PURCHASING ITEM FOR COUNCIL AGENDA

1. Agenda Item Number: 10

2. Council Meeting Date: April 10, 2014

TO: MAYOR & COUNCIL

THROUGH: CITY MANAGER

3. Date Prepared: March 27, 2014

4. Requesting Department: City Manager's Office

5. SUBJECT: Performance Guarantee Agreement and Solar Services Agreement for Solar Arrays at the Police Property and Evidence Building (PP&E)

6. RECOMMENDATION: Approve Performance Guarantee Agreement and Solar Services Agreement No. CM4-290-3330, Solar Power Purchase, with SolarCity to provide solar arrays to the roof and existing parking shade structures at the Police Property & Evidence Building for twenty (20) years in a pre-paid amount of $217,260 and applicable taxes of $21,835 for a total amount of $239,095.

7. HISTORICAL BACKGROUND/DISCUSSION: The City has been pursuing opportunities for solar arrays on various City structures and parking lots. As part of the Request for Proposal (RFP) process, the City highlighted the Police Property & Evidence Building as a possible location for a solar installation. The purpose of the solar array is to offset the kilowatt hour (kWh) cost of electricity to the Property & Evidence Building. The RFP required the solar supplier to provide a savings to the City for the duration of the solar services agreement.

The agreement with SolarCity is to purchase the solar power upfront for a specified cost per kWh. By purchasing the solar power up front the City is locking in the cost per kWh today. The winter kWh rate is $.03650 and the summer kWh rate is $.05145.

Major components of the Agreement include:
Guaranteed Annual kWh: 6,322,505 kWh
Cost per kWh: $.0.034
Estimated savings over life of agreement: $305,735
Solar production over the guaranteed minimum amount: no additional cost to the City
No Production Based Incentives

8. FINANCIAL IMPLICATIONS:
Funding for these agreements will come from the Solar Energy program in the General Capital Projects Fund (401.1291.6210.0.6GG631).

9. PROPOSED MOTION: Move to approve the Performance Guarantee Agreement and Solar Services Agreement No. CM4-290-3330, Solar Power Purchase, with SolarCity to provide solar arrays to the roof and existing parking shade structures at the Police Property & Evidence Building for twenty (20) years in a pre-paid amount of $217,260 and applicable taxes of $21,835 for a total amount of $239,095.

ATTACHMENT: Performance Guarantee Agreement and Solar Services Agreement

APPROVALS

10. Department Head
Marsha Reed
Marsha Reed, Assistant City Manager

11. City Manager
Rich Dlugas
Rich Dlugas, City Manager

SolarCity

Performance Guarantee & Limited Warranty Agreement

This Performance Guarantee & Limited Warranty Agreement (this "**Agreement**") is entered into by the parties listed below (each a "**Party**" and collectively the "**Parties**") as of the date signed by Seller below (the "**Effective Date**").

Purchaser:		**Seller:**	
Name and Address	**City of Chandler** 175 South Arizona Ave Chandler, AZ 85225 **Police Storage Facility** 576 W Pecos Rd Chandler AZ 85225 Attention: Marian Norris	Name and Address	**SolarCity Corporation** 3055 Clearview Way San Mateo, CA 94402 Attention: Legal Department
Phone	(480) 782-2216	Phone	(650) 638-1028
Fax	(480) 782-2209	Fax	(650) 560-6460
E-mail	Marian.norris@chandleraz.gov	E-mail	contracts@solarcity.com

This Agreement sets forth the terms and conditions of the performance guarantee required to be provided by Seller in conjunction with that certain Solar Services Agreement by and between Seller and Purchaser dated of even date herewith (the "**SSA**"). All capitalized terms used hereunder shall have the meanings given such terms in the SSA.

1. Seller guarantees that during the term of the SSA the Generating the System will generate the guaranteed kilowatt-hours (kWh) ("**Guaranteed kWh**") of energy set forth as follows:

   A. Commencing on the first anniversary of the date that the System achieves permission to operate from the Utility, if at the end of each successive twelve (12) month anniversary of the date that the System achieves permission to operate from the Utility, the cumulative Actual Annual kWh (defined below) generated by the System is ***less*** than the Guaranteed Annual kWh, then Seller will send Purchaser a refund check equal to the difference between the Guaranteed Annual kWh and the cumulative Actual Annual kWh multiplied by the Guaranteed Energy Price per kWh (defined below). Seller will make that payment within thirty (30) days after the end of the relevant calendar year.

   B. Commencing on the first anniversary of the date that the System achieves permission to operate from the Utility, if at the end of each successive twelve (12) month anniversary of the date that the System achieves permission to operate from the Utility the Actual Annual kWh is ***greater*** than the Guaranteed Annual kWh during any twelve (12) month period, this surplus will be carried over and will be used to offset any deficits that may occur in the future.

   C. Guaranteed Annual kWh:

True Up Term Years	Guaranteed kWh
Year 1 (95%)	315,296
Year 2 (95%)	313,719
Year 3 (95%)	312,143
Year 4 (95%)	310,566
Year 5 (aggregate of years 1-5 @ 100%)	1,642,856
Year 6 (95%)	307,413

Year 7 (95%)	305,837
Year 8 (95%)	304,260
Year 9 (95%)	302,684
Year 10 (aggregate of years 6-10 @ 100%)	1,601,369
Year 11 (95%)	299,531
Year 12 (95%)	297,954
Year 13 (95%)	296,378
Year 14 (95%)	294,801
Year 15 (aggregate of years 11-15 @ 100%)	1,559,883
Year 16 (95%)	291,648
Year 17 (95%)	290,072
Year 18 (95%)	288,495
Year 19 (95%)	286,919
Year 20 (aggregate of years 16-20 @ 100%)	1,518,397

D. "**Actual Annual kWh**" " means the AC electricity produced by the System in kilowatt-hours measured and recorded by Seller during each successive twelve (12) or sixty (60) month (as applicable) anniversary of the Commercial Operation Date. To measure the Actual kWh we will use the SolarGuard™ Monitoring Service or to the extent such services are not available, Sellerr will estimate the Actual kWh by reasonable means.

E. "**Guaranteed Energy Price per kWh**" means $0.034 per kWh with an annual increase of zero percent (0%).

2. The term of this Agreement shall be concurrent with the term of the SSA.

LIMITED WARRANTY AGREEMENT (Commercial SSA)

This Limited Warranty Agreement (this "Agreement") is SolarCity Corporation's ("SolarCity") agreement to provide installation and other services for the solar panel systems(s) (the "System") it will use to provide solar services to you (the "Purchaser") and to provide a warranty for the System. A description of the System that will be used to provide solar services to you is set forth in the SSA agreement (the "SSA") that you executed with SolarCity. The System will be professionally installed by SolarCity at the address you listed in the SSA. We will refer to the installation location as the "Premises" or your "Facility."

When you choose SolarCity, you can be assured that we will stand behind our System and installation with industry-leading warranties. We will professionally install your solar system in a good and workman-like manner and honor our commitment to you to keep your System in good working order. Read below for full details on SolarCity's Installation Warranty, Use Warranty, Roof Warranty and Repair Promise. Capitalized terms not otherwise defined herein shall have the meaning set forth in your SSA.

1. SOLARCITY'S STANDARDS

For the purpose of this Agreement the standards for SolarCity's performance will be (i) normal professional standards of performance within the solar photovoltaic power generation industry in the relevant market; and (ii) Prudent Electrical Practices. "Prudent Electrical Practices" means those practices, as changed from time to time, that are engaged in or approved by a significant portion of the solar energy electrical generation industry operating in the United States to operate electric equipment lawfully and with reasonable safety, dependability, efficiency and economy. For purposes of this Agreement, SolarCity's performance shall include necessary roof preparation for the installation of the System.

2. LIMITED WARRANTIES

A. LIMITED WARRANTIES

SolarCity warrants the System as follows:

i. Installation Warranty

SolarCity will professionally install the System in a good and workman-like manner according to our commitments to you in Section 1. This installation warranty will run for one (1) year following the completion of the System installation.

ii. Use Warranty

Under normal use and service conditions, the System will be free from defects in workmanship or defects in, or a breakdown of, materials or components during the Warranty Period (as defined below);

iii. Roof Warranty

If SolarCity penetrates the Facility roof in performing the Installation Services, SolarCity will warrant roof damage it causes as a direct result of these roof penetrations. This roof warranty will run the longer of (A) one (1) year following the completion of the System installation; and (B) the length of any existing installer warranty on the Facility's roof; and

iv. Repair Promise

During the Warranty Period, SolarCity will repair or replace any defective part, material or component or correct any defective workmanship, at no cost or expense to Purchaser (including all labor costs), when Purchaser submits a valid claim to SolarCity under this Agreement. If we damage your Facility, Property or belongings we will repair the damage we cause or pay you for the damage we cause. SolarCity may use new or reconditioned parts when making repairs or replacements. SolarCity may also, at no additional cost to Purchaser, upgrade or add to any part of the System to ensure that it performs according to the guarantees set forth in this Agreement.

This Agreement will continue from the date SolarCity starts installing the System at your Facility through the longer of (i) the SSA Term (as that term is defined in the SSA); and (ii) ten (10) years (the "Warranty Period") except for the warranties specified in Section 2 (A)(i) and (iii) above, which may have shorter periods. If Purchaser has assumed an existing SSA, then this Agreement will cover Purchaser for the remaining balance of the original Warranty Period.

B. MAINTENANCE AND OPERATION

i. General

During the Warranty Period, SolarCity will operate and perform all routine and emergency repairs to and maintenance of the System. SolarCity will provide Purchaser with a copy of SolarCity's Solar Operation and Maintenance Guide. This guide provides Purchaser with System operation and maintenance instructions, answers to frequently asked questions, troubleshooting tips and service information.

ii. SolarGuard

During the Warranty Period, SolarCity will provide Purchaser, at no additional cost, the SolarGuard Monitoring Service ("SolarGuard"). SolarGuard is a proprietary monitoring system designed and installed by SolarCity that captures and displays historical energy generation data over an Internet connection and consists of hardware located on site and software hosted by SolarCity. The SolarGuard service requires a high speed internet line to operate. Therefore, during the Warranty Period, Purchaser agrees to maintain the communication link between SolarGuard, the System and the Internet. Purchaser agrees to maintain and make available, at Purchaser's cost, a functioning indoor Internet connection with one available wired Ethernet port and standard AC power outlet within eighty (80)

feet of the System's AC/DC inverter(s). This communication link must be a 101100 Mbps Ethernet connection that supports common internet protocols (TCP/1 P and DHCP).

C. MAKING A CLAIM; TRANSFERRING THIS WARRANTY

i. Claims Process

Purchaser can make a claim by:

a. Emailing SolarCity at the email address below;
b. Writing us a letter and sending it overnight mail with a well-known service; or
c. Sending us a fax at the number below.

ii. Transferable Limited Warranty

SolarCity will accept and honor any valid and properly submitted Warranty claim made during the Warranty Period by any person to whom Purchaser properly transfers the SSA.

D. EXCLUSIONS AND DISCLAIMER

The Warranty does not apply to my repair, replacement or correction required due to the following:

i. Someone other than SolarCity or its approved service providers installed, removed, re-installed or repaired the System;

ii. Destruction or damage to the System or its ability to safely produce energy not caused by SolarCity or its approved service providers while servicing the System (e.g., a tree falls on the System);

iii. Purchaser's failure to perform, or breach. of, Purchaser's obligations under the SSA (such as if Purchaser modifies or alters the System);

iv. Purchaser's breach of this Agreement including being unavailable to provide access or assistance to SolarCity in diagnosing or repairing a problem or failing to maintain the System as stated in the Solar Operation and Maintenance Guide;

v. any Force Majeure Event (as defined below);

vi. a power or voltage surge caused by someone other than SolarCity including a grid supply voltage outside of the standard range specified by the Utility;

vii. any System failure not caused by a System defect (e.g., such as making roof repairs); or

viii. theft of the System.

This Agreement gives you specific rights, and Purchaser may also have other rights which vary from state to state. This Agreement does not warrant any specific electrical performance of the System, other than that described above. The promises in this warranty are the only express warranties made by SolarCity with respect to the System. SolarCity hereby disclaims, and any beneficiary of this Agreement hereby waives any warranty with respect to any cost savings from using the System.

3. ADDITIONAL SERVICES

(A) SCOPE OF ADDITIONAL SERVICES

Purchaser agrees that if (i) the System needs any repairs that are not the responsibility of SolarCity under this Agreement, (ii) the System needs to be removed and re-installed to facilitate remodeling of the Facility or (iii) the System is being relocated to another Facility pursuant to the SSA (collectively, items (i)- (iii) are "Additional Services"), Purchaser will have SolarCity, or another similarly qualified service provider, at Purchaser's expense, perform such repairs, removal and reinstallation or relocation on a time and materials basis.

(B) APPROVED SERVICE PROVIDERS

Purchaser's retention of a third party to perform Additional Services that is not qualified to perform such Additional Services will void the Warranty. To prevent voiding the Warranty, Purchaser should obtain the written consent of SolarCity prior to engaging a third party to perform Additional Services. If Purchaser engages a third party service provider to perform Services without the prior consent of SolarCity, Purchaser does so at the risk that SolarCity will subsequently determine such service provider was not qualified to perform the Additional Services.

(C) PRICING ON ADDITIONAL SERVICES

Performance of Additional Services by SolarCity will be on a time and materials basis at SolarCity's then current standard rates.

4. FORCE MAJEURE

If SolarCity is unable to perform all or some of its obligations under this Agreement because of a Force Majeure Event, SolarCity will be excused from whatever performance is affected by the Force Majeure Event, provided that:

1. SolarCity, as soon as is reasonably practical, gives Purchaser notice describing the Force Majeure Event;
2. SolarCity's suspension of its obligations is of no greater scope and of no longer duration than is required by the Force Majeure Event; and
3. No SolarCity obligation that arose before the Force Majeure Event that could and should have been fully performed before such Force Majeure Event is excused as a result of such Force Majeure Event.

"Force Majeure Event" means any event, condition or circumstance beyond the control of and not caused by SolarCity's fault or negligence. It shall include, without limitation, failure or interruption of the production, delivery or acceptance of electricity due to: an act of god; war (declared or undeclared); sabotage; riot; insurrection; civil unrest or disturbance; military or guerilla action; terrorism; economic sanction or embargo; civil strike, work stoppage, slow-dawn, or lock-out; explosion; fire; earthquake; abnormal weather condition or actions of the elements; hurricane; flood; lightning; wind; drought; the binding order of any governmental authority (provided that such order has been resisted in good faith by all reasonable legal means); the failure to act on the part of any governmental authority (provided that such action has been timely requested and diligently pursued); unavailability of electricity from the utility grid, equipment, supplies or products; and failure of equipment not utilized by SolarCity or under its control.

5. LIMITATIONS ON LIABILITY

(A) NO CONSEQUENTIAL DAMAGES

In no event shall either party or its agents or subcontractors be liable to the other for special, indirect, punitive, exemplary, incidental or consequential damages of any nature. Some states do not allow the exclusion or limitation of incidental or consequential damages, so the above limitation may not apply in such states.

(B) LIMITATION OF DURATION OF IMPLIED WARRANTIES

Any implied warranties, including the implied warranties of fitness for particular purpose and merchantability arising under state law, shall in no event extend past this Agreement. Some states do not allow limitations on how long an implied warranty lasts, so the above limitation may not apply in such states.

(C) LIMIT OF LIABILITY

Notwithstanding any other provision of this Agreement to the contrary, SolarCity's total liability arising out of or relating to this Agreement shall in no event:

i. For System Failure or Replacement: exceed the total of the Purchaser's payments made during the Term of the PPA

ii. For damages to your Facility, Property or belongings: exceed three million dollars ($3,000,000).

6. NOTICES

TO SOLARCITY:
SolarCity Corporation
3055 Clearview Way
San Mateo, CA 94402
Attention: Contracts
Telephone: 650-638-1028
Facsimile: 650-638-1029
Email; contracts@solarcity.com

TO PURCHASER,
City Manager
City of Chandler
Mail Stop 605
175 S. Arizona Ave.
Chandler, AZ 85225

All notices under this Agreement shall be in writing and shall be by personal delivery, facsimile transmission, electronic mail, overnight courier, or regular, certified, or registered mail, return receipt requested, and shall be deemed received upon personal delivery, acknowledgment of receipt of electronic transmission, the promised delivery date after deposit with overnight courier, or five (5) days after deposit in the mail. Notices shall be sent to the party identified in this Agreement at the address set forth above or such other address as either party may specify in writing. Each party shall deem a document faxed or sent by electronic mail to it as an original document.

7. APPLICABLE LAW / ARBITRATION

Any dispute arising from or relating to this Agreement shall be arbitrated in Phoenix, Arizona. The arbitration shall be administered by the AAA in accordance with its Comprehensive Arbitration Rules and Procedures, and judgment on any award may be entered in any court of competent jurisdiction. If the Parties agree, a mediator may be consulted prior to arbitration. The prevailing party in any dispute arising out of this Agreement shall be entitled to reasonable attorneys' fees and costs.

8. ASSIGNMENT AND TRANSFER OF THIS AGREEMENT

SolarCity may assign its rights or obligations under this Agreement to a third party without your consent, provided that any assignment of SolarCity's obligations under this Agreement shall be to a party qualified to perform such obligation. SolarCity shall provide notice of any such assignment. This Agreement protects only the party that hosts the System. Purchaser's rights and obligations under this Agreement will be automatically transferred to any party to whom Purchaser properly transfers the SSA.

9. ENTIRE AGREEMENT: CHANGES

This Agreement contains the parties' entire agreement regarding the matters set forth herein. SolarCity's obligations under this Agreement are separate and distinct from the obligations of the Seller or its assigns under the SSA. No breach of this Agreement shall affect Purchaser's obligations under the SSA. The SSA may be assigned to a third party without assignment of SolarCity's obligations under this Agreement. Any change to this Agreement must be in writing and signed by both Parties. If any portion of this Agreement is determined to be unenforceable, the remaining provisions shall be enforced in accordance with their terms or shall be interpreted or re written so as to make them enforceable. Provisions that should reasonably be considered to survive termination of this Agreement shall survive.

City of Chandler

Signature: _____

Printed Name: _____

Title: _____

Date: _____

SolarCity Corporation

Signature: _____

Printed Name: LYNDON RIVE

Title: CEO

Date: 3-27-14

APPROVED AS TO FORM

CITY ATTORNEY

LEGAL APPROVED
INITIAL
DATE 3-27-14
SolarCity

SolarCity

Solar Services Agreement

This Solar Services Agreement (this "**Agreement**") is entered into between the City of Chandler, an Arizona corporation, and Solar City Corporation, a corporation of the State of Delaware (each a "**Party**" and collectively the "**Parties**") as of the date signed by Seller below (the "**Effective Date**").

Purchaser:		**Seller:**	
Name and Address	**City of Chandler** 175 South Arizona Ave Chandler, AZ 85225 **Police Storage Facility** 576 W Pecos Rd Chandler AZ 85225 Attention: Marian Norris	Name and Address	**SolarCity Corporation** 3055 Clearview Way San Mateo, CA 94402 Attention: Legal Department
Phone	(480) 782-2216	Phone	(650) 638-1028
Fax	(480) 782-2209	Fax	(650) 560-6460
E-mail	Marian.norris@chandleraz.gov	E-mail	Contracts@solarcity.com
Purchaser (check one)	☒ owns the Facility ❑ leases the Facility		

This Agreement sets forth the terms and conditions of the finance, design installation, operation and maintenance of the turnkey solar panel system described in **Exhibit 2** (the "**System**") to be installed at the Purchaser's facility described in **Exhibit 3** (the "**Facility**"). The utility provider referenced in this agreement shall be Arizona Public Service Company (the "Utility").

The exhibits listed below are incorporated by reference and made part of this Agreement.

Exhibit 1	Finance Attachment
Exhibit 2	System Description
Exhibit 3	Purchaser's Facility
Exhibit 4	Delivery Point
Exhibit 5	License Area
Exhibit 6	Memorandum of License
Exhibit 7	General Terms and Conditions (*Revised July 1, 2010*)
Exhibit 8	Contractor Immigration Warranty

APPROVED AS TO FORM

CITY ATTORNEY

City of Chandler	**SolarCity Corporation**
Signature: _____	Signature: _____
Printed Name: _____	Printed Name: LYNDON RIVE
Title: _____	Title: CEO
Date: _____	Date: 3-27-14

LEGAL APPROVED
INITIAL
DATE 3/27/14

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Exhibit 1
Finance Attachment

1. **Term**: Twenty (20) years, beginning on the Commercial Operation Date.

2. **Additional Terms**: Up to Two (2) Additional Terms of Five (5) years each.

3. **Environmental Incentives and Environment Attributes.** Notwithstanding anything to the contrary in the Solar Services Agreement (including, without limitation, Sections 5, 6(a), and 16(a) of the General Terms and Conditions), the Environmental Incentives and Environmental Attributes (but not the Tax Credits) accrue to Purchaser. Purchaser has, in turn, assigned payment of the Environmental Incentives to Seller.

4. **Prepayment Amount:** $217,260

5. **Condition Satisfaction Date**: 8/1/2014

6. **Anticipated Commercial Operation Date**: 12/31/2014

7. **Outside Commercial Operation Date**: 1/31/2015

8. **Purchase Option Price**

End of Contract Year	Purchase Option Price*:
6	$150,615.01
10	$165,898.55
20	Fair Market Value

*** Higher of Fair Market Value of System or amount specified**

9. Termination Value:

Contract Year	Termination Value
1	$485,016.04
2	$392,816.75
3	$267,695.82
4	$171,885.92
5	$93,664.72
6	$14,129.86
7	$0.00
8	$0.00
9	$0.00
10	$0.00
11	$0.00
12	$0.00
13	$0.00
14	$0.00
15	$0.00
16	$0.00
17	$0.00
18	$0.00
19	$0.00
20	$0.00

10. Rebate Variance. All prices in this Agreement are calculated based on a rebate of APS at $0.0/kWh. If the actual rebate is lower than calculated, prices will be adjusted pro-rata to reflect the actual rebate received, provided, however, that Purchaser shall have the right to terminate this Agreement if it does not accept the pro-rata adjustment.

Exhibit 2

System Description

1. **System Location:** Police Storage Facility, 576 W Pecos Rd, Chandler AZ 85225

2. **System Size (DC kW): 192.4 kW**

3. **Expected First Year Energy Production: 332,016 kWh**

4. **Scope:** Seller intends to finance, design, build, own, operate and maintain a Solar photovoltaic system at the Chandler Police Storage Facility, and sell electrical output to City.

5. **Expected Module(s):**

QUANTITY	MAKE	MODEL	STC WATTS	PTC WATTS
569	Trina Solar	TSM-240PA05	240.0 W	211.2 W
228	Trina Solar	TSM-245PC/PA05.08	245.0 W	

6. **Expected Inverter(s):**

QUANTITY	MAKE	MODEL	RATED POWER	EFFICIENCY
2	Solectria Renewables	PVI 82KW (480V)	82.00 kW	97.0 %

7. **Expected Structure:** Non-penetrating roof mounted and on top of existing carport

8. **Includes:** N/A

9. **Excludes:** Reinforcement of existing carport structures (if required)

Exhibit 3
Purchaser's Facility

A PARCEL OF LAND LOCATED IN THE STATE OF ARIZONA, COUNTY OF MARICOPA, WITH A SITUS ADDRESS OF 576 W PECOS RD, CHANDLER, AZ 85225 CURRENTLY OWNED BY CHANDLER CITY OF HAVING A TAX ASSESSOR NUMBER OF 303-63-002-A AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS CHANDLER INDUSTRIAL PARK MCR 98-04 TR A EX W 183.50F AS MEAS ALG N LN TH/OF AND DESCRIBED IN DOCUMENT NUMBER 1109015 RECORDED 12/08/1998.

A PARCEL OF LAND LOCATED IN THE STATE OF ARIZONA, COUNTY OF MARICOPA, WITH A SITUS ADDRESS OF 576 W PECOS RD, CHANDLER, AZ 85225 CURRENTLY OWNED BY CHANDLER CITY OF HAVING A TAX ASSESSOR NUMBER OF 303-63-002-B AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS CHANDLER INDUSTRIAL PARK MCR 98-04 TR A W 183.50F TH/OF AS MEAS ALG N LN SD TR A AND DESCRIBED

Exhibit 4
Delivery Point

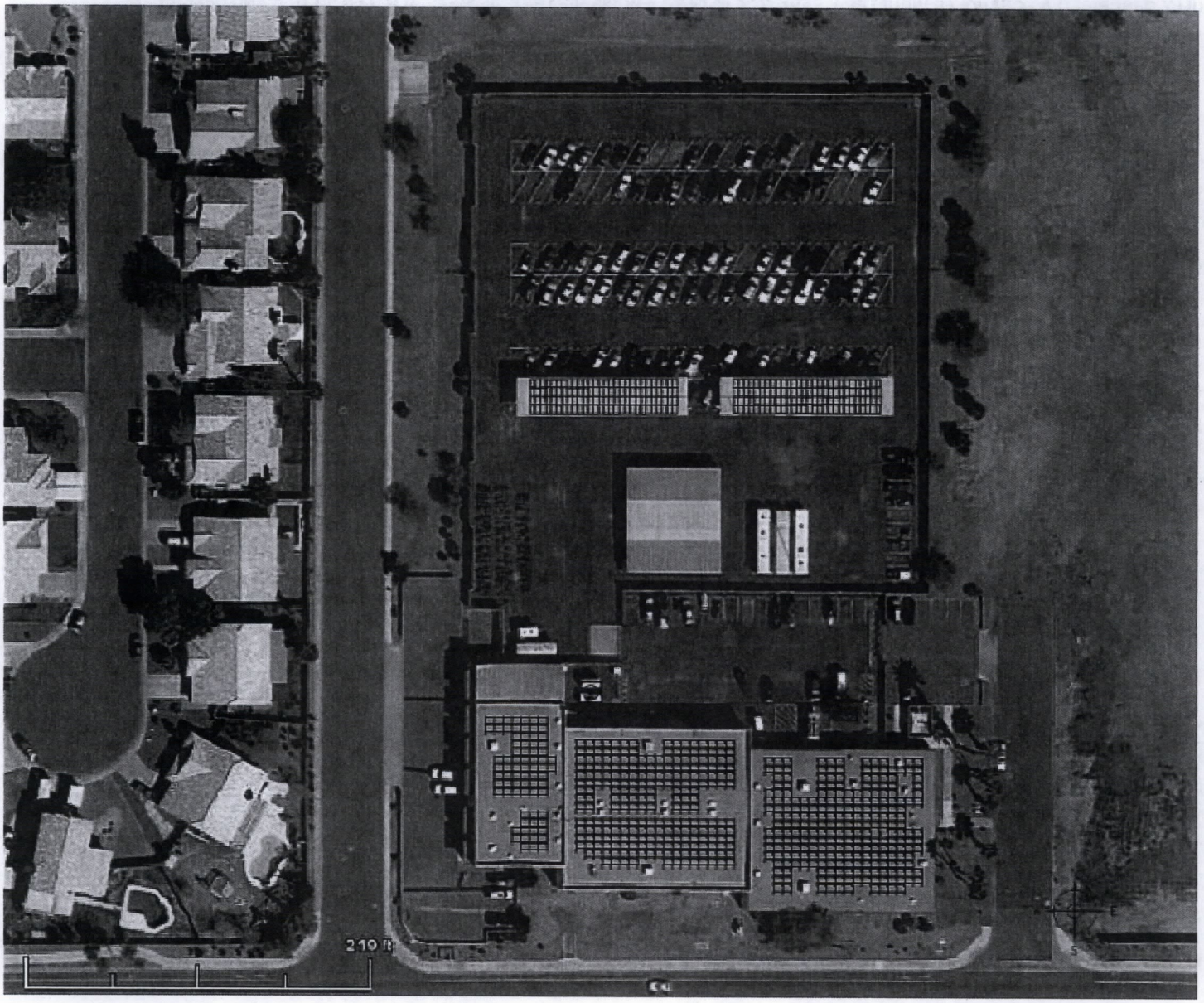
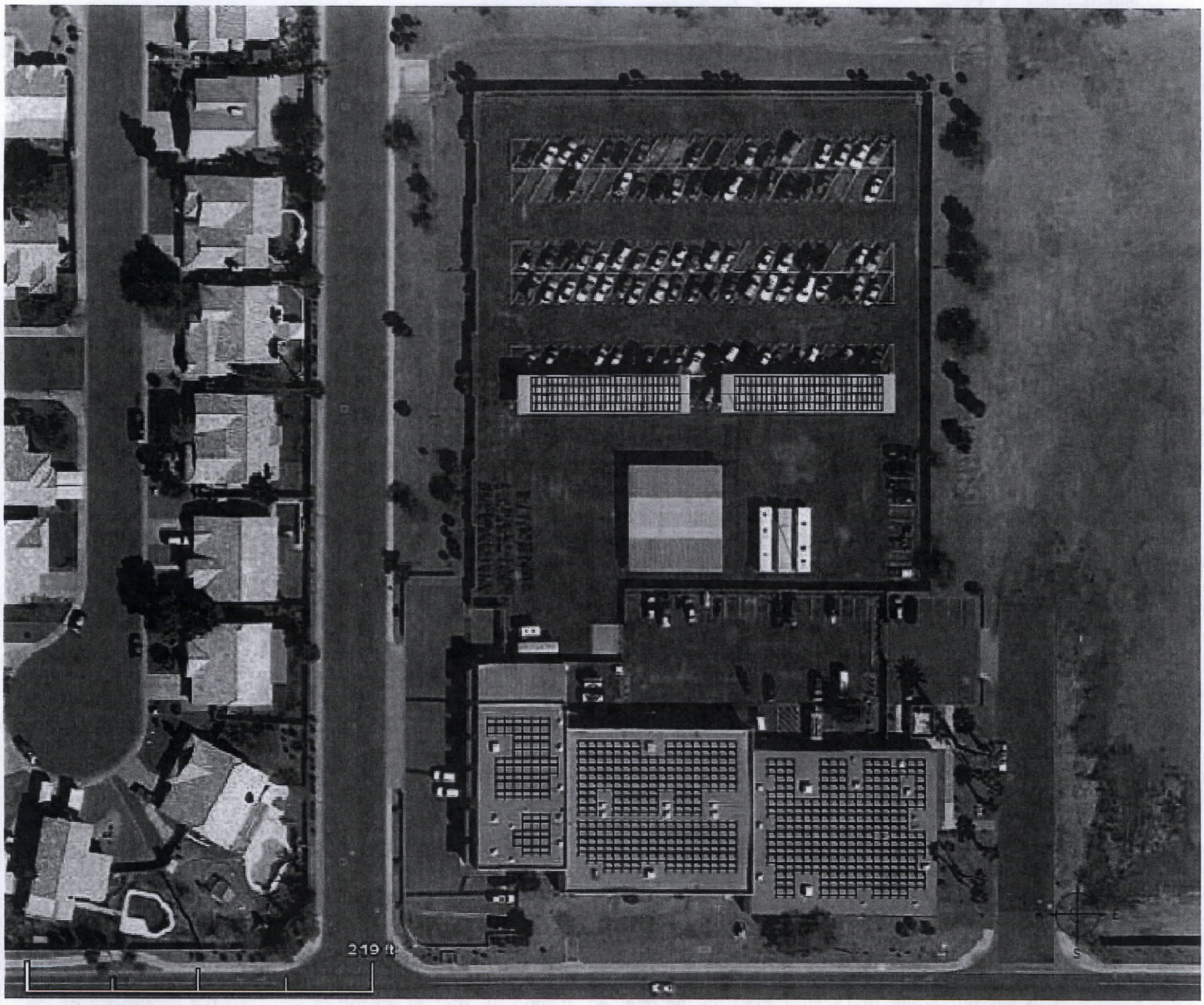


Exhibit 5
License Area



RECORDING REQUESTED BY AND WHEN RECORDED, RETURN TO:
SolarCity Corporation
Legal Department
3055 Clearview Way
San Mateo, CA 94402

Facsimile: (650) 560-6460
Email: contracts@solarcity.com

(space above this line reserved for recorder's use)

Exhibit 6
MEMORANDUM OF LICENSE

THIS MEMORANDUM OF LICENSE is made and entered into this ___ day of _____, 20__, by and between City of Chandler, an Arizona municipal corporation whose address is 175 South Arizona Ave, Chandler AZ 85225 ("**Licensor**"), and SOLARCITY CORPORATION, a corporation of the State of Delaware, whose address is 3055 Clearview Way, San Mateo, CA 94402 ("**Licensee**").

A. Licensor is the owner of certain real property ("**Premises**"), located in the County of Maricopa, State of Arizona, described in Exhibit A attached to and incorporated herein by reference.

B. Licensor and Licensee have entered into a Solar Services Agreement dated on or about the Effective Date (the "**Agreement**") under which Licensee is leasing a photovoltaic electric generating system (the "**System**") to Licensor. The Agreement is for a term of Twenty (20) years, beginning on the Effective Date and ending on the Twenty (20) year anniversary of the Commercial Operation Date with an option to extend the Agreement for up to Two (2) extended terms of Five (5) years each. Pursuant to the Agreement, Licensor has granted Licensee an irrevocable, non-exclusive license ("**License**") over the Premises for the purposes and on the terms set forth in the Agreement.

Licensor and Licensee agree as follows:

1. Licensor hereby grants to Licensee the License over the Premises on and subject to the terms and conditions set forth in the Agreement which is incorporated herein by reference.

2. The term of the License begins on the Effective Date and continues until one hundred and twenty (120) days after the termination of the Agreement.

3. This Memorandum of License shall not be deemed to modify, alter or amend in any way the provisions of the License or the Agreement. In the event of any conflict between the terms of the License and/or the Agreement and this Memorandum, the terms of the License and/or the Agreement, as applicable, shall control.

LICENSOR	**LICENSEE**
CITY OF CHANDLER	SOLARCITY CORPORATION
By: _____	By: _____
Name: _____	Name: LYNDON RIVE
Title: _____	Title: CEO

The undersigned have executed this Memorandum of License as of the date first written above.

STATE OF ARIZONA

COUNTY OF MARICOPA

On _____, before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of _____ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____

Signature of the Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN MATEO)

On MARCH 27, 2014, before me, THERESA FACTORA, Notary Public, personally appeared LYNDON RIVE, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(ies), and that by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Theresa A. Factora

Signature of the Notary Public

THERESA A. FACTORA
Commission # 1973676
Notary Public - California
San Mateo County
My Comm. Expires Mar 30, 2016

Exhibit A
To Memorandum of License

Legal Description of Premises

A PARCEL OF LAND LOCATED IN THE STATE OF ARIZONA, COUNTY OF MARICOPA, WITH A SITUS ADDRESS OF 576 W PECOS RD, CHANDLER, AZ 85225 CURRENTLY OWNED BY CHANDLER CITY OF HAVING A TAX ASSESSOR NUMBER OF 303-63-002-A AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS CHANDLER INDUSTRIAL PARK MCR 98-04 TR A EX W 183.50F AS MEAS ALG N LN TH/OF AND DESCRIBED IN DOCUMENT NUMBER 1109015 RECORDED 12/08/1998.

A PARCEL OF LAND LOCATED IN THE STATE OF ARIZONA, COUNTY OF MARICOPA, WITH A SITUS ADDRESS OF 576 W PECOS RD, CHANDLER, AZ 85225 CURRENTLY OWNED BY CHANDLER CITY OF HAVING A TAX ASSESSOR NUMBER OF 303-63-002-B AND BEING THE SAME PROPERTY MORE FULLY DESCRIBED AS CHANDLER INDUSTRIAL PARK MCR 98-04 TR A W 183.50F TH/OF AS MEAS ALG N LN SD TR A AND DESCRIBED

Exhibit 7

Solar Services Agreement General Terms and Conditions

Revised July 1, 2010

Purpose: The purpose of this Agreement is to set forth the terms and conditions by which SolarCity will provide the Purchaser with the financing, design, installation, operation and maintenance of a solar panel system at Purchaser's Facility.

1. **Definitions and Interpretation**: Unless otherwise defined or required by the context in which any term appears: (a) the singular includes the plural and vice versa; (b) the words "herein," "hereof" and "hereunder" refer to this Agreement as a whole and not to any particular section or subsection of this Agreement; (c) references to any agreement, document or instrument mean such agreement, document or instrument as amended, modified, supplemented or replaced from time to time by agreement of both parties; and (d) the words "include," "includes" and "including" mean include, includes and including "without limitation." The captions or headings in this Agreement are strictly for convenience and shall not be considered in interpreting this Agreement.

2. **Finance, Design, Development and Operation of Solar Panel System.** Seller shall provide for Purchaser the financing, design, development and operation of the System during the Initial Term and any Additional Term (as defined in **Exhibit 1**, and collectively the "**Term**"). At the end of the sixth (6th) and tenth (10th) Contract Years and at the end of the Initial Term and each Additional Term, so long as Purchaser is not in default under this Agreement, Purchaser may purchase the System from Seller as set forth more fully in Section 16 of this Agreement.

3. **Term and Termination**.

   a. **Initial Term.** The initial term ("**Initial Term**") of this Agreement shall commence on the Commercial Operation Date (as defined below) and continue for the length of time specified in **Exhibit 1,** unless earlier terminated as provided for in this Agreement. The "**Commercial Operation Date**" is the date Seller gives Purchaser written notice that the System is mechanically complete and capable of providing electric energy to the Delivery Point. Upon Purchaser's request, Seller will give Purchaser copies of certificates of completion or similar documentation from Seller's contractor and the interconnection or similar agreement with the Utility. This Agreement is effective as of the Effective Date and Purchaser's failure to enable Seller to provide the electric energy by preventing it from installing the System or otherwise not performing shall not excuse Purchaser's obligations to make payments that otherwise would have been due under this Agreement.

   b. **Additional Terms.** If Purchaser has not exercised its option to purchase the System by the end of the Initial Term, either Party may give the other Party written notice of its desire to extend this Agreement on the terms and conditions set forth herein for the number and length of additional periods specified in **Exhibit 1** (each an "**Additional Term**"). Such notice shall be given, if at all, not more than one hundred twenty (120) and not less than sixty (60) days before the last day of the Initial Term or the then current Additional Term, as applicable. The Party receiving the notice requesting an Additional Term shall respond positively or negatively to that request in writing within thirty (30) days after receipt of the request. Failure to respond within such thirty (30) day period shall be deemed a rejection of the offer for an Additional Term. If both Parties agree to an Additional Term, the Additional Term shall begin immediately upon the conclusion of the Initial Term or the then current term on the same terms and conditions as set forth in this Agreement. If the Party receiving the request for an Additional Term rejects or is deemed to reject the first Party's offer, this Agreement shall terminate at the end of the Initial Term (if the same has not been extended) or the then current Additional Term.

4. **Billing and Payment**.

a. Payment. Purchaser shall pay to Seller the Prepayment as follows:

i. Payment 1: 20% upon the ordering of materials by Seller

ii. Payment 2: 40% upon 50% completion of the System

iii. Payment 3: 40% upon final completion of the System

b. **Taxes.** Purchaser shall either pay or reimburse Seller for any and all taxes assessed on the generation, sale, delivery or consumption of electric energy produced by the System or the interconnection of the System to the Utility's electric distribution system, including property taxes on the System; provided, however, Purchaser will not be required to pay or reimburse Seller for any taxes during periods when the System fails to deliver electric energy to Purchaser for reasons other than Force Majeure. For purposes of this Section 4(d), "**Taxes**" means any federal, state and local ad valorem, property occupation, generation, privilege, sales, use, consumption, excise, transaction, and other taxes, regulatory fees, surcharges or other similar charges but shall not include any income taxes or similar taxes imposed on Seller's revenues due to the sale of energy under this Agreement, which shall be Seller's responsibility.

c. **Payment Terms.** All amounts due under this Agreement shall be due and payable net thirty (30) days from receipt of invoice. Any undisputed portion of the invoice amount not paid within the thirty (30) day period shall accrue interest at the annual rate of two and one-half percent (2.5%) over the Prime Rate (but not to exceed the maximum rate permitted by law).

5. **Environmental Attributes and Environmental Incentives.**

Unless otherwise specified on **Exhibit 1**, Seller is the owner of all Environmental Attributes and Environmental Incentives and is entitled to the benefit of all Tax Credits, and Purchaser's benefits under this Agreement do not include the right to the Environmental Attributes, Environmental Incentives or the right to Tax Credits or any other attributes of ownership and operation of the System, all of which shall be retained by Seller. Purchaser shall cooperate with Seller in obtaining, securing and transferring all Environmental Attributes and Environmental Incentives and the benefit of all Tax Credits, including by using the electric energy generated by the System in a manner necessary to qualify for such available Environmental Attributes, Environmental Incentives and Tax Credits. Purchaser shall not be obligated to incur any out–of–pocket costs or expenses in connection with such actions unless reimbursed by Seller. If any Environmental Incentives are paid directly to Purchaser, Purchaser shall immediately pay such amounts over to Seller. To avoid any conflicts with fair trade rules regarding claims of solar or renewable energy use, Purchaser, if engaged in commerce and/or trade, shall submit to Seller for approval any press releases regarding Purchaser's use of solar or renewable energy and shall not submit for publication any such releases without the written approval of Seller. Approval shall not be unreasonably withheld, and Seller's review and approval shall be made in a timely manner to permit Purchaser's timely publication.

"**Environmental Attributes**" means any and all credits, benefits, emissions reductions, offsets, and allowances, howsoever entitled, attributable to the System, the production of electrical energy from the System and its displacement of conventional energy generation, including (1) any avoided emissions of pollutants to the air, soil or water such as sulfur oxides (SOx), nitrogen oxides (NOx), carbon monoxide (CO) and other pollutants; (2) any avoided emissions of carbon dioxide (CO2), methane (CH4), nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and other greenhouse gases (GHGs) that have been determined by the United Nations Intergovernmental Panel on Climate Change, or otherwise by law, to contribute to the actual or potential threat of altering the Earth's climate by trapping heat in the atmosphere; and (3) the reporting rights related to these avoided emissions, such as Green Tag Reporting Rights and Renewable Energy Credits. Green Tag Reporting Rights are the right of a party to report the ownership of accumulated Green Tags in compliance with federal or state law, if applicable, and to a federal or state agency or any other party, and include Green Tag Reporting Rights accruing under Section 1605(b) of The Energy Policy Act of 1992 and any present or future federal, state, or local law, regulation

or bill, and international or foreign emissions trading program. Environmental Attributes do not include Environmental Incentives and Tax Credits. Purchaser and Seller shall file all tax returns in a manner consistent with this Section 5. Without limiting the generality of the foregoing, Environmental Attributes include carbon trading credits, renewable energy credits or certificates, emissions reduction credits, investment credits, emissions allowances, green tags, tradeable renewable credits and Green-e® products.

"Environmental Incentives" means any and credits, rebates, subsidies, payments or other incentives that relate to self–generation of electricity, the use of technology incorporated into the System, environmental benefits of using the System, or other similar programs available from the Utility, any other regulated entity, the manufacturer of any part of the System or any Governmental Authority.

"**Governmental Authority**" means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including the Federal Energy Regulatory Commission or the Arizona Corporation Commission), or any arbitrator with authority to bind a party at law.

"**Tax Credits**" means any and all (i) investment tax credits, (ii) production tax credits and (iii) similar tax credits or grants under federal, state or local law relating to the construction, ownership or production of energy from the System.

6. Conditions to Obligations.

a. Conditions to Seller's Obligations.

Seller's obligations under this Agreement are conditioned on the completion of the following conditions to Seller's reasonable satisfaction on or before the Condition Satisfaction Date:

i. Completion of a physical inspection of the Facility and the property upon which the Facility is located (the "**Premises**") including, if applicable, geotechnical work, and real estate due diligence to confirm the suitability of the Facility and the Premises for the System;

ii. Approval of (A) this Agreement and (B) the Construction Agreement (if any) for the System by Seller's Financing Parties. "**Construction Agreement**" as used in this subsection means an agreement between SolarCity and a subcontractor to install the System;

iii. Confirmation that Seller will obtain all applicable Environmental Incentives and Tax Credits;

iv. Receipt of all necessary zoning, land use and building permits;

v. Execution of all necessary agreements with the Utility for interconnection of the System to the Utility's electric distribution system;

vi. Prior to Seller commencing construction and installation of the System, Purchaser shall give Seller proof of insurance for all insurance required to be maintained by Purchaser under this Agreement.

b. Conditions to Purchaser's Obligations.

i. Purchaser's obligations under this Agreement are conditioned on the occurrence of the Commercial Operation Date for the System on or before the Outside Commercial Operation Date (*See* **Exhibit 1**).

c. Failure of Conditions.

If any of the conditions listed in subsections a) or b) above are not satisfied by the applicable dates specified in those subsections, the Parties will attempt in good faith to negotiate new dates for the satisfaction of the failed conditions. If the parties are unable to negotiate new dates then the Party that has not failed to meet an obligation may terminate this Agreement upon ten (10) days written notice to the other Party without liability for costs or damages or triggering a default under this Agreement. If Seller terminateds this agreement under this subsection and has already completed the System design then Seller shall be entitled to a $5,000 design cancellation fee.

7. **Seller's Rights and Obligations**.

a. **Permits and Approvals**. Seller, with Purchaser's reasonable cooperation, shall use commercially reasonable efforts to obtain, at its sole cost and expense:

i. any zoning, land use and building permits required to construct, install and operate the System; and

ii. any agreements and approvals from the Utility necessary in order to interconnect the System to the Utility's electric distribution system.

Purchaser shall cooperate with Seller's reasonable requests to assist Seller in obtaining such agreements, permits and approvals.

b. **Standard System Repair and Maintenance.** Seller shall finance, design, develop, operate and install the System at the Facility. During the Term, Seller will operate and perform all routine and emergency repairs to and maintenance of the System at its sole cost and expense, except for any repairs or maintenance resulting from Purchaser's negligence, willful misconduct or breach of this Agreement or the Site Lease (if applicable). Seller shall not be responsible for any work done by others on any part of the System unless Seller authorizes that work in advance in writing. Seller shall not be responsible for any loss, damage, cost or expense arising out of or resulting from improper environmental controls or improper operation or maintenance of the System by anyone other than Seller or Seller's contractors. If the System requires repairs for which Seller is not responsible, Purchaser shall pay Seller for diagnosing and correcting the problem at Seller or Seller's contractors' then current standard rates. Seller shall provide Purchaser with reasonable notice prior to accessing the Facility to make standard repairs.

c. **Seller's Experience, Expertise and Duty to Investigate.** If Seller incurs incremental costs to maintain the System due to conditions at the Facility that are known (or should have been known to Purchaser) and not disclosed to Seller or due to the inaccuracy of any information provided by Purchaser and relied upon by Seller, the pricing, schedule and other terms of this Agreement will be equitably adjusted to compensate for any work in excess of normally expected work required to be performed by Seller. In such event, the Parties will negotiate such equitable adjustment in good faith. Seller represents and warrants that it has the necessary expertise and experience to construct and install the parking shade structures and the solar power generating equipment contemplated by this Agreement.

d. **Breakdown Notice.** Seller shall notify Purchaser within twenty-four (24) hours following Seller's discovery of (a) any material malfunction in the operation of the System or (b) an interruption in the supply of electrical energy from the System. Purchaser and Seller shall each designate personnel and establish procedures such that each Party may provide notice of such conditions requiring Seller's repair or alteration at all times, twenty-four (24) hours per day, including weekends and holidays. Purchaser shall notify Seller immediately upon the discovery of an emergency condition affecting the System.

e. **Suspension.** Notwithstanding anything to the contrary herein, Seller shall be entitled to suspend delivery of electricity from the System to the Delivery Point for the purpose of maintaining and repairing the System and such suspension of service shall not constitute a breach of this

Agreement; provided, that Seller shall use commercially reasonable efforts to minimize any interruption in service to the Purchaser.

f. **Use of Contractors and Subcontractors.** Seller shall be permitted to use contractors and subcontractors to perform its obligations under this Agreement. However, Seller shall continue to be responsible for the quality of the work performed by its contractors and subcontractors. If a list of pre–approved contractors and subcontractors is desired, such list shall be scheduled on an appendix to **Exhibit 7**. All Contractors and subcontractors other than those that may be scheduled on an appendix to **Exhibit 7** shall be subject to Purchaser's prior written consent, not to be unreasonably withheld.

g. **Liens and Payment of Contractors and Suppliers.** Seller shall pay when due all valid charges from all contractors, subcontractors and suppliers supplying goods or services to Seller under this Agreement and shall keep the Facility free and clear of any liens related to such charges, except for those liens which Seller is permitted by law to place on the Facility following non-payment by Purchaser of amounts due under this Agreement. Seller shall indemnify Purchaser for all claims, losses, damages, liabilities and expenses resulting from any liens filed against the Facility or the Premises in connection with such charges; provided, however, that Seller shall have the right to contest any such lien, so long as it provides a statutory bond or other reasonable assurances of payment that either remove such lien from title to the Facility and the Premises or that assure that any adverse judgment with respect to such lien will be paid without affecting title to the Facility and the Premises.

h. **No Warranty.** NO WARRANTY OR REMEDY, WHETHER STATUTORY, WRITTEN, ORAL, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, OR WARRANTIES ARISING FROM COURSE OF DEALING OR USAGE OF TRADE SHALL APPLY. The remedies set forth in this Agreement shall be Purchaser's sole and exclusive remedies for any claim or liability arising out of or in connection with this Agreement, whether arising in contract, tort (including negligence), strict liability or otherwise.

8. **Purchaser Rights and Obligations**.

a. **Facility Access Rights.** Purchaser grants to Seller and to Seller's agents, employees and contractors an irrevocable non-exclusive license running with the Premises (the "**License**") for access to, on, over, under and across the Premises as more particularly described in Exhibit A to **Exhibit 6** (the "**License Area**") for the purposes of (a) installing, constructing, operating, owning, maintaining, accessing, removing and replacing the System; (b) performing all of Seller's obligations and enforcing all of Seller's rights set forth in this Agreement; and (c) installing, using and maintaining electric lines and equipment, including inverters and meters, necessary to interconnect the System to Purchaser's electric system at the Facility and/or to the Utility's electric distribution system or that otherwise may from time to time be useful or necessary in connection with the construction, installation, operation, maintenance or repair of the System. Seller shall notify Purchaser prior to entering the Facility except in situations where there is imminent risk of damage to persons or property. The term of the License shall continue until the date that is one hundred and twenty (120) days following the date of expiration or termination of this Agreement (the "**License Term**"). During the License Term, Purchaser shall ensure that Seller's rights under the License and Seller's access to the License Area are preserved and protected and shall not interfere with or permit any third parties to interfere with such rights or access. The grant of the License shall survive termination of this agreement by either Party. Purchaser agrees that Seller may record a memorandum of license in substantially the same form attached hereto as **Exhibit 6** in the land records respecting the License. Only those Seller's agents, employees, and contractors who have passed a City of Chandler Police Department security background check shall be allowed access to the rooftop system on the Police Department and the secured parking area.

b. **OSHA Compliance.** Purchaser shall ensure that all Occupational Safety and Health Act (OSHA) requirements and other similar applicable safety laws or codes are adhered to in its performance under this Agreement.

c. **Maintenance of Facility.** Purchaser shall, at its sole cost and expense, maintain Purchaser's Facility in good condition and repair. Purchaser will ensure that the Facility remains interconnected to the local utility grid at all times and will not permit cessation of electric service to the Facility from the local utility. Purchaser is fully responsible for the maintenance and repair of the Facility's electrical system and of all of Purchaser's equipment that utilizes the System's outputs. Purchaser shall properly maintain in full working order all of Purchaser's electric supply or generation equipment that Purchaser may shut down while utilizing the System. Purchaser shall promptly notify Seller of any matters of which it is aware pertaining to any damage to or loss of use of the System or that could reasonably be expected to adversely affect the System.

d. **No Alteration of Facility.** Purchaser shall not make any alterations or repairs to the Facility which may adversely affect the operation and maintenance of the System without Seller's prior written consent. If Purchaser wishes to make such alterations or repairs, Purchaser shall give prior written notice to Seller, setting forth the work to be undertaken (except for emergency repairs, for which notice may be given by telephone), and give Seller the opportunity to advise Purchaser in making such alterations or repairs in a manner that avoids damage to the System, but, notwithstanding any such advice, Purchaser shall be responsible for all damage to the System caused by Purchaser or its contractors. To the extent that temporary disconnection or removal of the System is necessary to perform such alterations or repairs, such work and any replacement of the System after completion of Purchaser's alterations and repairs, shall be done by Seller or its contractors at Purchaser's cost. All of Purchaser's alterations and repairs will be done in a good and workmanlike manner and in compliance with all applicable laws, codes and permits.

e. **Outages.** Purchaser shall be permitted to be off line for two (2) full twenty-four (24) hour days (each, a "**Scheduled Outage**") per calendar year during the Term, during which days Purchaser shall not be obligated to accept or pay for electricity from the System; provided, however, that Purchaser must notify Seller in writing of each such Scheduled Outage at least forty-eight (48) hours in advance of the commencement of a Scheduled Outage. In the event that Scheduled Outages exceed two (2) days per calendar year or there are unscheduled outages, in each case for a reason other than a Force Majeure event, Seller shall reasonably estimate the amount of electricity that would have been delivered to Purchaser during such excess Scheduled Outages or unscheduled outages and shall invoice Purchaser for such amount in accordance with Section 4. Purchaser may purchase electricity from any source during the Term of this Agreement.

f. **Liens.** Purchaser shall not directly or indirectly cause, create, incur, assume or allow to exist any mortgage, pledge, lien, charge, security interest, encumbrance or other claim of any nature on or with respect to the System or any interest therein. Purchaser shall immediately notify Seller in writing of the existence of any such mortgage, pledge, lien, charge, security interest, encumbrance or other claim, shall promptly cause the same to be discharged and released of record without cost to Seller, and shall indemnify Seller against all costs and expenses (including reasonable attorneys' fees) incurred in discharging and releasing any such mortgage, pledge, lien, charge, security interest, encumbrance or other claim.

g. **Security.** In light of known risks, Purchaser shall be responsible for using commercially reasonable efforts to maintain the physical security of the License Area and for any damage or vandalism to the System as a result of failure to maintain such security. Purchaser will not conduct activities on, in or about the License Area or the Facility that have a reasonable likelihood of causing damage, impairment or otherwise adversely affecting the System. Purchaser shall provide and take reasonable measures for security of the System, including commercially reasonable monitoring of the Facility's alarms.

h. **Insolation.** Purchaser understands that unobstructed access to sunlight ("**Insolation**") is essential to Seller's performance of its obligations and a material term of this Agreement. Purchaser shall

not in any way cause and, where possible, shall not in any way permit any interference with the System's Insolation. If Purchaser becomes aware of any activity or condition that could diminish the Insolation of the System, Purchaser shall notify Seller immediately and shall cooperate with Seller in preserving the System's existing Insolation levels.

i. **Data Line.** Purchaser shall provide Seller wired internet access during the Term to enable Seller to monitor and operate the System. If Purchaser fails to provide such high speed internet data line, or if such line ceases to function and is not repaired, Seller may reasonably estimate the amount of electric energy that was generated and invoice Purchaser for such amount in accordance with Section 4 provided, however, that Purchaser shall have a reasonable period of time to review and contest such estimate.

j. **Breakdown Notice.** Purchaser shall notify Seller within twenty-four (24) hours following the discovery by it of (A) any material malfunction in the operation of the System; or (B) any occurrences that could reasonably be expected to adversely affect the System. Purchaser shall notify Seller immediately upon (A) an interruption in the supply of electrical energy from the System; or (B) the discovery of an emergency condition respecting the System. Purchaser and Seller shall each designate personnel and establish procedures such that each Party may provide notice of such conditions requiring Seller's repair or alteration at all times, twenty-four (24) hours per day, including weekends and holidays.

k. **Metering**. Electricity delivered to the Facility shall be measured by the SolarGuard monitoring system installed and maintained by Seller as part of the System.

9. **Change in Law**.

"**Change in Law**" means (i) the enactment, adoption, promulgation, modification or repeal after the Effective Date of any applicable law or regulation; (ii) the imposition of any material conditions on the issuance or renewal of any applicable permit after the Effective Date of this Agreement (notwithstanding the general requirements contained in any applicable Permit at the time of application or issue to comply with future laws, ordinances, codes, rules, regulations or similar legislation), or (iii) a change in any utility rate schedule or tariff approved by any Governmental Authority which in the case of any of (i), (ii) or (iii), establishes requirements affecting owning, supplying, constructing, installing, operating or maintaining the System, or other performance of the Seller's obligations hereunder and which has a material adverse effect on the cost to Seller of performing such obligations; provided, that a change in federal, state, county or any other tax law after the Effective Date of this Agreement shall not be a Change in Law pursuant to this Agreement.

If any Change in Law occurs that has a material adverse effect on the cost to Seller of performing its obligations under this Agreement, then the Parties shall, within thirty (30) days following receipt by Purchaser from Seller of notice of such Change in Law, meet and attempt in good faith to negotiate amendments to this Agreement as are reasonably necessary to preserve the economic value of this Agreement to both Parties. If the Parties are unable to agree upon such amendments within such thirty (30) day period, then Seller shall have the right to terminate this Agreement without further liability to either Party except with respect to payment of amounts accrued prior to termination.

10. **Relocation of System**.

If Purchaser ceases to conduct business operations at and/or vacates the Facility or is prevented from operating the System at the Facility prior to the expiration of the Term, Purchaser shall have the option to provide Seller with a mutually agreeable substitute premises located within the same Utility district as the terminated System or in a location with similar Utility rates and Insolation. Purchaser shall provide written notice at least sixty (60) days but not more than one hundred eighty (180) days prior to the date that it wants to make this substitution. In connection with such substitution, Purchaser shall execute an amended agreement that shall have all of the same terms as this Agreement except for the (i) Effective Date; (ii) License, which will be amended to grant rights in the real property where the System relocated to; and (iii) Term, which will be the remainder of the Term of this Agreement and such amended agreement shall be

deemed to be a continuation of this Agreement without termination. Purchaser shall also provide any new Purchaser, owner, lessor or mortgagee consents or releases required by Seller or Seller's Financing Parties in connection with the substitute facility. Purchaser shall pay all costs associated with relocation of the System, including all costs and expenses incurred by or on behalf of Seller in connection with removal of the System from the Facility and installation and testing of the System at the substitute facility and all applicable interconnection fees and expenses at the substitute facility, as well as costs of new title search and other out-of-pocket expenses connected to preserving and refiling the security interests of Seller's Financing Parties in the System. Seller shall remove the System from the vacated Facility prior to the termination of Purchaser's ownership, lease or other rights to use such Facility. Seller will not be required to restore the Facility to its prior condition but shall promptly pay Purchaser for any damage caused by Seller during removal of the System, but not for normal wear and tear. If the substitute facility has inferior Insolation as compared to the original Facility, Seller shall have the right to make an adjustment to **Exhibit 1** such that Purchaser's payments to Seller are the same as if the System were located at the original Facility. If Purchaser is unable to provide such substitute facility and to relocate the System as provided, any early termination will be treated as a default by Purchaser.

11. Removal of System at Expiration.

Upon the expiration or earlier termination of this Agreement (provided Purchaser does not exercise its purchase option), Seller shall, at its expense, remove all of its tangible property comprising the System from the Facility on a mutually convenient date but in no event later than ninety (90) days after the expiration of the Term. Excluding ordinary wear and tear, the Facility shall be returned to its original condition, including the System mounting pads or other support structures,. In no case shall Seller's removal of the System affect the integrity of Purchaser's roof, which shall be as leak proof as it was prior to removal of the System and shall be flashed and/or patched to the existing roof specifications. Seller shall leave the Facility in neat and clean order. If Seller fails to remove or commence substantial efforts to remove the System by such agreed upon date, Purchaser shall have the right, at its option, to remove the System to a public warehouse and restore the Facility to its original condition (other than ordinary wear and tear) at Seller's cost. Purchaser shall provide sufficient space for the temporary storage and staging of tools, materials and equipment and for the parking of construction crew vehicles and temporary construction trailers and facilities reasonably necessary during System removal.

12. Intentionally Deleted.

13. Default, Remedies and Damages.

a. Default. Any Party that fails to perform its responsibilities as listed below or experiences any of the circumstances listed below shall be deemed a "**Defaulting Party**" and each event of default shall be a "**Default Event**":

(1) failure of a Party to pay any amount due and payable under this Agreement, other than an amount that is subject to a good faith dispute, within ten (10) days following receipt of written notice from the other Party (the "**Non-Defaulting Party**") of such failure to pay ("**Payment Default**");

(2) failure of a Party to substantially perform any other material obligation under this Agreement within thirty (30) days following receipt of written notice from the Non-Defaulting Party demanding such cure; provided, that such thirty (30) day cure period shall be extended (but not beyond ninety (90) days) if and to the extent reasonably necessary to cure the Default Event, if (i) the Defaulting Party initiates such cure with the thirty (30) day period and continues such cure to completion and (ii) there is no material adverse affect on the Non-Defaulting Party resulting from the failure to cure the Default Event;

(3) if any representation or warranty of a Party proves at any time to have been incorrect in any material respect when made and is material to the transactions contemplated hereby, if the effect of such incorrectness is not cured within thirty

(30) days following receipt of written notice from the Non-Defaulting Party demanding such cure;

(4) Purchaser loses its rights to occupy and enjoy the Premises;

(5) a Party, or its guarantor, becomes insolvent or is a party to a bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or any general assignment for the benefit of creditors or other similar arrangement or any event occurs or proceedings are taken in any jurisdiction with respect to the Party which has a similar effect; or

(6) Purchaser prevents Seller from installing the System or otherwise failing to perform in a way that prevents the delivery of electric energy from the System. (Such Default Event shall not excuse Purchaser's obligations to make payments that otherwise would have been due under this Agreement.)

b. Remedies.

(1) Remedies for Payment Default. If a Payment Default occurs, the Non-Defaulting Party may suspend performance of its obligations under this Agreement. Further, the Non-Defaulting Party may pursue any remedy under this Agreement, at law or in equity, including an action for damages and termination of this Agreement, upon five (5) days prior written notice to the Defaulting Party following the Payment Default.

(2) Remedies for Other Defaults. On the occurrence of a Default Event other than a Payment Default, the Non-Defaulting Party may pursue any remedy under this Agreement, at law or in equity, including an action for damages and termination of this Agreement or suspension of performance of its obligations under this Agreement, upon five (5) days prior written notice to the Defaulting Party following the occurrence of the Default Event. Nothing herein shall limit either Party's right to collect damages upon the occurrence of a breach or a default by the other Party that does not become a Default Event.

(3) Damages Upon Termination by Default. Upon a termination of this Agreement by the Non-Defaulting Party as a result of a Default Event by the Defaulting Party, the Defaulting Party shall pay a Termination Payment to the Non-Defaulting Party determined as follows (the "**Termination Payment**"):

A. Purchaser. If Purchaser is the Defaulting Party and Seller terminates this Agreement, the Termination Payment to Seller shall be equal to the sum of (i) the termination value set forth in **Exhibit 1** (the "**Termination Value**") for such Contract Year, (ii) removal costs as provided in Section 13(b)(2)(C) and (iii) any and all other amounts previously accrued under this Agreement and then owed by Purchaser to Seller. The Parties agree that actual damages to Seller in the event this Agreement terminates prior to the expiration of the Term as the result of an Default Event by Purchaser would be difficult to ascertain, and the applicable Termination Value set forth in **Exhibit 1** is a reasonable approximation of the damages suffered by Seller as a result of early termination of this Agreement. The Termination Payment shall not be less than zero.

B. Seller. If Seller is the Defaulting Party and Purchaser terminates this Agreement, the Termination Payment to Purchaser shall be equal to the sum of (i) the present value (using a discount rate of 3.0) of the excess, if any, of the reasonably expected cost of electric energy from the

Utility over the Contract Price for the reasonably expected production of the Facility for the remainder of the Initial Term or the then current Additional Term, as applicable; (ii) all costs reasonably incurred by Purchaser in re-converting its electric supply to service from the Utility; (iii) any removal costs incurred by Purchaser, and (iv) any and all other amounts previously accrued under this Agreement and then owed by Seller to Purchaser. The Termination Payment shall not be less than zero.

C. Obligations Following Termination. If a Non-Defaulting Party terminates this Agreement pursuant to this Section 13(b), then following such termination, Seller shall, at the sole cost and expense of the Defaulting Party, remove the equipment (except for mounting pads and support structures) constituting the System. The Non-Defaulting Party shall take all commercially reasonable efforts to mitigate its damages as the result of a Default Event.

14. Representations and Warranties.

a. General Representations and Warranties. Each Party represents and warrants to the other the following:

(1) Such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation; the execution, delivery and performance by such Party of this Agreement have been duly authorized by all necessary corporate, partnership or limited liability company action, as applicable, and do not and shall not violate any law; and this Agreement is valid obligation of such Party, enforceable against such Party in accordance with its terms (except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws now or hereafter in effect relating to creditors' rights generally).

(2) Such Party has obtained all licenses, authorizations, consents and approvals required by any Governmental Authority or other third party and necessary for such Party to own its assets, carry on its business and to execute and deliver this Agreement; and such Party is in compliance with all laws that relate to this Agreement in all material respects.

b. Purchaser's Representations and Warranties. Purchaser represents and warrants to Seller the following:

(1) License. Purchaser has the full right, power and authority to grant the License contained in Section 8(a). Such grant of the License does not violate any law, ordinance, rule or other governmental restriction applicable to Purchaser or the Facility and is not inconsistent with and will not result in a breach or default under any agreement by which Purchaser is bound or that affects the Facility.

(2) Other Agreements. Neither the execution and delivery of this Agreement by Purchaser nor the performance by Purchaser of any of its obligations under this Agreement conflicts with or will result in a breach or default under any agreement or obligation to which Purchaser is a party or by which Purchaser or the Facility is bound.

(3) Accuracy of Information. All information provided by Purchaser to Seller, as it pertains to the Facility's physical configuration, Purchaser's planned use of the Facility, and Purchaser's estimated electricity requirements, is accurate in all material respects.

(4) Purchaser Status. Purchaser is not a public utility or a public utility holding company and is not subject to regulation as a public utility or a public utility holding company.

(5) No Pool Use. No electricity generated by the System will be used to heat a swimming pool.

15. System and Facility Damage and Insurance.

a. System and Facility Damage.

(1) Seller's Obligations. If the **System** is damaged or destroyed other than by Purchaser's negligence or willful misconduct, Seller shall promptly repair and restore the System to its pre-existing condition; provided, however, that if more than fifty percent (50%) of the System is destroyed during the last five (5) years of the Initial Term or during any Additional Term, Seller shall not be required to restore the System, but may instead terminate this Agreement, unless Purchaser agrees (i) to pay for the cost of such restoration of the System or (ii) to purchase the System "AS-IS" at the greater of (A) then current fair market value of the System and (B) the sum of the amounts described in Section 13.b.A)(i) (using the date of purchase to determine the appropriate Contract Year) and Section 13.b.A)(iii).

(2) Purchaser's Obligations. If the **Facility** is damaged or destroyed by casualty of any kind or any other occurrence other than Seller's negligence or willful misconduct, such that the operation of the System and/or Purchaser's ability to accept the electric energy produced by the System are materially impaired or prevented, Purchaser shall promptly repair and restore the Facility to its pre-existing condition; provided, however, that if more than 50% of the Facility is destroyed during the last five years of the Initial Term or during any Additional Term, Purchaser may elect either (i) to restore the Facility or (ii) to pay the Termination Value set forth in **Exhibit 1** and all other costs previously accrued but unpaid under this Agreement and thereupon terminate this Agreement.

b. Insurance Coverage.

(1). General.

a. At the same time as execution of this Agreement, the Seller shall furnish the Purchaser a certificate of insurance on a standard insurance industry ACORD form. The ACORD form must be issued by an insurance company authorized to transact business in the State of Arizona.

b. The Seller and any of its subcontractors, subconsultants or sublicensees shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Agreement are satisfied, the insurances set forth below.

c. The insurance requirements set forth below are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement.

d. The Purchaser in no way warrants that the minimum insurance limits contained in this Agreement are sufficient to protect Seller from liabilities that might arise out of the performance of the Agreement services under this Agreement by Seller sublicensees or subconsultants and the Seller is free to purchase any additional insurance as may be determined necessary.

e. Failure to demand evidence of full compliance with the insurance requirements in this Agreement or failure to identify any insurance deficiency will not relieve the Seller from, nor will it be

considered a waiver of its obligation to maintain the required insurance at all times during the performance of this Agreement.

f. Use of SubContractors: If any work is subcontracted in any way, the Seller shall execute a written agreement with Subcontractor containing the same Indemnification Clause as the Purchaser requires of the Seller in this Agreement and reasonable and customary Insurance requirements for risk presented by each Subcontractor's work. The Seller is responsible for executing the Agreement with the Subcontractor and obtaining Certificates of Insurance and verifying the insurance requirements.

(2). Minimum Scope And Limits Of Insurance. The Seller shall provide coverage with limits of liability not less than those stated below.

a. *Commercial General Liability-Occurrence Form.* Seller must maintain "occurrence" form Commercial General Liability insurance with a limit of not less than $2,000,000 for each occurrence, $2,000,000 Products and Completed Operations Annual Aggregate, and a $2,000,000 operations, independent contractors, products completed operations, personal injury and advertising injury. If any Excess insurance is utilized to fulfill the requirements of this paragraph, the Excess insurance must be "follow form" equal or broader in coverage scope than underlying insurance.

b. Automobile Liability-Any Auto or Owned, Hired and Non-Owned Vehicles

Vehicle Liability: Seller must maintain Business/Automobile Liability insurance with a limit of $1,000,000 each accident on Seller owned, hired, and non-owned vehicles assigned to or used in the performance of the Seller's work or services under this Agreement. If any Excess or Umbrella insurance is utilized to fulfill the requirements of this paragraph, the Excess or Umbrella insurance must be "follow form" equal or broader in coverage scope than underlying insurance.

c. *Workers Compensation and Employers Liability Insurance*: Seller must maintain Workers Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Seller employees engaged in the performance of work or services under this Agreement and must also maintain Employers' Liability insurance of not less than $100,000 for each accident, $100,000 disease for each employee and $500,000 disease policy limit.

d. All Risk Property/Installation Floater. The Seller bears all responsibility for loss to all Work being performed and to buildings under construction. Unless waived in writing by the Purchaser, the Seller will purchase and maintain in force All Risk Property Insurance with an Installation Floater on the entire Work until completed and accepted by the Purchaser. This insurance will be Special Causes of Loss policy form, (minimally including perils of fire, lightning, explosion, windstorm and hail, smoke, aircraft and vehicles, riot and civil commotion, theft, vandalism, malicious mischief, and collapse), completed value, replacement cost policy form equal to the Value of the System and all subsequent modifications. The Seller's insurance must be primary and not contributory.

i. Insurance must cover the entire Work including reasonable compensation for architects and engineers' services and expenses and other "soft costs" made necessary by an insured loss. Insurance must provide coverage from the time any covered property comes under the Seller's control and or responsibility, and continue without interruption during course of construction, renovation and or installation, including any time during which any project property or equipment is in transit, off site, or while on site for future use or installation. Insured property must include, but not be limited to, scaffolding, false work, and temporary buildings at the site.

ii. The Seller must also purchase and maintain Boiler and Machinery insurance with the same requirements as Builders' Risk-Installation insurance cited above if the Work to be performed involves any exposures or insurable property normally covered under a Boiler and Machinery insurance policy or made necessary as required by law or testing requirements in the performance of this Agreement. The Seller will be responsible for any and all deductibles under these policies and the Seller waives all rights of recovery and subrogation against the Purchaser under the Seller-provided Builders' Risk-Installation insurance described above.

iii. All Risk Property/ Installation Floater must be maintained until whichever of the following first occurs: (i) final payment has been made; or, (ii) until no person or entity, other than the Purchaser, has an insurable interest in the property required to be covered.

(3) Additional Policy Provisions Required.

a. *Self-Insured Retentions Or Deductibles.* Any self-insured retentions and deductibles must be declared and approved by the Purchaser. If not approved, the Purchaser may require that the insurer reduce or eliminate any deductible or self-insured retentions with respect to the Purchaser, its officers, officials, agents, employees, and volunteers.

b. *Purchaser as Additional Insured.* The policies are to contain, or be endorsed to contain, the following provisions:

i. The Commercial General Liability and Automobile Liability policies are to contain, or be endorsed to contain, the following provisions: The Purchaser, its officers, officials, agents, and employees are additional insureds with respect to liability arising out of activities performed by, or on behalf of, the Seller including the City's general supervision of the Seller; Products and Completed operations of the Seller; and automobiles owned, leased, hired, or borrowed by the Seller.

ii. The Seller's insurance must contain broad form contractual liability coverage and must not exclude liability arising out of explosion, collapse, or underground property damage hazards ("XCU") coverage.

iii. The Purchaser, its officers, officials, agents, and employees must be additional insureds to the full limits of liability purchased by the Seller even if those limits of liability are in excess of those required by this Agreement.

iv. The Seller's insurance coverage must be primary insurance with respect to the Purchaser, its officers, officials, agents, and employees. Any insurance or self-insurance maintained by the Purchaser, its officers, officials, agents, and employees shall be in excess of the coverage provided by the Seller and must not contribute to it.

v. The Seller's insurance must apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

vi. Coverage provided by the Seller must not be limited to the liability assumed under the indemnification provisions of this Agreement.

vii. The policies must contain a waiver of subrogation against the Purchaser, its officers, officials, agents, and employees, for losses arising from Work performed by the Seller for the Purchaser.

viii. The Seller, its successors and or assigns, are required to maintain Commercial General Liability insurance as specified in this Agreement for a minimum period of 3 years following completion and acceptance of the Work. The Seller must submit a Certificate of Insurance evidencing Commercial General Liability insurance during this 3 year period containing all the Agreement insurance requirements, including naming the Purchaser, its agents, representatives, officers, directors, officials and employees as Additional Insured as required.

(4) If a Certificate of Insurance is submitted as verification of coverage, the Purchaser will reasonably rely upon the Certificate of Insurance as evidence of coverage but this acceptance and reliance will not waive or alter in any way the insurance requirements or obligations of this Agreement. If any of the required policies expire during the life of this Agreement, the Seller must forward renewal or replacement Certificates to the Purchaser within 10 days after the renewal date containing all the necessary insurance provisions.

(5) All Certificates must cite a 30-day advance notice of cancellation provision. If the ACORD Certificate of Insurance form is used, the phrases in the cancellation provision "endeavor to" and "but failure to mail such notice shall impose no obligation or liability of any kind upon the company, its agents or representatives" must be deleted. Certificate forms other than the ACORD form must have similar restrictive language deleted.

16. Ownership; Option to Purchase.

a. Ownership of System. Throughout the Term, Seller shall be the legal and beneficial owner of the System at all times, including all Environmental Attributes, and the System shall remain the personal property of Seller and shall not attach to or be deemed a part of, or fixture to, the Facility or the Premises. Each of the Seller and Purchaser agree that the Seller is the tax owner of the System and all tax filings and reports will be filed in a manner consistent with this Agreement. The System shall at all times retain the legal status of personal property as defined under Article 9 of the Uniform Commercial Code. Purchaser covenants that it will use commercially reasonable efforts to place all parties having an interest in or a mortgage, pledge, lien, charge, security interest, encumbrance or other claim of any nature on the Facility or the Premises on notice of the ownership of the System and the legal status or classification of the System as personal property. If there is any mortgage or fixture filing against the Premises which could reasonably be construed as prospectively attaching to the System as a fixture of the Premises, Purchaser shall provide a disclaimer or release from such lienholder. If Purchaser is the fee owner of the Premises, Purchaser consents to the filing of a disclaimer of the System as a fixture of the Premises in the office where real estate records are customarily filed in the jurisdiction where the Facility is located and Seller shall file such disclaimer for Purchaser after Purchaser completes the disclaimer. If Purchaser is not the fee owner, Purchaser will obtain such consent from such owner. Purchaser agrees to deliver to Seller a non-disturbance agreement in a form reasonably acceptable to Seller from the owner of the Facility (if the Facility is leased by Purchaser), any mortgagee with a lien on the Premises, and other Persons holding a similar interest in the Premises.

b. Option to Purchase. At the end of the sixth (6th) and tenth (10th) Contract Years and at the end of the Initial Term and each Additional Term, so long as Purchaser is not in default under this Agreement, Purchaser may purchase the System from Seller on any such date for a purchase price equal to (i) with respect to an option exercised at the end of the sixth (6th) or tenth (10th) Contract Years or at the end of the Initial Term, the greater of (A) the amount set forth at such time in the Purchase Option Price schedule in **Exhibit 1**, and (B) the Fair Market Value of the System, and (ii) with respect to an option exercised at the end of an Additional Term, the Fair Market Value of the System. The "**Fair Market Value**" of the System shall be determined by mutual agreement of Purchaser and Seller; provided, however, if Purchaser and Seller cannot agree to a Fair Market Value within thirty (30) days after Purchaser has exercised its option, the Parties shall select a nationally recognized independent appraiser with experience and expertise in the solar photovoltaic industry to determine the Fair Market Value of the System. Such appraiser shall act reasonably and in good faith to determine the Fair Market Value of the System on an installed basis and shall set forth such determination in a written opinion delivered to the Parties. The valuation made by the appraiser shall be binding upon the Parties in the absence of fraud or manifest error. The costs of the appraisal shall be borne by the Parties equally. Purchaser must provide a notification to Seller of its intent to purchase at least ninety (90) days and not more than one hundred eighty (180) days prior to the end of the applicable Contract Year or the Initial Term or Additional Term, as applicable, and the purchase shall be complete prior to the end of the applicable Contract Year or the Initial Term or Additional Term, as applicable. Upon purchase of the System, Purchaser will assume complete responsibility for the operation and maintenance of the System and liability for the performance of the System, and Seller shall have no further liabilities or obligations hereunder.

17. Indemnification and Limitations of Liability.

a. General. Each Party (the "**Indemnifying Party**") shall defend, indemnify and hold harmless the other Party and the directors, officers, shareholders, partners, members, agents and employees of

such other Party, and the respective affiliates of each thereof (collectively, the "**Indemnified Parties**"), from and against all loss, damage, expense, liability and other claims, including court costs and reasonable attorneys' fees (collectively, "**Liabilities**") resulting from any third party actions relating to the breach of any representation or warranty set forth in Section 14 and from injury to or death of persons, and damage to or loss of property to the extent caused by or arising out of the negligent acts or omissions of, or the willful misconduct of, the Indemnifying Party (or its contractors, agents or employees) in connection with this Agreement; provided, however, that nothing herein shall require the Indemnifying Party to indemnify the Indemnified Party for any Liabilities to the extent caused by or arising out of the negligent acts or omissions of, or the willful misconduct of, the Indemnified Party. This Section 17(a) however, shall not apply to liability arising from any form of hazardous substances or other environmental contamination, such matters being addressed exclusively by Section 17(c).

b. **Notice and Participation in Third Party Claims**. The Indemnified Party shall give the Indemnifying Party written notice with respect to any Liability asserted by a third party (a "**Claim**"), as soon as possible upon the receipt of information of any possible Claim or of the commencement of such Claim. The Indemnifying Party may assume the defense of any Claim, at its sole cost and expense, with counsel designated by the Indemnifying Party and reasonably satisfactory to the Indemnified Party. The Indemnified Party may, however, select separate counsel if both Parties are defendants in the Claim and such defense or other form of participation is not reasonably available to the Indemnifying Party. The Indemnifying Party shall pay the reasonable attorneys' fees incurred by such separate counsel until such time as the need for separate counsel expires. The Indemnified Party may also, at the sole cost and expense of the Indemnifying Party, assume the defense of any Claim if the Indemnifying Party fails to assume the defense of the Claim within a reasonable time. The Indemnifying Party shall have no liability under this Section 17(b) for any Claim for which such notice is not provided if that the failure to give notice materially prejudices the Indemnifying Party.

c. **Environmental Indemnification**. Seller shall indemnify, defend and hold harmless all of Purchaser's Indemnified Parties from and against all Liabilities arising out of or relating to the existence at, on, above, below or near the License Area of any Hazardous Substance (as defined in Section 17(c)(i)) to the extent deposited, spilled, or otherwise caused by Seller or any of its contractors or agents. Purchaser shall indemnify, defend and hold harmless all of Seller's Indemnified Parties from and against all Liabilities arising out of or relating to the existence at, on, above, below or near the Premises of any Hazardous Substance, to the extent deposited, spilled, or otherwise caused by Purchaser or any of its employees, except to the extent deposited, spilled, or otherwise caused by Seller or any of its contractors or agents. Each Party shall promptly notify the other Party if it becomes aware of any Hazardous Substance on or about the License Area or the Premises generally deposit, spill or release of any Hazardous Substance.

i. "**Hazardous Substance**" means any chemical, waste or other substance (a) which now or hereafter becomes defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "pollution," "pollutants," "regulated substances," or words of similar import under any laws pertaining to the environment, health, safety or welfare, (b) which is declared to be hazardous, toxic, or polluting by any Governmental Authority, (c) exposure to which is now or hereafter prohibited, limited or regulated by any Governmental Authority, (d) the storage, use, handling, disposal or release of which is restricted or regulated by any Governmental Authority, or (e) for which remediation or cleanup is required by any Governmental Authority.

d. **Limitations on Liability**.

ii. No Consequential Damages. Neither Party nor its directors, officers, shareholders, partners, members, agents and employees subcontractors or suppliers shall be liable for any indirect, special, incidental, exemplary, or consequential loss or damage of any

nature arising out of their performance or non-performance hereunder even if advised of such.

iii. Actual Damages. Seller's aggregate liability under this Agreement arising out of or in connection with the performance or non-performance of this Agreement as to the production of energy shall not exceed the sum of total payments (a) made by Purchaser under this Agreement as of the date and (b) projected to be made under the remainder of this Agreement.

18. Force Majeure.

a. "**Force Majeure**" means any event or circumstances beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure. It shall include, without limitation, failure or interruption of the production, delivery or acceptance of electricity due to: an act of god; war (declared or undeclared); sabotage; riot; insurrection; civil unrest or disturbance; military or guerilla action; terrorism; economic sanction or embargo; civil strike, work stoppage, slow-down, or lock-out; explosion; fire; earthquake; abnormal weather condition or actions of the elements; hurricane; flood; lightning; wind; drought; the binding order of any Governmental Authority (provided that such order has been resisted in good faith by all reasonable legal means); the failure to act on the part of any Governmental Authority (provided that such action has been timely requested and diligently pursued); unavailability of electricity from the utility grid, equipment, supplies or products (but not to the extent that any such availability of any of the foregoing results from the failure of the Party claiming Force Majeure to have exercised reasonable diligence); and failure of equipment not utilized by or under the control of the Party claiming Force Majeure.

b. Except as otherwise expressly provided to the contrary in this Agreement, if either Party is rendered wholly or partly unable to timely perform its obligations under this Agreement because of a Force Majeure event, that Party shall be excused from the performance affected by the Force Majeure event (but only to the extent so affected) and the time for performing such excused obligations shall be extended as reasonably necessary; provided, that: (i) the Party affected by such Force Majeure event, as soon as reasonably practicable after obtaining knowledge of the occurrence of the claimed Force Majeure event, gives the other Party prompt oral notice, followed by a written notice reasonably describing the event; (ii) the suspension of or extension of time for performance is of no greater scope and of no longer duration than is required by the Force Majeure event; and (iii) the Party affected by such Force Majeure event uses all reasonable efforts to mitigate or remedy its inability to perform as soon as reasonably possible. Seller shall not be liable for any damage to the System or the Facility resulting from a Force Majeure event. The Term shall be extended day for day for each day performance is suspended due to a Force Majeure event.

c. Notwithstanding anything herein to the contrary, the obligation to make any payment due under this Agreement shall not be excused by a Force Majeure event.

d. If a Force Majeure event continues for a period of one hundred (180) days or more within a twelve (12) month period and prevents a material part of the performance by a Party hereunder, the Party not claiming the Force Majeure shall have the right to terminate this Agreement without fault or further liability to either Party (except for amounts accrued but unpaid).

19. Assignment and Financing.

a. Assignment. This Agreement may not be assigned in whole or in part by either Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, Seller may, without the prior written consent of Purchaser, (i) assign, mortgage, pledge or otherwise collaterally assign its interests in this Agreement to any Financing Party, (ii) directly or indirectly assign this Agreement to an affiliate of Seller, (iii) assign this Agreement to any entity through which Seller is obtaining financing or capital for the System and (iv) assign this Agreement to any person succeeding to all or

substantially all of the assets of Seller (provided that Seller shall be released from liability hereunder as a result of any of the foregoing permitted assignments only upon assumption of Seller's obligations hereunder by the assignee). Purchaser's consent to any other assignment shall not be unreasonably withheld if Purchaser has been provided with reasonable proof that the proposed assignee (x) has comparable experience in operating and maintaining photovoltaic solar systems comparable to the System and providing services comparable to those contemplated by this Agreement and (y) has the financial capability to maintain the System and provide the services contemplated by this Agreement in the manner required by this Agreement. This Agreement shall be binding on and inure to the benefit of the successors and permitted assignees.

b. **Financing**. The Parties acknowledge that Seller may obtain construction and long-term financing or other credit support from lenders or third parties ("**Financing Parties**") in connection with the installation, construction, ownership, operation and maintenance of the System. Both Parties agree in good faith to consider and to negotiate changes or additions to this Agreement that may be reasonably requested by the Financing Parties; provided, that such changes do not alter the fundamental economic terms of this Agreement. The Parties also agree that Seller may assign this Agreement to the Financing Parties as collateral, and in connection with any such assignment, Purchaser agrees to execute a consent to assignment in customary form and reasonably acceptable to the Financing Parties.

20. **Confidentiality and Publicity**. All of Purchaser's obligations under this Section 20 are subject to compliance with the State of Arizona Public Records Law.

a. **Confidentiality**. If either Party provides confidential information, including business plans, strategies, financial information, proprietary, patented, licensed, copyrighted or trademarked information, and/or technical information regarding the design, operation and maintenance of the System or of Purchaser's business ("Confidential Information") to the other or, if in the course of performing under this Agreement or negotiating this Agreement a Party learns Confidential Information regarding the facilities or plans of the other, the receiving Party shall (a) protect the Confidential Information from disclosure to third parties with the same degree of care accorded its own confidential and proprietary information, and (b) refrain from using such Confidential Information, except in the negotiation and performance of this Agreement. Notwithstanding the above, a Party may provide such Confidential Information to its, officers, directors, members, managers, employees, agents, contractors and consultants (collectively, "Representatives"), and affiliates, lenders, and potential assignees of this Agreement (provided and on condition that such potential assignees be bound by a written agreement or legal obligation restricting use and disclosure of Confidential Information), in each case whose access is reasonably necessary to the negotiation and performance of this Agreement. Each such recipient of Confidential Information shall be informed by the Party disclosing Confidential Information of its confidential nature and shall be directed to treat such information confidentially and shall agree to abide by these provisions. In any event, each Party shall be liable (with respect to the other Party) for any breach of this provision by any entity to whom that Party improperly discloses Confidential Information. The terms of this Agreement (but not its execution or existence) shall be considered Confidential Information for purposes of this Section 20(a), except as set forth in Section 20(b). All Confidential Information shall remain the property of the disclosing Party and shall be returned to the disclosing Party or destroyed after the receiving Party's need for it has expired or upon the request of the disclosing Party. Each Party agrees that the disclosing Party would be irreparably injured by a breach of this Section 20(a) by the receiving Party or its Representatives or other person to whom the receiving Party discloses Confidential Information of the disclosing Party and that the disclosing Party may be entitled to equitable relief, including injunctive relief and specific performance, in the event of a breach of the provision of this Section 20(a). To the fullest extent permitted by applicable law, such remedies shall not be deemed to be the exclusive remedies for a breach of this Section 20(a), but shall be in addition to all other remedies available at law or in equity.

b. **Permitted Disclosures**. Notwithstanding any other provision in this Agreement, neither Party shall be required to hold confidential any information that (i) becomes publicly available other than through the receiving Party, (ii) is required to be disclosed to a Governmental Authority under applicable law or

pursuant to a validly issued subpoena (but a receiving Party subject to any such requirement shall promptly notify the disclosing Party of such requirement to the extent permitted by applicable law), (iii) is independently developed by the receiving Party or (iv) becomes available to the receiving Party without restriction from a third party under no obligation of confidentiality. If disclosure of information is required by a Governmental Authority, the disclosing Party shall, to the extent permitted by applicable law, notify the other Party of such required disclosure promptly upon becoming aware of such required disclosure and shall cooperate with the other Party in efforts to limit the disclosure to the maximum extent permitted by law.

21. **Goodwill and Publicity.** Neither Party shall use any name, trade name, service mark or trademark of the other Party in any promotional or advertising material without the prior written consent of such other Party. The Parties shall coordinate and cooperate with each other when making public announcements related to the execution and existence of this Agreement, and each Party shall have the right to promptly review, comment upon and approve any publicity materials, press releases or other public statements by the other Party that refer to, or that describe any aspect of, this Agreement. Neither Party shall make any press release or public announcement of the specific terms of this Agreement (except for filings or other statements or releases as may be required by applicable law) without the specific prior written consent of the other Party. Without limiting the generality of the foregoing, all public statements must accurately reflect the rights and obligations of the Parties under this Agreement, including the ownership of Environmental Attributes and Environmental Incentives and any related reporting rights.

22. **General Provisions**

a. **Choice of Law**. Arizona law shall govern this Agreement without giving effect to conflict of laws principles.

b. **Arbitration and Attorneys' Fees**. Any dispute arising from or relating to this Agreement shall be arbitrated in Phoenix, Arizona. The arbitration shall be administered by the AAA in accordance with its Comprehensive Arbitration Rules and Procedures, and judgment on any award may be entered in any court of competent jurisdiction. If the Parties agree, a mediator may be consulted prior to arbitration. The prevailing party in any dispute arising out of this Agreement shall be entitled to reasonable attorneys' fees and costs.

c. **Notices**. All notices under this Agreement shall be in writing and shall be by personal delivery, facsimile transmission, electronic mail, overnight courier, or regular, certified, or registered mail, return receipt requested, and deemed received upon personal delivery, acknowledgment of receipt of electronic transmission, the promised delivery date after deposit with overnight courier, or five (5) days after deposit in the mail. Notices shall be sent to the person identified in this Agreement at the addresses set forth in this Agreement or such other address as either party may specify in writing. Each party shall deem a document faxed, emailed or electronically send in PDF form to it as an original document.

d. **Survival**. Provisions of this Agreement that should reasonably be considered to survive termination of this Agreement shall survive. For the avoidance of doubt, surviving provisions shall include, without limitation, Section 14 (Representations and Warranties), Section 7(h) (No Warranty), Section 15(b) (Insurance), Section 0 (Indemnification and Limits of Liability), Section 0 (Confidentiality and Publicity), Section 0(0) (Choice of Law), Section 0 (b) (Arbitration and Attorneys' Fees), Section 0(c) (Notices), Section 0 (g) (Comparative Negligence), Section 0(h) (Non-Dedication of Facilities), Section 0(j) (Service Contract), Section 0(k) (No Partnership) Section 0(l) (Full Agreement, Modification, Invalidity, Counterparts, Captions) and Section 0(n) (No Third Party Beneficiaries).

e. **Further Assurances**. Each of the Parties hereto agree to provide such information, execute and deliver any instruments and documents and to take such other actions as may be necessary or reasonably requested by the other Party which are not inconsistent with the provisions of this Agreement and which do not involve the assumptions of obligations other than those provided for

in this Agreement, to give full effect to this Agreement and to carry out the intent of this Agreement.

f. **Right of Waiver**. Each Party, in its sole discretion, shall have the right to waive, defer or reduce any of the requirements to which the other Party is subject under this Agreement at any time; provided, however that neither Party shall be deemed to have waived, deferred or reduced any such requirements unless such action is in writing and signed by the waiving Party. No waiver will be implied by any usage of trade, course of dealing or course of performance. A Party's exercise of any rights hereunder shall apply only to such requirements and on such occasions as such Party may specify and shall in no event relieve the other Party of any requirements or other obligations not so specified. No failure of either Party to enforce any term of this Agreement will be deemed to be a waiver. No exercise of any right or remedy under this Agreement by Purchaser or Seller shall constitute a waiver of any other right or remedy contained or provided by law. Any delay or failure of a Party to exercise, or any partial exercise of, its rights and remedies under this Agreement shall not operate to limit or otherwise affect such rights or remedies. Any waiver of performance under this Agreement shall be limited to the specific performance waived and shall not, unless otherwise expressly stated in writing, constitute a continuous waiver or a waiver of future performance.

g. **Comparative Negligence**. It is the intent of the Parties that where negligence is determined to have been joint, contributory or concurrent, each Party shall bear the proportionate cost of any Liability.

h. **Non-Dedication of Facilities**. Nothing herein shall be construed as the dedication by either Party of its facilities or equipment to the public or any part thereof. Neither Party shall knowingly take any action that would subject the other Party, or other Party's facilities or equipment, to the jurisdiction of any Governmental Authority as a public utility or similar entity. Neither Party shall assert in any proceeding before a court or regulatory body that the other Party is a public utility by virtue of such other Party's performance under this agreement. If Seller is reasonably likely to become subject to regulation as a public utility, then the Parties shall use all reasonable efforts to restructure their relationship under this Agreement in a manner that preserves their relative economic interests while asserting that Seller should not become subject to any such regulation. If the Parties are unable to agree upon such restructuring, Seller shall have the right to terminate this Agreement without further liability, and Seller shall remove the System in accordance with Section 11 of this Agreement.

i. **Estoppel**. Either Party hereto, without charge, at any time and from time to time, within thirty (30) business days after receipt of a written request by the other party hereto, shall deliver a written instrument, duly executed, certifying to such requesting party, or any other person specified by such requesting Party: (i) that this Agreement is unmodified and in full force and effect, or if there has been any modification, that the same is in full force and effect as so modified, and identifying any such modification; (ii) whether or not to the knowledge of any such party there are then existing any offsets or defenses in favor of such party against enforcement of any of the terms, covenants and conditions of this Agreement and, if so, specifying the same and also whether or not to the knowledge of such party the other party has observed and performed all of the terms, covenants and conditions on its part to be observed and performed, and if not, specifying the same; and (iii) such other information as may be reasonably requested by the requesting Party. Any written instrument given hereunder may be relied upon by the recipient of such instrument, except to the extent the recipient has actual knowledge of facts contained in the certificate.

j. **Service Contract**. The Parties intend this Agreement to be a "service contract" within the meaning of Section 7701(e)(3) of the Internal Revenue Code of 1986. Purchaser will not take the position on any tax return or in any other filings that is inconsistent with this section of the Code.

k. **No Partnership**. No provision of this Agreement shall be construed or represented as creating a partnership, trust, joint venture, fiduciary or any similar relationship between the Parties. No

Party is authorized to act on behalf of the other Party, and neither shall be considered the agent of the other.

l. **Full Agreement, Modification, Invalidity, Counterparts, Captions**. This Agreement, together with any Exhibits, completely and exclusively states the agreement of the parties regarding its subject matter and supersedes all prior proposals, agreements, or other communications between the parties, oral or written, regarding its subject matter. This Agreement may be modified only by a writing signed by both Parties. If any provision of this Agreement is found unenforceable or invalid, such unenforceability or invalidity shall not render this Agreement unenforceable or invalid as a whole. In such event, such provision shall be changed and interpreted so as to best accomplish the objectives of such unenforceable or invalid provision within the limits of applicable law. This Agreement may be executed in any number of separate counterparts and each counterpart shall be considered an original and together shall comprise the same Agreement. The captions or headings in this Agreement are strictly for convenience and shall not be considered in interpreting this Agreement.

m. **Forward Contract**. The transaction contemplated under this Agreement constitutes a "forward contract" within the meaning of the United States Bankruptcy Code, and the Parties further acknowledge and agree that each Party is a "forward contract merchant" within the meaning of the United States Bankruptcy Code.

n. **No Third Party Beneficiaries**. Except as otherwise expressly provided herein, this Agreement and all rights hereunder are intended for the sole benefit of the Parties hereto and shall not imply or create any rights on the part of, or obligations to, any other Person.

o. **SCRUTINIZED BUSINESS OPERATIONS:** Pursuant to A.R.S. §§ 35-391.06 and 35-393.06, contractor hereby certifies that it does not have scrutinized business operations in Iran or Sudan. The submission of a false certification by contractor may result in action up to and including termination of this contract.

p. **Compliance with Arizona Procurement Law**

(i) Compliance with A.R.S. § 41-4401: Pursuant to the provisions of A.R.S. § 41-4401, the Seller hereby warrants to the Purchaser that the Seller and each of its subconsultants ("Subconsultants") will comply with all Federal Immigration laws and regulations that relate to the immigration status of their employees and the requirement to use E-Verify set forth in A.R.S. §23-214(A) (hereinafter "Contractor Immigration Warranty").

A breach of the Contractor Immigration Warranty (Exhibit 8) shall constitute a material breach of this Contract that is subject to penalties up to and including termination of the contract.

The Purchaser retains the legal right to inspect the papers of any Seller or Subconsultant employee who Projects on this Contract to ensure that the Seller or Subconsultant is complying with the Contractor Immigration Warranty. The Seller agrees to assist the Purchaser in the conduct of any such inspections.

The Purchaser may, at its sole discretion, conduct random verifications of the employment records of the Seller and any Subconsultants to ensure compliance with Contractor Immigration Warranty. The Seller agrees to assist the Purchaser in performing any such random verifications.

The provisions of this Article must be included in any contract the Seller enters into with any and all of its subconsultants who provide services under this Contract or any subcontract. "Services" are defined as furnishing labor, time or effort in the State of Arizona by a Seller or subconsultant. Services include construction or maintenance of any structure, building or transportation facility or improvement to real property.

End of Document

Contractor Immigration Warranty
To Be Completed by Seller Prior to Execution of Contract

A.R.S. § 41-4401 requires as a condition of your contract verification of compliance by the Seller and subconsultants with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of its employees.

By completing and signing this form and attached Employee Verification Project sheet the Seller shall attest that it and all subconsultants performing Project under the cited contract meet all conditions contained herein.

Project Number/Division: City of Chandler, Police Storage Facility
Name (as listed in the contract): SolarCity Corporation
Street Name and Number: 3055 Clearview Way
City: San Mateo State: CA Zip Code: 94402

I hereby attest that:

The Seller complies with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of those employees performing Project under this contract;

Seller certifies that it shall ensure that all subcontractors performing Project under this contract comply with the Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214 related to the immigration status of their employees; and

The Seller has identified all Seller employees who perform Project under the contract and has verified compliance with Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214. The Seller certifies that is shall ensure that all employees of any subconsultants the Seller engages to perform under this contract shall comply with Federal Immigration and Nationality Act (FINA), all other Federal immigration laws and regulations, and A.R.S. § 23-214

Signature of Seller (Employer) or Authorized Designee:

Printed Name: LYNDON RIVE

Title: CEO

Date (month/day/year): MARCH 27, 2014