENTRAL ANGLE OF 28°53'59" AN ARC DISTANCE OF 14.03 FEET, MORE OR LESS, TO A POINT ON THE NORTHEASTERLY LINE OF SAID PARCEL 1;

THENCE SOUTHEASTERLY ALONG SAID NORTHEASTERLY LINE SOUTH 46°01'01" EAST 210.61 FEET TO THE **POINT OF BEGINNING**.

CONTAINING 10,874 SQUARE FEET, MORE OR LESS.



Michael A. Kennada

12-7-15

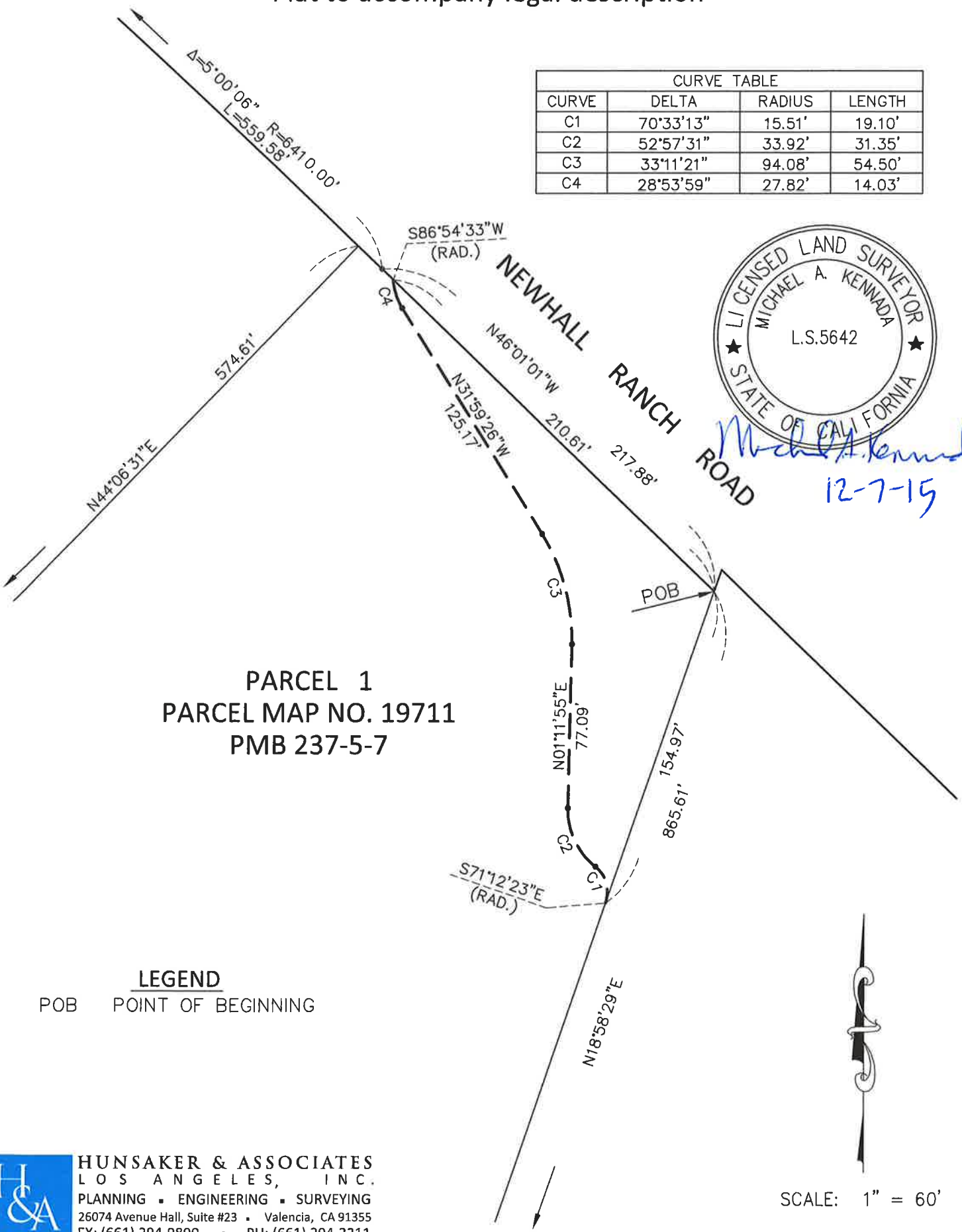
EXHIBIT B

Plat to accompany legal description

CURVE TABLE			
CURVE	DELTA	RADIUS	LENGTH
C1	70°33'13"	15.51'	19.10'
C2	52°57'31"	33.92'	31.35'
C3	33°11'21"	94.08'	54.50'
C4	28°53'59"	27.82'	14.03'



Michael A. Kennada
12-7-15



PARCEL 1
PARCEL MAP NO. 19711
PMB 237-5-7

LEGEND

POB POINT OF BEGINNING



HUNSAKER & ASSOCIATES
LOS ANGELES, INC.
PLANNING • ENGINEERING • SURVEYING
26074 Avenue Hall, Suite #23 • Valencia, CA 91355
FX: (661) 294-9890 • PH: (661) 294-2211

SCALE: 1" = 60'

EXHIBIT C

**RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:**

City of Santa Clarita
Attn: Monica Heredia, PE
23920 Valencia Blvd., Suite 120
Santa Clarita, CA 91355

Space Above This Line Reserved for Recorder's Use

APN: A portion of 2811-001-801

(THIS DOCUMENT IS EXEMPT FROM DOCUMENTARY TRANSFER TAX PURSUANT
TO SECTION 11922 OF THE CALIFORNIA REVENUE AND TAXATION CODE AND
FREE RECORDING PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION
27383)

Public Agency - No Tax Statement

GRANT DEED

For valuable consideration, receipt of which is hereby acknowledged, **SOUTHERN CALIFORNIA GAS COMPANY**, a California corporation ("Grantor") hereby grants to the **CITY OF SANTA CLARITA**, a municipal corporation ("Grantee"), the following described real property in the City of Santa Clarita, County of Los Angeles, State of California:

SEE LEGAL DESCRIPTION IN EXHIBIT "A" ATTACHED HERETO
AND PLAT IN EXHIBIT "B" ATTACHED HERETO

Executed this ____ day of _____, 201__

GRANTOR

SOUTHERN CALIFORNIA GAS COMPANY,
a California Corporation

By: _____

Name: _____

Title: _____