

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



April 5, 2016

Advice Letter 4935-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 4935-G is effective as of April 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

March 11, 2016

Advice No. 4935
(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 Shahbod Kerendian and Carolin Bakhani, as Trustees of the AL26 Trust dated February 16, 2010 (collectively, “Buyer”) on the terms and conditions set forth in the Purchase and Sale Agreement between SoCalGas and Buyer dated as of November 13, 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 Los Angeles, California, consisting of approximately 8.6 acres and designated as Los Angeles County Assessor’s Parcel Number 4432-005-801 (the “Original Parcel”). The Original Parcel is part of a larger 170-acre site owned by SoCalGas (the “Sullivan Canyon Property”), through which SoCalGas maintains two (2) high-pressure natural gas transmission lines, together with related appurtenances and an access road.

Buyer owns the real property designated as Los Angeles County Assessor’s Parcel Number 4492-016-014, commonly known as 2101 North Queensferry Road, Los Angeles, California 90049 (the “Buyer’s Property”), located immediately adjacent to the northeast of the Original Parcel. The Buyer’s Property is improved with a single-family residence occupied by the Buyer.

Several years ago, without SoCalGas' knowledge or consent, Buyer's predecessor-in-interest to the Buyer's Property installed certain improvements that encroach onto the Original Parcel and erected a fence delineating the perimeter of the encroachments. The encroachments are located on a hillside portion of the Original Parcel. The Buyer's residence is located at the top of the hillside. The Buyer has claimed that the hillside is geologically unstable and, due to such conditions, the residence has experienced damage and is at continued risk of further damage.

In resolution to the issues posed by these circumstances, SoCalGas has agreed to sell and transfer to Buyer that portion of the Original Parcel over which the encroachments exist, consisting of approximately 24,959 - 25,544 square feet, as generally depicted in Exhibit A to the Purchase Agreement (the "Property"), subject to and on the terms and conditions set forth in the Purchase Agreement. The final legal description of the Property is currently being prepared in accordance with the terms of the Purchase Agreement.

There are no SoCalGas improvements on the Property, and the Property is not being actively used by SoCalGas. 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 8.6-acre parcel. The Property contains no SoCalGas improvements and is not used or needed for any operational purposes. The remainder of the Original Parcel and the SoCalGas operations thereon will be unaffected 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 \$54,000.00, as set forth in the Purchase Agreement, represents the fair market value as determined by an independent MAI appraiser selected by SoCalGas. Pursuant to a full and complete MAI Appraisal Report, the appraiser concluded a value of \$54,000.00.

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.

The Property is a small portion of a larger 8.6-acre parcel. The Property contains no SoCalGas improvements and is not used or needed for any operational purposes. The remainder of the Original Parcel and the SoCalGas operations thereon will be unaffected by the transaction.

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”

Shahbod Kerendian and Carolin Bakhani, Trustees
2101 Queensferry Road
Los Angeles, CA 90049

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

The Property consists of approximately 24,959 - 25,544 square feet of hillside property located in the City and County of Los Angeles, California (the exact legal description is currently being developed in accordance with the terms of the Purchase Agreement). The Property currently includes only minor landscaping improvements, including perimeter fencing, owned by the Buyer and encroaching

upon the SoCalGas-owned Original Parcel. A general depiction of the Property is set forth in Exhibit A to the Purchase Agreement included herewith as Attachment A.

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

Buyer seeks to acquire the Property to perform slope stabilization work on the Property and is expected to continue Buyer's current, but currently encroaching, use of the Property as Buyer's primary residence.

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

Buyer shall pay SoCalGas a total purchase price of \$54,000.00, of which \$3,000.00 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 8.6-acre parcel. The Property contains no SoCalGas improvements and is not used or needed for any operational purposes. The Property currently includes only minor landscaping improvements, including perimeter fencing, owned by the Buyer and encroaching upon the SoCalGas-owned Original Parcel. The remainder of the Original Parcel and the SoCalGas operations thereon will be unaffected 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 Sullivan Canyon Property, the proportionate original cost and current net book value of the Property

is \$625.00. The purchase price for the Property of \$54,000.00, as set forth in the Purchase Agreement, represents the fair market value as determined by an independent MAI appraisal selected by SoCalGas. Pursuant to a full and complete MAI Appraisal Report, the appraiser concluded a value of \$54,000.00.

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 between SoCalGas and Buyer dated as of November 13, 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 CEAQ 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 March 31, 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 April 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) #: 4935

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: 4/10/16

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. 4935

Purchase and Sale Agreement

PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement (this “**Agreement**”), dated as of November 13, 2015, is between Southern California Gas Company, a California corporation (“**Seller**”), and Shahbod Kerendian and Carolin Bakhani, as Trustees of the AL26 Trust dated February 16, 2010 (“**Buyer**”). Buyer and Seller shall sometimes be referred to herein individually as a “**Party**” and collectively as the “**Parties.**”

RECITALS

- A. Seller owns certain real property located in Los Angeles, California, consisting of approximately 8.6 acres and designated as Los Angeles County Assessor’s Parcel Number 4432-005-801 (the “**Original Parcel**”).
- B. Seller has agreed to sell to Buyer, and Buyer has agreed to purchase from Seller, an approximately 24,959 - 25,544 square-foot portion of the Original Parcel as generally depicted in Exhibit A, attached hereto and made a part hereof, (the “**Property**”) subject to and on the terms and conditions set forth below.
- C. Buyer owns the real property designated as Los Angeles County Assessor’s Parcel Number 4492-016-014, commonly known as 2101 North Queensferry Road, Los Angeles, California 90049, located adjacent to the Property and the Original Parcel (“**Adjacent Parcel**”).

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 ten (10) 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.
- (b) This Agreement shall be effective as of the time 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 the Property to Buyer, and Buyer hereby agrees to purchase the Property from Seller, subject to the terms and conditions set forth in this Agreement.

3. Purchase Price.

- (a) The purchase price for the Property shall be Fifty-Four Thousand and No/100 Dollars (\$54,000.00) (“**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 three (3) Business Days after the Effective Date, Buyer shall deposit an amount equal to Three Thousand and No/100 Dollars (\$3,000.00), in immediately available funds, with Escrow Holder (the "**Deposit**"). 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 set forth in Sections 5(f)(A), 6(c), 10, 15 and 31. The Deposit, together with any interest accrued thereon, shall be applied to the Purchase Price at Closing.
- (ii) At or prior to the Closing, Buyer shall deposit with Escrow Holder an amount equal to the Purchase Price, together with any amount required to pay closing costs required to be paid by Buyer in accordance with this Agreement, less any amount to be applied to the Purchase Price in accordance with Section 3(b)(i) above.

4. Escrow.

- (a) By this Agreement, Buyer and Seller hereby establish an escrow with Commerce Escrow, Escrow Officer Raul Zuniga ("**Escrow Holder**"), at Buyer's sole cost and expense, 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 and the Deposit, Escrow Holder 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 required by Escrow Holder and reasonably acceptable to 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, 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 (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 Proceeds in accordance with the approved Settlement Statement and record the Deed and LLA (if applicable), as defined respectively in Sections 7(a)(ii) and 7(a)(vii) below, in the Official Records of Los Angeles County, California. 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. Legal Description; Title Review.

- (a) Within thirty (30) days following the Effective Date, Buyer, at Buyer's sole cost and expense, shall cause to be prepared and delivered to Buyer and Escrow Holder a legal description for the Property (the "**Legal Description**"). Within ten (10) days following the

preparation and delivery of the Legal Description, Buyer and Seller shall confirm the Legal Description by executing and delivering a Memorandum of Legal Description in the form attached hereto as Exhibit B, which Memorandum of Legal Description shall thereupon be incorporated herein by this reference. (b) Prior to Closing, Buyer, at Buyer's sole cost and expense, shall cause a Certificate of Compliance to be issued by the City of Los Angeles ("**Certificate of Compliance**"), either by the City's approval of either (i) the transfer by the Grant Deed pursuant to Cal. Gov't Code § 66428(a)(2) based upon Seller's status as a public utility, or (ii) a lot line adjustment of the Original Parcel and Adjacent Parcel to be recorded at Closing (the "**LLA**"), which LLA shall be obtained by Buyer at no cost or expense to Seller.

- (c) Within ten (10) days after the Effective Date, Buyer shall obtain from First American Title Insurance Company (the "**Title Company**"), at Buyer's sole cost and expense, a preliminary report 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 Report**").
- (d) During the period after the Effective Date through the earlier to occur of (i) the Closing, or (ii) the termination of this Agreement, Seller and/or the Seller Parties (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 or the Seller Parties, (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.
- (e) With respect to any title exception affecting the Property, Buyer may deliver to Seller a written notice of exemption (the "**Title Objection Notice**") by the later of (i) the date that is thirty (30) days after the Effective Date, or (ii) the date that is fifteen (15) Business Days after receipt of actual notice of such title exception. If Buyer shall have delivered to Seller any Title Objection Notice with respect to any title exception, then within ten (10) 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 ten (10) Business Days after receipt of the Title Objection Notice, then Seller shall be conclusively deemed to have elected not to cure such title exception. In no event shall Seller have any obligation to remove any title exception affecting the Property.
- (f) If Seller 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(e)(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 and any interest accrued thereon, 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) accept the Property subject to such title exception, in which event Buyer shall be deemed to have waived any objections to such title exception, and proceed to the Closing in accordance with this Agreement without any reduction in the Purchase Price.

- (g) Upon the Closing, Buyer shall obtain from the Title Company, at Buyer's sole cost and expense, a CLTA 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, as defined below, 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**").
- (h) 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 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.
- (i) 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 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 Feasibility Review 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, then Buyer may elect, in its sole discretion, by delivery of written notice to Seller and Escrow Holder within five (5) days following notice thereof from Seller to Buyer, to either (A) terminate this Agreement, without the need for any further action by Buyer or Seller, in which case Escrow Holder shall promptly refund the Deposit to Buyer (together with any interest accrued thereon), 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, or (B) accept the Property subject to the lien of the Trust Indenture, in which event Buyer shall be deemed to have waived any objections to such prior lien, and proceed to the Closing in accordance with this Agreement without any reduction in the Purchase Price. Accepting the Property subject to the lien of the Trust Indenture shall not make the Buyer responsible for any obligation relating to the lien, and such alleged obligation, if any, shall fully remain the responsibility of the Seller; notwithstanding the foregoing, Buyer understands and agrees that by accepting the Property subject to the lien of the Trust Indenture, Buyer assumes the risk that Seller's default in the obligation relating to the lien may result in a foreclosure of the Trust Indenture and the loss of Buyer's title and interest in

the Property. 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. Feasibility Review and Entry into Property.

- (a) Buyer's improvements on the Adjacent Parcel currently extend onto the Seller's Property, including fencing that encloses a portion of the Property. As such, Buyer is familiar with the Property and Buyer has otherwise undertaken, at Buyer's sole expense, all review, inquiries, analyses, audits, tests, studies and inspections with respect to the Property that Buyer deems necessary or desirable, including but not limited to inspections with respect to the physical condition of the Property, the existence of Hazardous Materials (as defined below) on, under or about the Property, the existing entitlements for the Property, the appropriate development approvals for the Property and all other matters related to the Property (the "**Feasibility Review**"). Buyer is satisfied that further review or inspection is not necessary. "**Hazardous Materials**" shall mean all chemicals, materials, substances, or items in any form, whether solid, liquid, gaseous, semisolid, or any combination thereof, whether waste materials, raw materials, chemicals, finished products, by-products, or any other materials or articles, that because of their physical, chemical, or other characteristics may pose a risk of endangering human health or safety or of degrading the environment and are regulated under 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.).

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 and all other funds required to be paid by Buyer to effect the Closing in accordance with this Agreement;
 - (ii) One (1) original grant deed conveying the Property from Seller to Buyer, subject only to the Permitted Exceptions, in the form set forth in Exhibit C attached hereto and incorporated by this reference (the "**Grant Deed**"), duly authorized and executed by Buyer (with signatures(s) properly notarized);
 - (iii) One (1) copy of the Settlement Statement, duly approved by Buyer;
 - (iv) Two (2) originals of a preliminary change in ownership statement as required under the California Revenue and Taxation Code, duly executed by Buyer;
 - (v) Three (3) original counterparts of the Escrow Instructions and Supplemental Escrow Instructions, if any, duly executed by Buyer;
 - (vi) One (1) copy of the final Certificate of Compliance issued by the City of Los Angeles, and if applicable pursuant to Section 5(a) above, one (1) original LLA in recordable form; and
 - (vii) 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 31 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.

In the event that one or more of the above conditions are not satisfied on or before the Closing Date as a result of a default by Buyer hereunder, and such default is not cured within ten (10) days' following written notice thereof to Buyer from either Seller or Escrow Holder, Seller may elect to (A) deliver to Buyer and Escrow Holder on or prior to the Closing Date a written waiver of satisfaction of such condition or conditions, in which event the Closing shall proceed in accordance with this Agreement, or (B) proceed under Section 14 below. In the event all of the above conditions are not satisfied on or prior to the Closing Date, and such failure does not result from any default by Buyer hereunder, and such condition(s) are not satisfied within ten (10) days' following written notice thereof to Buyer from either Seller or Escrow Holder, Seller may elect to (x) deliver to Buyer and Escrow Holder on or prior to the Closing Date a written waiver of satisfaction of such condition or conditions, in which event the Closing shall proceed in accordance with this Agreement, or (y) immediately terminate this Agreement in writing delivered to Buyer and Escrow Holder, in which event Escrow Holder shall promptly refund the Deposit (together with any interest accrued thereon) 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. Notwithstanding anything herein that may be

construed to the contrary, Buyer and Seller acknowledge and agree that the failure of any condition set forth in this Section 7 (except Section 7(b) and, provided Buyer has made a good faith effort to obtain a Certificate of Compliance, Section 7(a)(vi), which shall not be a breach) shall constitute a default by the Buyer under this Agreement.

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, duly executed by Seller and properly notarized;
 - (ii) One (1) copy of the Settlement Statement, duly approved by Seller;
 - (iii) An original counterpart of the Escrow Instructions and Supplemental Escrow Instructions, if any, duly executed by Seller; and
 - (iv) 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.

In the event that one or more of the above conditions are not satisfied on or before the Closing Date as a result of a default by Seller hereunder, Buyer may elect to (A) deliver to Seller and Escrow Holder on or prior to the Closing Date a written waiver of satisfaction of such condition or conditions, in which event the Closing shall proceed in accordance with this Agreement, or (B) proceed under Section 15 below. In the event all of the above conditions are not satisfied on or prior to the Closing Date, and such failure does not result from any default by Seller hereunder, Buyer may elect to (x) deliver to Seller and Escrow Holder on or prior to the Closing Date a written waiver of satisfaction of such condition or conditions, in which event the Closing shall proceed in accordance with this Agreement, or (y) immediately terminate this Agreement in writing delivered to Seller and Escrow Holder, in which event Escrow Holder shall promptly refund the Deposit (together with any interest accrued thereon) 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. Notwithstanding anything herein that may be construed to the contrary, Buyer and Seller acknowledge and agree that the failure of any condition set forth in this Section 8 (except 8(a)) shall constitute a default by the Seller under this Agreement.

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 6:00 p.m. Pacific Time on or before the date that is six (6) months 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 one hundred eighty (180) days in order to permit Buyer's conditions precedent set forth in Section 8 of this Agreement to be satisfied, or (ii) upon the mutual written agreement of the Parties (the "**Outside Closing Date**"). As used in this Agreement, the term "**Closing Date**" shall mean either the Scheduled Closing or, if the Scheduled Closing is postponed in accordance with the foregoing provisions, the Outside Closing Date. In the event that all conditions precedent to Closing as set forth in this Agreement, including, without limitation, the CPUC approval as per Section 31, the release of the lien of the Trust Indenture (or Buyer's waiver thereof) and Buyer's approval of title exceptions as per Paragraph 5, and the Parties are in a position to close sooner than the "Scheduled Closing Date" or the "Outside Closing Date," as applicable, then the Closing shall close as soon as practically possible. If the Closing has not occurred by the Scheduled Closing or the Outside Closing Date, if applicable, and such failure is not a default or due to the fault of either Party, then this Agreement shall terminate, in which event Escrow Holder shall promptly refund the Deposit (together with any interest accrued thereon) to Buyer, and Buyer and Seller shall have no further obligations to each other under this Agreement, except those obligations which by their terms, survive the termination of this Agreement.
- (b) Buyer shall pay all closing costs at the Closing, including, without limitation:
- (i) One hundred percent (100%) of the premium for the Title Policy;
 - (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 the Escrow Instructions and 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 prepared by or at the direction of Buyer in connection with the transactions contemplated in this Agreement; and
 - (v) One hundred percent (100%) of any documentary transfer taxes assessed in connection with the transactions contemplated in this Agreement.
- (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.

- (d) Buyer hereby acknowledges that the Property is currently assessed by the California State Board of Equalization (the "**State Tax Board**") due to the nature of Seller's business as a public utility company. Buyer hereby acknowledges that, depending on when the Closing occurs, the State Tax Board may not take action to remove Seller as the record owner of the Property on the local assessment roll for the tax fiscal year following the tax fiscal year in which the Closing occurs, even though Seller shall not own the Property for any part of that tax fiscal year. If this situation occurs, Seller will be billed a real estate tax for the next tax fiscal year by the local tax collector. In this event, Seller hereby agrees to pay the real estate taxes billed to it by the State Tax Board for the next tax fiscal year as and when they come due, and Buyer agrees to reimburse Seller for such taxes through Escrow, or, if Escrow has already closed, Buyer agrees to pay such amount directly to Seller within thirty (30) days following notice thereof from Seller to 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. Other than the release by the Trustee of the fee interest in the Property from the lien of the Trust Indenture and the CPUC Approval by the CPUC, no further consent of any person or entity is required in connection with the execution and delivery of, or performance by Seller of his 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, ordinances, codes, statutes, rules, regulations and orders issued by any governmental authority (“**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.

(b) The representations and warranties contained herein shall survive the execution and delivery of the Deed and the Closing for a period of thirty-six (36) months and shall be deemed to have been made again at Closing as a condition to the Closing, and shall remain in full force and effect regardless of any investigation made by or on behalf of any Party or of the actual or constructive knowledge by any Party of any inaccuracy or breach thereof; provided however, that in the case of Seller’s fraud or intentional or willful misrepresentation with respect to any representation or warranty, such representation and/or warranty shall survive until the expiration of the longest running applicable statute of limitations period.

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 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. 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) Feasibility Review. Buyer has conducted such Feasibility Review of the Property as Buyer deems necessary or prudent (or, in the alternative, Buyer has elected at its risk

not to conduct such Feasibility Review of the Property), including but not limited to the physical and environmental condition of the Property and the presence or existence of Hazardous Materials in, on, under or around the Property, and will rely upon its own judgment and any Feasibility Review and not upon any statement of Seller or any seller representative.

- (b) The representations and warranties contained herein shall survive the execution and delivery of the Deed and the Closing for a period of thirty-six (36) months and shall be deemed to have been made again at Closing as a condition to the Closing, and shall remain in full force and effect regardless of any investigation made by or on behalf of any Party or of the actual or constructive knowledge by any Party of any inaccuracy or breach thereof; provided however, that in the case of Buyer's fraud or intentional or willful misrepresentation with respect to any representation or warranty, such representation and/or warranty shall survive until the expiration of the longest running applicable statute of limitations period.

12. "As-Is" Nature of Sale.


- (a) Seller has made and makes no representations or warranties of any kind or nature, express or implied, with respect to the Property, including but not limited to any representations or warranties concerning (i) the quality, nature, adequacy and physical condition of soils, geology or groundwater on the Property, (ii) the development or investment potential of the Property, (iii) the habitability or merchantability of the Property or the suitability of the Property for any particular purpose, (iv) the zoning of the Property or any other restriction on use of the Property, (v) the compliance of the Property with any Applicable Laws, (vi) the physical condition of the Property, (vii) the boundaries of the Property, (viii) the presence, storage, release, disposal, migration, transportation, mitigation, remediation, investigation, testing and/or removal of Hazardous Materials in, on, under, to or from the Property, (ix) the accuracy or completeness of third-party documents, reports, analysis, studies or materials commissioned or obtained by Buyer or Seller with respect to the Property, or (x) whether the CPUC will issue the CPUC Approval. Buyer hereby acknowledges, 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, (ii) any warranties implied or arising from a course of dealing or usage of trade, and (iii) all warranties that the Property now complies, or in the future will comply, with any Applicable Law.
- (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 Feasibility Review that is deems necessary or prudent (or, in the alternative, Buyer has elected at its risk not to conduct such Feasibility Review of the Property) and, except for the representations, warranties, covenants and agreements of Seller expressly set forth in Section 10 above, Buyer shall rely solely on Buyer's Feasibility Review and Buyer's own judgment in determining whether to purchase the Property. Buyer shall purchase the Property "as-is" with all faults and conditions, including but not limited to any patent or latent defects or conditions existing with respect to the Property and any Hazardous Materials that may be located in, on, under or around the Property. Buyer assumes all risk and liability resulting or arising from or relating to the ownership, use, condition, location, maintenance, repair, operation and development of the Property, including but not limited to all risk and liability resulting or

arising from or relating to any Hazardous Materials that may be located in, on, under or around the Property. If at any time prior to the Closing, Seller comes into actual knowledge of a release of any Hazardous Material on, under or around the Property, Seller will use reasonable efforts to notify the Buyer thereof. Upon such notification by the Seller, the Buyer, within 10 days, may deliver to Seller written notice terminating this Agreement, 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.

- (c) Effective from and after the Closing, apart from the rights and obligations expressly provided by this Agreement, Buyer and Seller hereby waive, release, acquit, and forever discharge the other, and the other'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 under this Agreement, including but not limited to any breach of the covenants, representations and warranties set forth in this Agreement, or (ii) any matters arising from the Party's fraud or intentional misrepresentation. IF IN ANY WAY APPLICABLE TO THE FOREGOING RELEASE, BUYER AND SELLER EXPRESSLY WAIVE RIGHTS GRANTED UNDER CALIFORNIA CIVIL CODE §1542M AND ANY OTHER PROVISION OF LAW THAT PROVIDES THAT A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE PARTIES DO NOT KNOW OR SUSPECT TO EXIST IN THEIR FAVOR AT THE TIME OF EXECUTING THE RELEASE WHICH, IF KNOWN BY IT, MUST HAVE MATERIALLY AFFECTED THEIR AGREEMENT TO RELEASE SELLER.

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

Buyer's Initials: SDK
CB

Seller's Initials: 

13. Release. Effective from and after the Closing, apart from the rights and obligations expressly provided by this Agreement, Buyer, on behalf of itself and the Buyer and Buyer's beneficiaries, agents, representatives and contractors and each of their respective successors and assigns ("**Buyer Representatives**"), hereby agrees to indemnify, hold harmless and defend, and releases, waives and forever discharges Seller and Seller's directors, officers, shareholders, employees, agents, representatives and affiliates and their respective successors and assigns (the "**Seller Representatives**"), and their respective successors and assigns, from any and all past, present and future 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, outside attorney's fees or other professional fees) ("**Claims**"), known or unknown, that Buyer and/or the Buyer Representatives now have, may have or ever had against Seller and/or the Seller Representatives arising from (i) the quality, nature, adequacy and physical condition of soils, geology or groundwater on the Property, (ii) the development or investment potential of the Property, (iii) the habitability or merchantability of the Property or the suitability of the Property for any particular purpose, (iv) the zoning of the Property or any other restriction on use of the Property, (v) the compliance of the Property with any Applicable Laws, (vi) the physical condition of the Property, (vii) the boundaries of the Property, (viii) the presence, storage, release, disposal, migration, transportation, mitigation, remediation, investigation, testing and/or removal of Hazardous Materials in, on, under, to or from the Property, whether or not caused by Seller or any

predecessor-in-interest of Seller, and whether or not known to Seller or Buyer at or prior to the Closing, (ix) the accuracy or completeness of third-party documents, reports, analysis, studies or materials commissioned or obtained by Buyer or Seller with respect to the Property, (x) the failure of the Property to comply with any Applicable Law before or after the Closing, (xi) the breach of any representation or warranty or any intentional misrepresentation or fraud by Buyer and/or the Buyer Representatives, (xii) the failure of the CPUC to issue the CPUC Approval provided Seller has made the good faith application referenced in Paragraph 31, and (xiii) any act or omission of Buyer and/or the Buyer Representatives with respect to the Property before or after the Closing, including but not limited to the Feasibility Review. Notwithstanding any other provision contained in this Agreement to the contrary (including, without limitation, this Section 13(a)), the foregoing release, waiver and discharge shall not apply to (A) a breach or default by Seller of any of the representations, warranties, covenants or agreements of Seller set forth in this Agreement, or (B) the fraud, sole active negligence or willful misconduct of Seller, and shall not serve to release any of the Seller Representatives who performed any work or services, or provided any materials, on or with respect to the Property (or any portion thereof) from any Claims arising from their negligence or willful misconduct in the performance of such work or services or provision of such materials.

BUYER, ON BEHALF OF ITSELF AND THE BUYER REPRESENTATIVES, VOLUNTARILY WAIVES AND RELINQUISHES ALL RIGHTS AND BENEFITS UNDER SECTION 1542 OF THE CALIFORNIA CIVIL CODE IF IN ANY WAY APPLICABLE TO THIS RELEASE. SECTION 1542 OF THE CALIFORNIA CIVIL CODE PROVIDES AS FOLLOWS:

GENERAL RELEASE CLAIMS EXTINGUISHED: A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH A CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

BUYER, ON BEHALF OF ITSELF AND THE BUYER REPRESENTATIVES, (I) HEREBY ACKNOWLEDGES THAT BUYER HAS RECEIVED THE ADVICE OF LEGAL COUNSEL WITH RESPECT TO THE AFOREMENTIONED WAIVER AND UNDERSTANDS THE TERMS THEREOF, (II) HEREBY ACKNOWLEDGES THAT BUYER IS AWARE THAT BUYER AND/OR THE BUYER REPRESENTATIVES MAY HEREAFTER DISCOVER FACTS DIFFERENT FROM OR IN ADDITION TO THOSE WHICH BUYER AND/OR THE BUYER REPRESENTATIVES NOW KNOW OR BELIEVE TO BE TRUE, AND (III) HEREBY AGREES THAT THE RELEASE SET FORTH IN THIS SECTION 15(A) SHALL BE AND REMAIN IN EFFECT AS A FULL AND COMPLETE MUTUAL RELEASE NOTWITHSTANDING ANY SUCH DIFFERENT OR ADDITIONAL FACTS.

Buyer's Initials: SDK
CB

The release set forth in this Section 13(a) shall survive the Closing.

14. 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 AS PROVIDED IN SECTION 3(B) OF THIS AGREEMENT SHALL CONSTITUTE LIQUIDATED DAMAGES PAYABLE TO SELLER, (C) THE PAYMENT OF THE LIQUIDATED DAMAGES TO SELLER SHALL CONSTITUTE THE EXCLUSIVE REMEDY OF SELLER, AND (D) 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: SDK
CB

Seller's Initials: [Signature]

15. Seller Default. If Seller fails to consummate the Closing in accordance with this Agreement or defaults in any manner under this Agreement and Seller fails to cure such default within ten (10) calendar days after Buyer delivers written notice thereof to Seller and such default causes the Closing not to occur, as Buyer's sole remedy for Seller's default under this Agreement, Buyer may either (i) terminate this Agreement, in which event Escrow Holder shall promptly refund the Deposit (together with any interest accrued thereon) to Buyer, Seller shall, upon receipt of satisfactory documentation thereof, promptly reimburse Buyer for all actual and reasonable costs and expenses incurred by Buyer in connection with Buyer's proposed acquisition the Property, 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, or (ii) pursue an action for specific performance, provided, however, that Buyer shall not have the right to record any lis pendens against the Property or any other document clouding title to the Property.
16. Waiver of Performance. Either Party may waive the satisfaction or performance of any terms or conditions of this Agreement that have been included in this Agreement for its benefit, so long as such waiver is in writing, specifies the waived term or condition and delivered to the other Party and Escrow Holder.
17. Notices. All notices under this Agreement shall be in writing and shall be effective upon actual receipt whether delivered by personal delivery, reputable overnight courier or sent by United States registered or certified mail, return receipt requested, postage prepaid, addressed to the Parties as follows:

If to Buyer: Shahbod Kerendian and Carolin Bakhani
2101 Queensferry Road
Los Angeles, CA 90049

with a copy to: Shahbod Kerendian and Carolin Bakhani
11755 Wilshire Blvd., 15th Floor
Los Angeles, CA 90025

If to Seller: Southern California Gas Company
Corporate Real Estate
555 West 5th Street, GT17E1
Los Angeles, CA 90013

with a copy to: Southern California Gas Company
Commercial Law Department
555 West 5th Street, GT14
Los Angeles, CA 90013

If to Escrow Holder: Commerce Escrow
1055 Wilshire Blvd., Suite 100
Los Angeles, CA 90017
Attn: Raul Zuniga, Escrow Officer

18. Amendments. This Agreement may be amended only by written agreement signed by both of the Parties.
19. Time of the Essence. Time and each of the terms and conditions of this Agreement are hereby expressly made of the essence.
20. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same agreement.
21. Governing Law and Venue. This Agreement shall be governed by the laws of the State of California, without reference to its choice of law provisions.
22. Attorneys' Fees and Costs. In any action between the Parties seeking the enforcement of any of the terms or conditions of this Agreement or in connection with the Property, the prevailing Party in such action shall be awarded, in addition to any damages or equitable relief, its reasonable attorney's fees and costs.
23. 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.
24. Further Assurances. Buyer and Seller agree to execute all documents and instruments reasonably required in order to consummate the transactions contemplated in this Agreement.
25. Successors and Assigns. Subject to Section 30 below, this Agreement shall be binding upon and shall inure to the benefit of the successors and assigns of the Parties.
26. 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.
27. No Third Party Beneficiaries; Broker's Commissions. 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. Neither Buyer nor Seller has 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. Buyer agrees to indemnify, defend and hold harmless Seller and the Seller Representatives, and their respective successors and assigns, from and against any and all brokerage commissions and fees payable in connection with the sale of the Property resulting from the act or omission of Buyer or the Buyer Representatives. Seller agrees to indemnify, defend and hold

harmless Buyer and the Buyer Representatives from and against any and all brokerage commissions and fees payable in connection with the sale of the Property resulting from the act or omission of Seller or the Seller Representatives. Nothing in this Agreement shall be construed to confer any third party benefit on any broker or any other person not a party hereto with respect to this Agreement. The provisions of this Section 27 shall survive the termination of this Agreement and the Closing.

28. 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.
29. 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.
30. 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 and further provided, not later than the date that is five (5) business days prior to the Closing Date, Buyer shall notify Seller and Escrow Holder in writing of Buyer's intent to assign. Upon the assignee's assumption of Buyer's duties and obligations, Buyer shall not be relieved of liability under this Agreement.
31. 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 make a good faith application for CPUC approval of the sale transaction contemplated by this Agreement and shall diligently and in good faith pursue obtaining the approval; provided, however, Seller shall have no obligation to seek CPUC Approval unless and until Buyer has completed its title review of the Property and the time periods pertaining thereto referenced in Section 5(e) have expired 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 (together with any interest accrued thereon), 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.

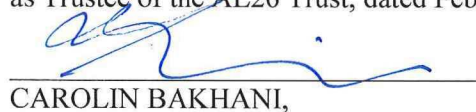
32. Escrow Cancellation Fees. In the event that this Agreement is terminated for any reason other than a Seller Default or a Buyer Default, then Buyer shall pay all the expenses of canceling Escrow (including, without limitation, title cancellation charges). If, however, this Agreement is terminated as a result of a default by either Party hereunder, the defaulting Party shall pay the expenses of canceling Escrow (including, without limitation, title cancellation charges). The provisions of this Section 32 shall survive the termination of this Agreement.

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

BUYER




SHAHBOD KERENDIAN,
as Trustee of the AL26 Trust, dated February 16, 2010



CAROLIN BAKHANI,
as Trustee of the AL26 Trust, dated February 16, 2010

SELLER

SOUTHERN CALIFORNIA GAS COMPANY,
a California corporation

By: 
Name: JAMES SEIREK
Title: ATTORNEY AT LAW

Approved as to Legal Form
By: 
Michelle Meghrouni
Date: 11/12/15

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 October __, 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.

COMMERCE ESCROW

By: _____

Name: _____

Title: _____

Dated: _____, 2015

EXHIBIT A
DEPICTION OF THE PROPERTY

EXHIBIT B
MEMORANDUM OF LEGAL DESCRIPTION

EXHIBIT B
MEMORANDUM OF LEGAL DESCRIPTION

THIS MEMORANDUM OF LEGAL DESCRIPTION is made and entered into as of _____, 2015, by and between Southern California Gas Company, a California corporation (“**Seller**”), and Shahbod Kerendian and Carolin Bakhani, as Trustees AL26 Trust dated February 16, 2010 (“**Buyer**”), with respect to that certain Purchase and Sale Agreement between Seller and Buyer dated as of _____, 2015 (the “Purchase Agreement”).

Pursuant to Section 5(a) of the Purchase Agreement, the “Legal Description” of the Property, as defined in Recital A of the Purchase Agreement, is attached hereto as Schedule 1.

IN WITNESS WHEREOF, Buyer and Seller hereby execute this Memorandum of Legal Description as of the date first above written.

BUYER

SHAHBOD KERENDIAN,
as Trustee of the AL26 Trust, dated February 16, 2010

CAROLIN BAKHANI,
as Trustee of the AL26 Trust, dated February 16, 2010

SELLER

SOUTHERN CALIFORNIA GAS COMPANY,
a California corporation

By: _____
Name: _____
Title: _____

Schedule 1 to Memorandum of Legal Description

[To Be Attached]

**EXHIBIT C
FORM OF GRANT DEED**

[See Attached]

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

Shahbod Kerendian and Carolin Bakhani
2101 Queensferry Road
Los Angeles, CA 90049

MAIL TAX STATEMENTS TO:

Shahbod Kerendian and Carolin Bakhani
2101 Queensferry Road
Los Angeles, CA 90049

Space Above This Line Reserved for Recorder's Use

GRANT DEED

THE UNDERSIGNED GRANTOR DECLARES

DOCUMENTARY TRANSFER TAX IS \$302.40

- computed on full value of property conveyed, or
 computed on full value of items or encumbrances remaining at time of sale.
 Unincorporated area City of Los Angeles

FOR GOOD AND VALUABLE CONSIDERATION, RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED, Southern California Gas Company, a California corporation ("Grantor"), hereby grants to Shahbod Kerendian and Carolin Bakhani, as Trustees of the AL26 Trust, dated February 16, 2010 ("Grantee"), on the terms and conditions set forth below, that certain real property located in the City of Los Angeles, County of Los Angeles, State of California, as described in Exhibit A, attached hereto and incorporated by this reference (the "Property").

Grantee hereby declares, covenants and agrees that the Property shall be held and hereafter shall be conveyed, subject to the following covenants, limitations, and restrictions:

1. The Property, whether combined by a lot line adjustment or not, shall be considered as aggregated with the adjacent real property commonly known as 2101 North Queensferry Road, Los Angeles, California 90049, Los Angeles County Assessor's Parcel Number 4492-016-014.
2. For the purposes of any future development and application of zoning laws, the two parcels shall be considered combined as one single lot.
3. Grantee shall have no abutter's right of access to or from the Property whatsoever appurtenant to, on, over, through or under Grantor's remaining property, including, without limitation, any private roads contained thereon.

The foregoing covenants, limitations and restrictions shall run with all of the above described land and shall be binding upon Grantee, their heirs, executors, administrators, successors and assigns.

WHEREFORE, Grantor has executed this Grant Deed as of the _____ day of _____, 2015.

GRANTOR:

SOUTHERN CALIFORNIA GAS COMPANY,
a California corporation

By: _____
Name: _____
Title: _____

ACCEPTANCE: GRANTEE HEREBY ACCEPTS THIS GRANT DEED ON THE TERMS AND CONDITIONS STATED HEREIN.

GRANTEE:

SHAHBOD KERENDIAN,
as Trustee of the AL26 Trust, dated February 16, 2010

CAROLIN BAKHANI,
as Trustee of the AL26 Trust, dated February 16, 2010

**EXHIBIT A TO GRANT DEED
LEGAL DESCRIPTION**

[To Be Attached]