



**Meeting of the Operations Board of Directors**

Wednesday, September 6, 2017

9:00 am

City of Watsonville City Council Chambers

275 Main Street, 4<sup>th</sup> Floor

Watsonville, CA 95076

**AGENDA**

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting materials, should contact Laurel Gazza, Interim Board Clerk, at 831-454-2329 or laurel.gazza@santacruzcounty.us.

If you have anything that you wish to be distributed to the Board please hand it to a member of MBCP interim staff who will distribute the information to the Board members and other staff.

1. **Welcome & Oath for Any New Board Members/Alternates**
2. **Roll Call**
3. **Oral Communications For Items Not on the Agenda**

**CONSENT AGENDA**

4. **Approval of Minutes from August 2, 2017 Operations Board Meeting (*Action Item*)**

**REGULAR AGENDA**

5. **CEO's Report (*Discussion Item*)**
  - o CalCCA Update
  - o Data Management RFP Update
  - o Short Term and Long Term Power Supply Update
6. **Discussion and Recommendation to Move MBCP's FY 2017-2018 Budget to the Policy Board for Approval (*Action Item*)**
7. **Discussion and Recommendation to Move Banking and Credit Services Contract with River City Bank to the Policy Board for Approval (*Action Item*)**

8. **Discussion and Recommendation to Move Approval of Limited Delegation of Authority for CEO in an amount not to exceed \$100,000 to the Policy Board for Approval and to take position on legislative and regulatory matters** (*Action Item*)
9. **Discussion and Recommendation to move MBCP Rate Design and Disposition of Net Revenue to the Policy Board for Approval** (*Action Item*)
10. **Approval of MBCP Staffing Plan, Compensation/Benefits Schedule, and Employment Policies** (*Action Item*)
11. **Approval of MBCP Procurement Plan and Power Supply Mix** (*Action Item*)
12. **Adjournment to Next Operations Board Meeting**

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the Board. Until MBCP has offices, the Board has designated the County of Santa Cruz General Services Department, located at 701 Ocean Street, Room 330, Santa Cruz, CA 95060 for the purpose of making those public records available for inspection. The documents are also available on the MBCP website located at: [MBCommunityPower.org](http://MBCommunityPower.org).

## Meeting of the Operations Board of Directors

August 2, 2017 - 9:00 am to 12:00 noon

City of Watsonville, Council Chambers

275 Main Street, Watsonville, CA 95076

### MINUTES

1. The meeting was called to order at **9:12 a.m.**, and Gary Petersen, from City of Salinas, chaired the meeting. Chair Rene Mendez from City of Gonzales was absent, and Michael McHatten, from the City of Soledad attended in his place, but did not chair the meeting. Fred Aegerter attended in place of Layne Long, for the City of Marina. 3 new members took the oath of office: Fred Aegerter, Michael McHatten, and Gary Petersen.
2. **Roll Call** was taken and a quorum was established for the Operations Board. A total of 9 members were in attendance.
3. One person spoke during **Oral Communications**
4. **Tom Habashi**, new Interim CEO for Monterey Bay Community Power, was introduced to the group and gave brief remarks.

### CONSENT AGENDA

5. **APPROVED** the minutes from the June 7, 2017 Joint Board meeting, by unanimous vote, minus two abstentions.
6. **APPROVED** the Regular Meeting Schedule of the Operations Board and adopted resolution.

*Consent Vote:*

*Motion: Jamie Goldstein*

*Second: Lew Bauman*

*Vote: unanimous (Michael McHatten and Gary Petersen abstained)*

## REGULAR AGENDA

7. **Shawn Marshall** of Lean Energy gave updates on Banking and Credit Updates, and Agency Administrative and Organizational Issues, including Agency Insurance and Preparations for new CEO, and items related to start up. Carol Johnson gave a reminder regarding the Form 700's.
8. **John Dalessi and Kirby Dusel** from Pacific Energy Advisors, Inc. gave a presentation and discussed the Staff Report regarding the Implementation Plan, including summary of organizational structure and service plan options. Tom Habashi also addressed various questions from the board regarding plan. (Discussion only item – will go before the Policy Board for approval during their August 16<sup>th</sup>, 2017 meeting). Three members of the public made comments.
9. **Tom Habashi** discussed the Staff Report regarding Recommended Approach to Retail Rate Design. During the discussion **Charles Montoya** made request that Operations Board make their recommendations to the Policy Board, and **Carlos Palacios** agreed that the Operations Board should make advisory recommendations to the Policy Board. Three members of the public made comments. (Discussion only – no vote)
10. **Meeting adjourned at 10:53 a.m.**

Next meeting of the Operations Board is Wednesday, September 6<sup>th</sup>, 2017.

Next meeting of the Policy Board is Wednesday, August 16<sup>th</sup>, 2017.



## Staff Report Item 5

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** CEO Report

**DATE:** September 6, 2017

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### CalCCA Operational Membership Application

MBCP will be submitting its Operational Membership Application to California Community Choice Association (CalCCA). Now that MBCP has submitted its Implementation Plan to the CPUC and appointed an Interim Chief Executive Officer, Operational Members will have a voting seat on the CalCCA Board of Directors. No dues will be payable until customer revenues are received in July 2018.

### Data Management RFP

On August 23, MBCP issued a request for proposals for Data Management services to handle customer transition to MBCP and interact with PG&E after program rollout. Contract execution is expected in October or November to allow for the necessary system preparation required for data management

### Short-term RFO for Power Supply

MBCP will begin serving customers in March 2018, and thus needs to hedge power supply cost and acquire the necessary renewable credits to facilitate that transition. The RFO will be issued in late September to late October.

### Long-term RFO for Power Supply

Starting 2021, SB 350 requires load serving entities to meet a minimum of 60% of their renewable portfolio obligation through contracts of 10 years or longer. In 2021, this would amount to 20+% of the total MBCP load. To ensure that power supply developers can deliver by 2021, MBCP need to engage with potential developers very soon.

Silicon Valley Clean Energy is planning on issuing an RFO for long-term supply in mid-September. We are in discussion with their staff to combine the RFOs. This would qualify additional potential development, lead to preferable terms due to economies of scale and allow MBCP to take advantage of SVCE's strong financial position. Eventually, contracts will be separate, with similar business terms.

Attachments:

Long-term Power Supply RFO

Glossary of Terms

CalCCA Information



# Carbon Free Energy with Storage



## 2017 JOINT REQUEST FOR OFFERS

September 15, 2017





## *Joint RFO Overview*



In April 2017, Silicon Valley Clean Energy (SVCE) began providing the twelve communities in Santa Clara County with renewable and carbon free electricity.

In Spring 2018, Monterey Bay Community Power (MBCP) will begin providing the 19 jurisdictions throughout Monterey, San Benito and Santa Cruz Counties with clean-sourced power.

The goal of this Joint RFO is for SVCE and MBCP to each enter into one or more long-term Power Purchase and Sale Agreements (PPAs) to secure up to 700 GWh per year of energy, combined, from Carbon Free\* generation facilities. For Solar PV generating facilities to bid into this RFO, the offer must contain an Energy Storage System.

\*Carbon Free means any energy source, except for nuclear-powered generation assets, that is considered by the State of California to have zero Greenhouse Gas emissions in accordance with the Cap and Trade Regulations, AND generation facility must meet the California Energy Commission's definition as a Category 1 Eligible Renewable Resource (PCC1 ERR).



## *Joint RFO Process*

The RFO will consist of the following phases:

- **RFO Issued / Question & Answer:** SVCE & MBCP issues Joint RFO. Participants may submit questions concerning the RFO at [SVCEenergyprocurement@svcleanenergy.org](mailto:SVCEenergyprocurement@svcleanenergy.org) and/or participate in the web conference on September 28, 2017. Answers to questions will be posted to SVCE's and MBCP's RFO webpages.
- **Offers Due:** Participant's Offer(s) must be submitted by the October 13, 2017 5:00 PM PPT deadline and include the required documents described below.
- **Offer Review:** SVCE & MBCP will evaluate all Offers according to criteria listed on slide 6. During this phase, SVCE & MBCP will identify submitted Offers for short-listing, seek approval from SVCE's and MBCP's Board of Directors to move short-listed Offers to the negotiation phase, and then notify short-listed Participants.

Offers may be selected for short-listing by either SVCE or MBCP, depending on offered contract quantity. If the contract quantity from a single offer, given size of generating facility, exceeds the needs of either SVCE or MBCP individually, then SVCE and MBCP may select this offer together for short-listing, with subsequent joint negotiations to produce two separate, but identical, PPAs that Seller would execute with each entity.
- **Negotiations and Execution:** SVCE & MBCP will negotiate PPAs with short-listed participants with the intention of executing PPA(s). SVCE & MBCP may execute PPAs with selected participants at any time during the negotiation phase or may choose to execute none at all.



## Expected Joint RFO Schedule

DATE	EVENT
September 15, 2017	Issuance Notice of RFO
September 28, 2017	Bidders Web Conference
October 13, 2017	Deadline to submit Offer(s)
Second half of October 2017	Review Offers, short-list identification, Board Approval, Short-listed Participant Notification
7 days after notification	Offer deposits due from short-listed bidders
November through Late December 2017	Negotiations and Execution of PPA(s)
December 31, 2017	RFO Ends



## *Products to Buy*

**Product:** Carbon Free\* Energy with Energy Storage and all attributes: energy, capacity, energy storage services, and ancillary services.

\*Carbon Free means any energy source, except for nuclear-powered generation assets, that is considered by the State of California to have zero Greenhouse Gas emissions in accordance with the Cap and Trade Regulations, AND generation facility must meet the California Energy Commission's definition as a Category 1 Eligible Renewable Resource (PCC1 ERR).

### **Offer terms:**

Facilities:

- Existing *or* New Construction Carbon Free generating facility,
- Existing *or* New Construction Energy Storage System for at least 30% of Carbon Free generating facility capacity, co-located/adjacent to Carbon Free generating facility. Energy Storage System must be grid connected, i.e. front-of-meter.

Delivery Point: Point of Interconnection (POI)

Pricing Structure:

Carbon Free generating facility: All-in Price (\$/MWh) for Energy + REC (Renewable Energy Credit) + RA (Resource Adequacy)

Energy Storage facility: Fixed Pricing (\$/kW-year) plus optional variable component.

- Offered Prices should be flat across the Delivery Term.

Delivery Term: 10 years, 15 years, or 20 years.

Contract Quantity per Offer: Minimum of 50 GWh per year, up to a maximum of 700 GWh per year

Scheduling Coordinator: Buyer (or Buyer's Third-Party SC)

Delivery Term Start Date: On or before January 2020

**If the technology of the Carbon Free generating facility is Solar PV, then Offer IS REQUIRED to contain a Existing or New Construction Energy Storage System.**

# Evaluation of Offers

- Evaluation will be based on combination of Quantitative and Qualitative criteria
  - Quantitative Evaluation criteria
    - Contract benefit is evaluated based on market forward prices, various quantity scenarios, the value of capacity, and the value of energy storage. Contract cost is calculated as expected energy generation profile with and without energy storage times offered prices.
  - Qualitative Evaluation criteria
    - Project Viability
      - Project Status regarding Permits, Site Control, and Equipment
      - Technology Viability
      - Participant Experience
    - Modifications to Form Agreement
    - Project location, i.e. proximity to SVCE service territory

SVCE & MBCP will evaluate each Offer against these criteria and select a subset of Offers to move to the negotiation phase.

Offers may be selected for short-listing by either SVCE or MBCP, depending on offered contract quantity, after applying evaluation criteria above. If the contract quantity from a single offer, given size of generating facility, exceeds the needs of either SVCE or MBCP individually, then SVCE and MBCP may select this offer together for short-listing, followed by joint negotiations to produce two separate, but identical, PPAs that Seller would execute with each entity.



## Credit Requirements

- Offer Deposit of: \$3/kW upon Short-listing
- Following PPA execution:
  - Project Development Security of \$60/kW
- Upon Commercial Operation:
  - Delivery Term Security:

Term	10 years	15 years	20 years
Months Revenue	6	9	12

- Offer Deposit and Project Development Security – cash or Letter of Credit
- Delivery Term Security – cash, Letter of Credit, or acceptable guaranty

While participants can propose modifications to the collateral requirements as part of their mark-up of the Form Agreement, reaching agreement on any changes during the negotiation phase is a requirement for proceeding to execution.



## Offer Submittal

- Offers must be received on or before October, 2017 5:00pm PPT.
- Participants may submit multiple Offers, limited to 8 unique Offers.
- Only electronic copies will be accepted and must be submitted to mailbox: [SVCEenergyprocurement@svcleanenergy.org](mailto:SVCEenergyprocurement@svcleanenergy.org)

# Required information due by

October 13, 2017 5:00 pm PPT

- 1) A completed Joint RFO Offer Form
- 2) A redline mark-up of the PPA Form Agreement
- 3) A document (MS Word format) which describes the following;
  - Project Description (includes, but is not limited to):
    - Technology and equipment type
    - Environmental issues and permit status
  - Site Control
  - Milestone Schedule
  - Transmission/Interconnection Status
  - Experience and Qualifications



## Short-listed Offer Required Documents

Within 7 business days of receipt of being notified that your Offer has been selected (short-listed) to move to the negotiation phase of this Joint RFO, the following items or documents are due:

- 1) Receipt by SVCE or MBCP of the required Offer Deposit
- 2) An executed Confidentiality Agreement
- 3) A completed Credit and Finance Information Form



## Communications and Website

All RFO documents are available on SVCE's website at:

**[www.svcleanenergy.org/energyprocurement](http://www.svcleanenergy.org/energyprocurement)**

Click on 2017 Joint RFO (insert hyperlink)

All announcements, updates and Q&As will also be posted on the website.

All Communications should be directed to:

[SVCEenergyprocurement@svcleanenergy.org](mailto:SVCEenergyprocurement@svcleanenergy.org)

## Community Choice Aggregation Glossary of Terms

Term	Meaning
Behind-the-meter	Refers to energy efficiency or electricity generation that takes place on the customer side of the electricity meter rather than on the utility/grid side. Commonly used when discussing 'net energy metering'.
CAISO (California Independent System Operator)	An independent, non-profit Independent System Operator (ISO) that oversees the operation of California's bulk electric power system, transmission lines, and electricity market generated and transmitted by its member utilities.
CCA (Community Choice Aggregation)	The legal term used in AB 117 and by the CPUC - sometimes also referred to as Community Choice Energy (CCE). As authorized by statute, CCA allows local governments to pool the municipal, residential and commercial electrical load within their municipalit(ies) for the purpose of procuring and developing power on their behalf.
Community shared solar	An arrangement by which many electricity customers in a community may each own a portion of a solar PV generating facility, and therefore receive a share of the electricity and/or revenue it generates.
CPUC (California Public Utilities Commission)	California's State agency in charge of regulating investor-owned utilities.
Demand response	Technology that lowers electricity demand (or consumption) in response to shortages in the available supply of electricity.
Direct Access	A program that permits commercial and industrial utility customers to purchase power supplies from a provider other than the incumbent utility; CCA programs are not considered Direct Access
Electric Load	The amount of electricity a customer or group of customers uses; also referred to as "demand."
Energy Procurement	The process of acquiring energy sources, through purchase or development.
FIT (Feed-in tariff)	A standard power contract, usually for small projects 1MW or less, that requires the utility (or CCA) to pay a set amount for generated renewable electricity for a set number of years, depending on technology.
Generation Capacity	Also known as gross generation or gross electric output, generation capacity is the total amount of electricity generated by a power source over a specific period of time. It is measured in kilowatt hours (kWh), megawatt hours (MWh), gigawatt hours (GWh) or for the largest power sources in terawatt hours (TWh).
GHG (Greenhouse gas)	A gas that causes the atmosphere to trap heat radiating from the earth. The most common GHG is Carbon Dioxide, though Methane and others have this effect as well.
GWh (Gigawatt hour)	Commonly used for metering larger amounts of electrical energy to industrial customers and in power generation.

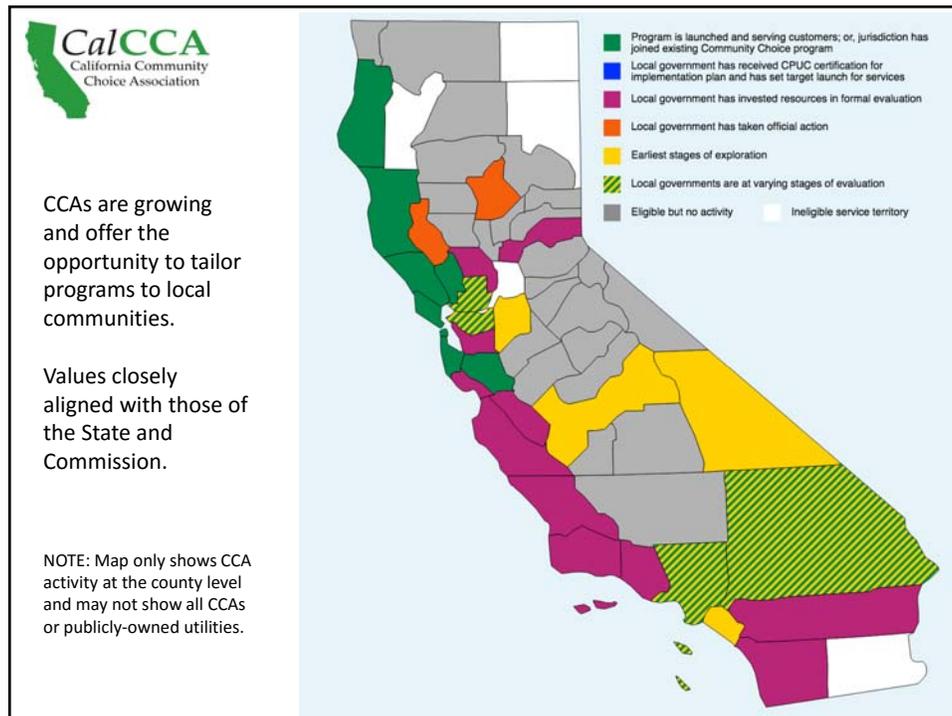
Implementation Plan	An operations plan that CCAs must present to the CPUC for certification and review for consistency with state law and CPUC rules
Investor-owned utility	A privately-owned power distribution company, such as Pacific Gas and Electric (PG&E), that in California is regulated by the CPUC.
ISO (Independent System Operator)	Coordinates, controls and monitors the operation of the electrical power system, usually within a single US state.
JPA (Joint powers authority)	An entity permitted under the laws of some states, whereby two or more public authorities (for example, local governments, or special districts) can operate collectively as a separate legal entity.
kW (kilowatt)	Equal to one thousand watts. Typically used to express the output power of electronics.
kWh (Kilowatt hour)	Commonly used by electrical distribution providers for purposes of billing, since the monthly energy consumption of a typical residential customer ranges from a few hundred to a few thousand kilowatt hours.
Load-serving entity	A firm or organization that purchases electricity on behalf of any customer or group of customers. Once formed, a CCA is considered a load serving entity.
MBCP	Monterey Bay Community Power
Microgrid	A local, small-scale power grid that can operate independently of or in conjunction with the central utility system.
MW (megawatt)	A unit of electrical power equal to 1 million watts that expresses the capacity (or power rating) of power plants or consuming devices. As a unit of capacity, a MW is distinct from a MWh, which is a unit of electricity. For example, a solar plant with a <i>capacity</i> of 1 MW will – running at fully capacity – produce a <i>MWh of electricity</i> in one hour.
MWh (megawatt-hour)	A unit of electrical energy that is produced or consumed= to 1,000 kilowatt hours. Thus, 8,000 kWh = 8 MWh.
Net metering	A state-mandated program through which utility customers with behind-the-meter renewable generating facilities smaller than 1 MW can receive bill credit and payment for power not used on-site and delivered to the grid (causing the meter to run backwards).
PCIA or “exit fee”	Power Charge Indifference Adjustment (PCIA) is an “exit fee” based on stranded costs of utility generation set by the California Public Utilities Commission. It is calculated annually and assessed to customers who take service from an electric generation provider (e.g. CCA) other than the incumbent utility.
Peak load	The electrical power demand at that time, over the course of a year and during the day, when electricity consumption is greatest.
PPA (Power Purchase Agreement)	Term for energy supply contract
REC (Renewable energy certificate)	A certificate of proof that one MWh of electricity was generated and delivered to the grid by an eligible renewable energy resource. A REC can be

	sold together with the underlying energy or “unbundled,” and sold separately.
RPS (Renewable portfolio standard)	Law that requires California utilities and other load serving entities (including CCAs) to provide an escalating percentage of California qualified renewable power (culminating at 33% by 2020) in their annual energy portfolio.
Smart grid	An electricity supply network that uses electronic communications and management systems to respond to changes in system requirements.
Solar PV	A solar electricity generating technology in which solar energy is transformed into electricity through a photovoltaic (PV) effect.
Unbundled RECs	Renewable energy certificates that verify a purchase of a MWh unit of renewable power where the actual power and the certificate are “unbundled” and sold to different buyers.



## **Agenda**

- Introductions
- Growth of CCAs, Objectives of CalCCA Members, NBC Principles
- CalCCA near-term goals and objectives for PCIA:
  - Enhance transparency
  - Protect consumers
  - Minimize costs & maximize value
- Conceptual impact of IOU holding resources after CCA launch
- Conceptual framework for future IOU actions given CCA launch



## Objectives of CalCCA Members

- Minimize costs to all ratepayers
- Protect customers from rate shock through predictable and reasonable rates
- Manage risks via long-term planning and responsible procurement using transparent inputs
- Serve our customers and communities in perpetuity
- Exceed or meet compliance standards
- Innovate to achieve and enhance State policy and programs
- Address local community needs

## Principles for Non-Bypassable Charges

- Provide for transparency
  - LSEs must have the ability to audit NBC calculations
- Be predictable and stable
  - Ratemaking mechanisms are available to avoid rate shocks and undue volatility
- Encourage prudent IOU procurement and portfolio management
  - Limit cost-recovery to reasonable term and ensure prudent management of existing resources
- Accurately reflect and convey all short and long-term value streams in PCIA calculations
- Provide reasonable options to CCAs

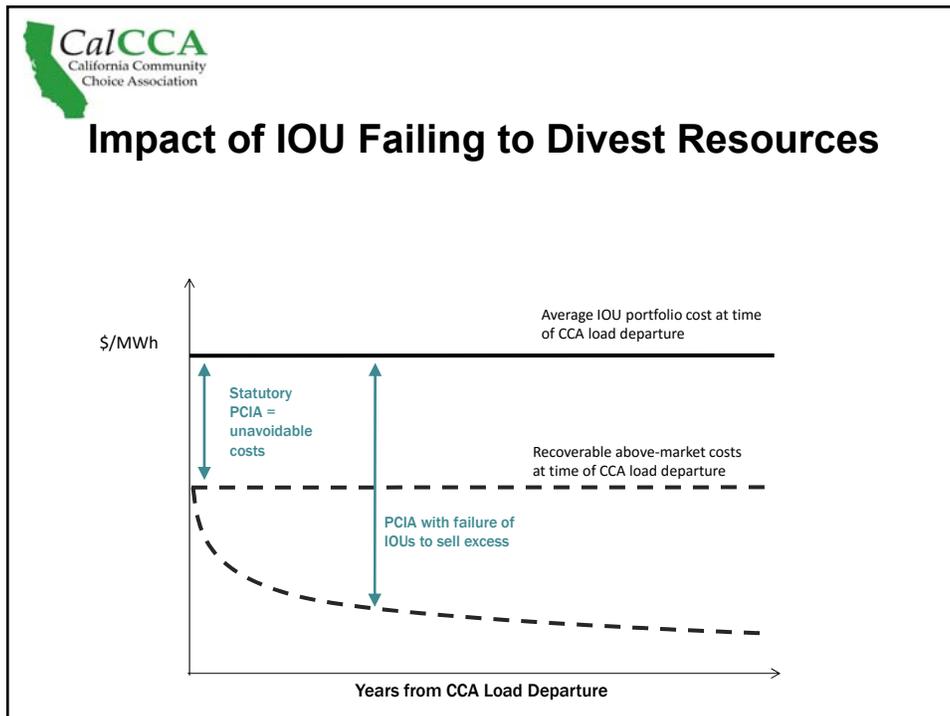


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### CalCCA Near-Term Goal and Objective #1 Enhance Transparency

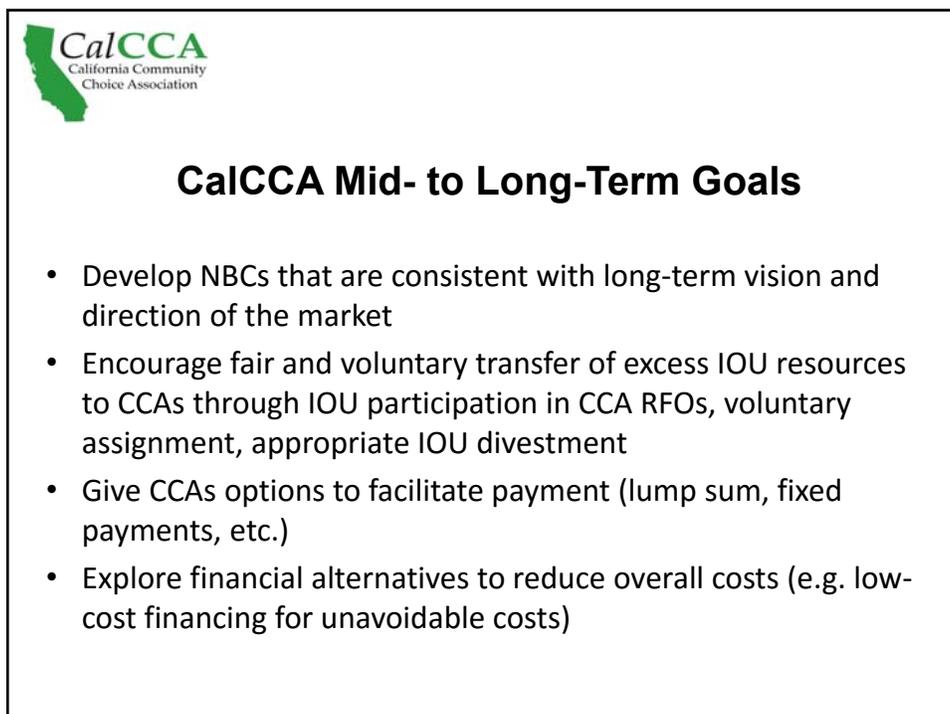
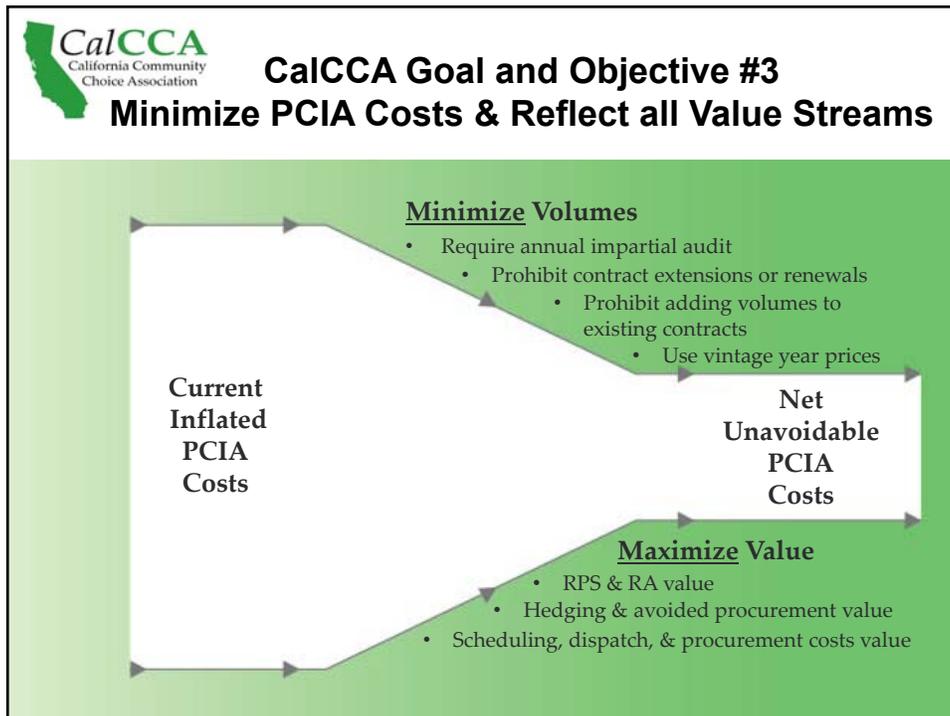
- Permit CCA employees under an NDA same access to information as CCA consultants
  - Allows for verification/auditing of charges, forecasting, and budgeting
  - CCAs need to understand universe of contracts to offer solutions
    - Request: Approve CalCCA PFM submitted 6/13/17
    - Request: Allow enhanced access to data for this OIR
- Show PCIA charge as a separate line item on all customer bills
  - Increases transparency for bundled customers as above-market costs are no longer blended into generation rates

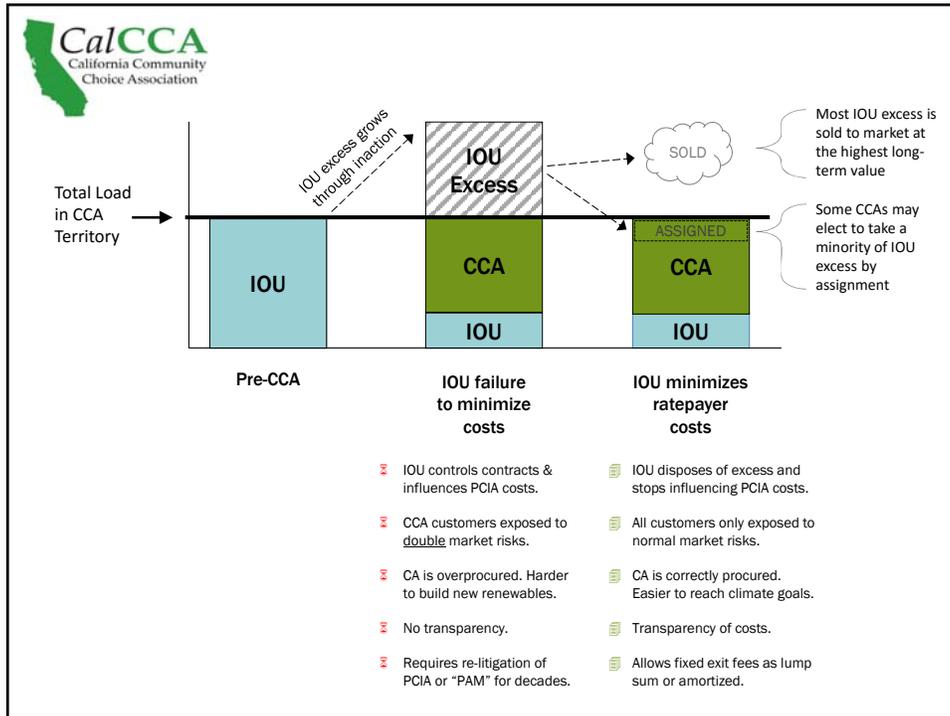


**CalCCA**  
California Community  
Choice Association

## CalCCA Near-Term Goal and Objective #2 Minimize PCIA Volatility

- Protect Consumers by minimizing PCIA volatility
  - Cap annual percent increase or total allowable PCIA rate, use sunset period with defined end-date, make IOU forecasts binding, and/or use rolling average
  - Protecting most vulnerable customers will allow CCA staff to focus on developing solutions instead of litigating
  - Request: Temporary freeze of PCIA while Proceeding is underway







## Staff Report Item 6

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** Recommendation to Move MBCP's FY 2017-2018 Budget to the Policy Board for Approval

**DATE:** September 6, 2017

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### **Recommendation**

The proposed Operating Budget for FY 2017-18 is being provided to the Operations Board for review and consideration. Staff requests that the Operations Board recommend moving the FY 17-18 budget to the Policy Board for approval at its September 13, 2017 meeting.

### **Background and Discussion**

MBCP's proposed FY 2017-2018 Budget reflects the Agency's newly approved fiscal year commencing on October 1, 2017 and ending on September 30, 2018. It covers five remaining months of Agency start-up and program implementation (October 2017-February 2018) and seven months of Agency operations (March-September 2018). It replaces the MBCP implementation budget approved by the joint Policy and Operations Boards in July since we have updated the start of the fiscal year.

### **Revenues**

- Revenues are projected at \$120,060,847 in this fiscal year inclusive of \$117,649,093 from energy sales, 0.5% in uncollectible accounts (shown as a net loss) and the \$3,000,000 line of credit from River City Bank.
- Revenues are derived from seven months of phase 1 energy sales to municipal, commercial, industrial and agriculture customers and three months of phase 2 energy sales to residential customers.
- Opt out rates are assumed at 5%
- Power Charge Indifference Adjustment (PCIA) assumed to rise by 16% on January 1, 2018
- This budget assumes that MBCP's generation rates will be equivalent to PG&E, net of applicable surcharges (Power Charge Indifference Adjustment and Franchise Fee Surcharge).

- There is no substantial revenue from premium energy products nor investment income.

### **Expenses**

Operating expenses are projected at \$81,835,155 of which \$71,337,853 (or 87%) is allocated to cover the cost of energy.

- The staff and professional services line item is inclusive of staff salaries and benefits, contract/consulting services and repayment of the loan from the County of Santa Cruz which is estimated at \$175,000. This repayment will be made after retiring the bank's line of credit.
- The programs budget is estimated at 1% of energy sales in the first year; that percentage will likely increase in future budgets as the Agency matures and operations and revenues stabilize.
- The cost of energy is based on a power portfolio that includes 29% CA qualified renewable energy and is 71% other carbon free (e.g., large hydro-electric); MBCP will not be using unbundled RECs.
- \$3,100,000 in debt repayment, bank fees, and interest is included in the total cost projections but shown as a separate line item; it comprises 3% of the overall expense budget.

### **Net Revenue**

Net revenue is expected to be \$38,225,692 at the end of the first fiscal year. The allocation of this surplus revenue is likely to fund Agency reserves and ratepayer rebates.

### **Attachment**

Proposed FY 2017-2018 Operating Budget



**BUDGET FY 2017-2018**  
**October 1, 2017- September 30, 2018**

REVENUE/EXPENSE CATEGORY	FY 2017-18 Budget
<b>I. REVENUES FROM OPERATIONS</b>	
ELECTRIC SALES REVENUE <sup>1</sup>	117,649,093
LESS UNCOLLECTIBLE ACCOUNTS	(588,245)
LINE OF CREDIT	3,000,000
<b>TOTAL REVENUES</b>	<b>120,060,847</b>
<b>II. COST OF OPERATIONS</b>	
OPERATIONS AND ADMINISTRATIVE (O&A)	
STAFFING & PROFESSIONAL SERVICES <sup>2</sup>	2,398,139
MARKETING /CUSTOMER ENROLLMENT <sup>3</sup>	1,498,694
DATA MANAGEMENT SERVICES	1,112,970
IOU FEES (INCLUDING BILLING)	479,988
OTHER ADMINISTRATIVE & GENERAL <sup>4</sup>	736,903
ENERGY & RELATED PROGRAMS <sup>5</sup>	1,170,608
<b>SUBTOTAL O&amp;A</b>	<b>7,397,302</b>
COST OF ENERGY	71,337,853
DEBT REPAYMENT/BANK FEES & INTEREST	3,100,000
<b>TOTAL COST</b>	<b>81,835,155</b>
<b>CCA PROGRAM SURPLUS/(DEFICIT)<sup>6</sup></b>	<b>38,225,692</b>

<sup>1</sup> Assumes revenues from 7 months of Phase 1 and 3 months of Phase 2 customers.

<sup>2</sup> Includes MBCP contract and salaried staff; administrative, energy and legal services support; and expense reimbursement to Santa Cruz County.

<sup>3</sup> Includes all marketing expenses including pre/ post mailing costs for enrollments in March and July 2018.

<sup>4</sup> Includes office lease, equipment, other administrative and miscellaneous expenses

<sup>5</sup> Represents 1% of electric sales revenues

<sup>6</sup> Disposition of surplus revenues to reserves and/or customer discounts subject to Board policy direction.



## Staff Report Item 7

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** Credit Agreement with River City Bank

**DATE:** September 6, 2017

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### **Recommendation**

Discussion and recommendation to move approval to the Policy Board:

1. Credit Agreement by and between Monterey Bay Community Power, as Borrower and River City Bank, as Lender (Credit Agreement) in substantially final form to provide up to a \$3.0 million Non-Revolving Line of Credit (NRLOC) and up to a \$10.0 million Revolving Line of Credit (RLOC).
2. Agreement By and Among the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito Counties and the Counties of Monterey, Santa Cruz and San Benito (Guarantor Agreement) in substantially final form to require written approval to amend the Credit Agreement from the Guarantors.

### **Background**

At the direction of the ad hoc Monterey Bay Community Power (MBCP) financing committee, the County of Santa Cruz prepared and released a request for proposals (RFP) on December 6, 2016 to raise capital in support of MBCP program implementation and early operations as well as establish banking operations. The RFP specified three categories of credit and banking services required for MBCP to move forward: (1) start-up/implementation capital estimated up to \$3.0 million; (2) working capital support power purchase contracts and early operations estimated between \$10 - \$15 million; and (3) banking and deposit services.

On April 18, 2017, the Board of Supervisors for the County of Santa Cruz accepted a status report on credit and banking services for MBCP and referred the proposals to MBCP for their review and recommendation. At the joint meeting on May 3, 2017, the MBCP Policy and Operations Board of Directors directed staff to begin negotiations with River City Bank (RCB)

prepare related interagency documents related to the credit support provided by the counties of Monterey, San Benito, and Santa Cruz.

MBCP received loan approval from RCB on June 16, 2017 for the \$3 million in start-up funding and on August 9, 2017 for the \$10 million RLOC. At this time, each county has authorization to execute the required documents by River City Bank for credit support, the Shared Financial Agreement among the County Members of Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito Counties, and the related inter-agency agreements with each of the participating cities within each county.

RCB was founded in 1973, is headquartered in Sacramento with a main office in Walnut Creek, and has the size and strength to meet the financing needs of MBCP. RCB is experienced in the CCE industry and has served the banking needs of Marin Clean Energy and Silicon Valley Clean Energy Authority. MBCP will be serviced out of the Walnut Creek office.

## **Analysis and Discussion**

### ***Credit Agreement***

In order to establish the NRLOC and RLOC with River City Bank, MBCP must enter into a Credit Agreement. Key terms of the Credit Agreement are provided below:

Non-Revolving Line of Credit – As stated above, the NRLOC provides start-up funding up to \$3.0 million, and requires credit support of 100 percent that will be provided by the counties of Monterey (45.4545%), San Benito (18.1818%), and Santa Cruz (36.3637%) proportionate to voting shares by county in the form of a credit guarantee or cash collateral. The NRLOC is for a term of one year and may be converted to a term loan of up to five years from the conversion date. The interest rate is based on a variable rate tied to 1-month LIBOR plus a margin. Interest is payable monthly with a principal payment required a termination. It is anticipated that interest payments will be made by additional draws on the NRLOC until full repayment (that is, interest will be added to the principal until a total of no more than \$3.0 million has been advanced). A loan fee of 0.25% of the line amount a documentation fee of \$2,500 is payable at closing.

Revolving Line of Credit – The RLOC will provide capital to fund the following:

1. Power purchases to be made by MBCP in times of seasonal differences in cash flow after operations commend due to lower billing rates in the winter months; and
2. Fund for MBCP's obligation to provide reserve funds in support of its power purchase agreements.

The term of the RLOC will be one year and may also be converted to a term loan of up to five years from the conversion date. The interest rate is based on a variable rate tied to 1-month LIBOR plus a margin. Interest is payable monthly with a principal payment required a termination. Interest payments are due monthly. A loan fee of 0.25% of the

line amount a documentation fee of \$2,500 is payable at closing. As a condition to closing, MBCP will be required to establish a Debt Service Reserve Account, which will be funded from proceeds of the RLOC in an amount equal to six months of debt service based on a five-year repayment of the RLOC at an assumed 3.50% interest rate. No separate credit support from the counties of Monterey, San Benito, and Santa Cruz are required for the RLOC.

The NRLOC and RLOC are required to be repaid prior to any payments made on any subordinate debt, including the repayment of initial costs funded by the County of Santa Cruz before the NRLOC is available. Additional costs will be charged by RCB for legal counsel related to the Credit Agreement. The Credit Agreement also requires certain minimum revenue requirements to be met by MBCP in addition to other financial reporting. Based on the financial projects of MBCP, it is anticipated both the NRLOC and RLOC will be repaid within 12 months of launch.

### ***Guarantor Agreement***

The Guarantor Agreement requires that MBCP to receive written approval of any amendments to the Credit Agreement with River City Bank. The term of the agreement will be to the date of the release of the credit guarantee for the NRLOC.

### **Attachments**

Credit Agreement  
Guarantor Agreement

**Agreement By and Among the Monterey Bay Community Power Authority  
of Monterey, Santa Cruz and San Benito Counties and the Counties of  
Monterey, Santa Cruz and San Benito Counties**

This Agreement (Agreement) is entered into by and among the Monterey Bay Community Power Authority of Monterey, Santa Cruz and San Benito Counties (MBCP) and the County of Santa Cruz, the County of Monterey and the County of San Benito ( collectively Guarantors), each a member of MBCP and is effective when fully executed by the parties.

WHEREAS, MBCP was formed on February 21, 2017 by and among the cities and counties listed on Exhibit A to this Agreement. The members of the MBCP share various powers common to each party under California law, including but not limited to the power to study, promote, develop, conduct, operate and manage energy, energy efficiency and conservation, and to purchase, supply, and aggregate electricity for themselves and customers within their jurisdictions; and

WHEREAS, MBCP requires start-up and initial working capital in the amount of \$3,000,000 (three million dollars); and

WHEREAS, MBCP has selected River City Bank from which to receive the start-up and initial capital which will be memorialized in a Credit Agreement by and between Monterey Bay Community Power Authority, as Borrower and River City Bank, as Lender (Credit Agreement); and

WHEREAS, River City Bank requires a non-revolving credit guaranty and other supporting documents (Credit Guaranty) from the members of MBCP in support of the Credit Agreement. A Credit Guarantee was contemplated in the Joint Exercise of Powers Agreement Relating to and Creating the Monterey Bay Community Power Authority of Monterey, Santa Cruz, and San Benito Counties (JPA Agreement); and

WHEREAS, the JPA Agreement at section 5.3.4 provides that the Credit Guarantee shall be distributed on a per seat basis with shared seat members dividing the Credit Guarantee among the cities sharing those seats;

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WHEREAS, the Guarantors have agreed to provide a Credit Guarantee to River City Bank in a total amount of \$3,000,000 (three million dollars), with each of the Guarantors responsible to provide only an allocated share of the Credit Guarantee; and

WHEREAS, the Credit Agreement provides that River City Bank and MBCP may amend the Credit Agreement without approval of the Guarantors;

WHEREAS, this document is intended to require that MBCP obtain authority from each of the Guarantors before authorizing an amendment to the Credit Agreement;

NOW THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. MBCP hereby agrees not to authorize any amendment to the Credit Agreement without the express and formal approval of each of the authorizing bodies of the Guarantors.
2. The term of this Agreement shall be from the effective date to the date of release of the Credit Guaranty.
3. This Agreement shall not be amended except in a written amendment executed by all the parties to this Agreement.
4. If one or more clauses, sentences, paragraphs or provisions of this Agreement shall be held to be unlawful, invalid or unenforceable, it is hereby agreed by the parties that the remainder of the Agreement shall not be affected thereby. Such clauses, sentences, paragraphs or provisions of this Agreement shall be deemed reformed so as to be lawful, valid and enforced to the maximum extent possible.

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MBCP

\_\_\_\_\_  
Chairperson of the Policy Board

\_\_\_\_\_  
Date

APPROVED AS TO FORM:

\_\_\_\_\_  
Interim General Counsel

\_\_\_\_\_  
Date

**Exhibit A**

**List of Parties to the MBCP**

County of Santa Cruz

City of Santa Cruz

City of Watsonville

City of Capitola

City of Scotts Valley

County of Monterey

City of Salinas

City of Monterey

City of Pacific Grove

City of Carmel

City of Seaside

City of Marina

Sand City

Soledad

Greenfield

Gonzales

County of San Benito

City of Hollister

City of San Juan Bautista

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**CREDIT AGREEMENT**

**Dated as of September [ ], 2017**

**by and between**

**MONTEREY BAY COMMUNITY POWER AUTHORITY,  
as Borrower**

**and**

**RIVER CITY BANK,  
as Lender**

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## CREDIT AGREEMENT

This CREDIT AGREEMENT (this “*Agreement*”) is entered into as of September [ ], 2017, by and between **MONTEREY BAY COMMUNITY POWER AUTHORITY**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq. (“*Borrower*”), and **RIVER CITY BANK**, a California corporation (“*Lender*”).

### W I T N E S S E T H:

WHEREAS, Borrower has requested, and Lender has agreed to make available to Borrower, a credit facility which includes a non-revolving line of credit and a revolving line of credit upon and subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

#### SECTION 1. DEFINITIONS AND INTERPRETATION.

*Section 1.1. Definitions.* All capitalized terms used in this Agreement and not otherwise defined have the meanings ascribed to them on **Exhibit A**.

##### *Section 1.2. Other Interpretive Provisions.*

(a) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement will have the same defined meanings when used in any certificate or other document made or delivered pursuant hereto. The meaning of defined terms is equally applicable to the singular and plural forms of the defined terms.

(b) References. The words “hereof”, “herein”, “hereunder” and words of similar import when used in this Agreement will refer to this Agreement as a whole and not to any particular provision of this Agreement; and subsection, section, schedule and exhibit references are to this Agreement unless otherwise specified.

(c) Certain Common Terms. The term “documents” includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced. The term “including” is not limiting and means “including without limitation.”

(d) Performance; Time. Whenever any performance obligation hereunder is stated to be due or required to be satisfied on a day other than a Business Day, such performance may be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including”; the words “to” and “until” each mean “to but excluding”, and the word “through” means “to and including.” If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision will be interpreted to encompass any and all means, direct or indirect, of taking, or not taking, such action.

(e) Contracts. Unless otherwise expressly provided herein, references to agreements and other contractual instruments, including this Agreement and the other Loan Documents, will be deemed to include all subsequent amendments thereto, restatements thereof and other modifications and supplements thereto which are in effect from time to time, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) Dollars and \$. All references to “dollars” or “\$” refer to United States dollars.

### *Section 1.3. Accounting Principles.*

(a) Unless the context otherwise clearly requires, all accounting terms not expressly defined herein will be construed, and all financial computations required under this Agreement will be made, in accordance with GAAP, as applied to governmental entities, consistently applied.

(b) References herein to “fiscal year”, “fiscal quarter” and “fiscal month” refer to such fiscal periods of Borrower.

(c) If any change in GAAP results in a change in the calculation of the financial covenants or interpretation of related provisions of this Agreement or any other Loan Document, then Borrower and Lender agree to amend such provisions of this Agreement and/or such other Loan Document so as to equitably reflect such changes in GAAP with the desired result that the criteria for evaluating Borrower’s financial condition will be the same after such change in GAAP as if such change had not been made.

## SECTION 2. THE NON-REVOLVING CREDIT.

*Section 2.1(a). Non-Revolving Credit.* Subject to the terms and conditions hereof, Lender agrees to make a non-revolving credit facility (the “*Non-Revolving Credit*”) available to Borrower for the sole purpose of providing working capital to fund the expenses of Borrower in connection with the start-up of Borrower’s operations (that generally being all start-up costs of operations, deposits, leases, equipment, and interest payments on the Non-Revolving Credit) in an aggregate principal amount not to exceed, at any one time, the Non-Revolving Credit Commitment at any time prior to the Non-Revolving Credit Termination Date. The Non-Revolving Credit will be disbursed in one or more advances (each, an “*Advance*” and, collectively, the “*Advances*”), provided that the conditions precedent to Advances specified in Section 8 are satisfied. Subject to the Non-Revolving Credit Commitment and the other terms and conditions of this Agreement, Borrower may periodically request Advances; provided, however, that Lender will have no obligation to make Advances on or after the Non-Revolving Credit Termination Date, and Borrower may not re-borrow Advances as they are repaid.

*Section 2.1(b). Revolving Credit.* Subject to the terms and conditions hereof, Lender agrees to make a revolving credit facility (the “*Revolving Credit*”) available to Borrower for the sole purpose of providing working capital funds as provided in Section 8.3 in an aggregate principal amount not to exceed, at any one time, the Revolving Credit Commitment at any time prior to the Revolving Credit Termination Date. The Revolving Credit will be disbursed in one or more advances (each, an “*Advance*” and, collectively, the “*Advances*”), provided that the conditions precedent to Advances specified in Section 8 are satisfied. Subject to the Revolving Credit Commitment and the other terms and conditions of this Agreement, Borrower may periodically request Advances; provided, however, that Lender will have no obligation to make Advances on or after the Revolving Credit Termination Date.

*Section 2.2. Advances.* Advances under this Agreement may be requested in writing, substantially in the form of **Exhibit F** for the Non-Revolving Credit and **Exhibit G** for the Revolving Credit, by Borrower or any Authorized Representative appointed by Borrower. Borrower agrees that Lender may rely upon any written notice given by any person Lender in good faith believes is an Authorized Representative without the necessity of independent investigation.

*Section 2.3. Promissory Notes.* The Non-Revolving Credit will be evidenced by a **Non-Revolving Credit Note**, the Revolving Credit will be evidenced by a **Revolving Credit Note**, and if Lender approves a conversion of Non-Revolving Credit Advances to a term loan as provided in section 2.4(c) or approves a conversion of Revolving Credit Advances to a term loan as provided in section 2.4(e) below, the term loans will be evidenced by a “**NRC Term Note**” and a “**RC Term Note**”, respectively (each a “*Promissory Note*” and together the “*Promissory Notes*”), each made, executed and delivered by Borrower and payable to the order of Lender in the form (with appropriate insertions) attached hereto as **Exhibit C**, **Exhibit D**, and **Exhibit E-1 and Exhibit E-2**, (respectively).

*Section 2.4. Repayment.*

(a) *Non-Revolving Credit Termination Date.* All Advances (including all outstanding principal and accrued but unpaid interest) under the Non-Revolving Credit shall be due and payable in full on the Non-Revolving Credit Termination Date. Until the Non-Revolving Credit Termination Date, Borrower shall repay the Advances with interest as provided herein and in the Non-Revolving Credit Note. Any Advances repaid may not be re-borrowed.

(b) *Revolving Credit Termination Date.* All Advances (including all outstanding principal and accrued but unpaid interest) under the Revolving Credit shall be due and payable in full on the Revolving Credit Termination Date. Until the Revolving Credit Termination Date, Borrower shall repay the Advances with interest as provided herein and in the Revolving Credit Note. This is a revolving credit and any Advances repaid may be re-borrowed prior to the Revolving Credit Termination Date. Provided no default or Event of Default has occurred or is occurring and subject to Lender approval, Borrower may exercise a one-time option to convert the outstanding Advances under the Revolving Credit to a term loan as provided below.

(c) *Conversion of Non-Revolving Advances to a Term Loan.* No later than thirty (30) days prior to the Non-Revolving Credit Termination Date, Borrower may request Lender's approval, in writing, to convert, as of a date not later than the Non-Revolving Credit Termination Date, the principal amount of outstanding Advances under the Non-Revolving Credit to a term loan with up to sixty (60) equal principal payments plus interest payable monthly in arrears at the Applicable Rate (the "*NRC Term Loan*"). Provided a) no Default, or Event of Default, has occurred or is continuing and b) the Guarantees remain in full force and effect, Lender may approve the Term Loan subject to its full underwriting criteria at the time. If approved, the NRC Term Loan shall be governed by the terms and conditions of this Agreement and evidenced by a separate promissory note (the "*NRC Term Note*") in the form attached hereto as **Exhibit E-1**, which shall be prepared by Lender and executed by Borrower if Borrower elects to convert the Non-Revolving Credit to a term loan.

(d) *Option to Extend Non-Revolving Credit Termination Date.* Provided a) no Default, or Event of Default, has occurred or is occurring and b) the Guarantees remain in full force and effect, and no later than thirty (30) days prior to the Non-Revolving Credit Termination Date, Borrower may notify Lender in writing of its intent to exercise its one-time option to extend the Non-Revolving Credit Termination Date an additional three months after the original Non-Revolving Credit Termination Date, not to exceed fifteen (15) months after the date of this Agreement.

(e) *Conversion of Revolving Credit Advances to a Term Loan.* No later than thirty (30) days prior to the Revolving Credit Termination Date, Borrower may request Lender's approval, in writing, to convert, as of a date not later than the Revolving Credit Termination Date, the principal amount of outstanding Advances under the Revolving Credit to a term loan with up to sixty (60) equal principal payments plus interest payable monthly in arrears at the Applicable Rate (the "*RC Term Loan*"). Provided that no Default, or Event of Default, has occurred or is continuing, Lender may approve the RC Term Loan subject to its full underwriting criteria at the time. If approved, the RC Term Loan shall be governed by the terms and conditions of this Agreement and evidenced by a separate promissory note (the "*RC Term Note*") in the form attached hereto as **Exhibit E-2**, which shall be prepared by Lender and executed by Borrower if Borrower elects to convert the Revolving Credit to a term loan.

### SECTION 3. INTEREST, LATE FEES, PREPAYMENTS AND APPLICATIONS.

#### *Section 3.1. Interest Payments.*

(a) Advances. The outstanding principal balance of Advances will bear interest (which Borrower hereby promises to pay at the rates and at the times set forth in the applicable Promissory Note) prior to maturity (whether by lapse of time, acceleration or otherwise) at the Applicable Rate and after maturity (whether by lapse of time, acceleration or otherwise), whether before or after judgment, at the Default Rate, until paid in full. The determination of the Applicable Rate by Lender shall be conclusive and binding on Borrower in the absence of demonstrable error.

(b) Payment Dates. Borrower will pay regular monthly payments of all accrued but unpaid interest on the Advances as of each Payment Date beginning with the first Payment Date immediately following the initial Advance with all subsequent interest payments due and payable on each Payment Date thereafter. Interest on the Advances will be payable monthly in arrears on each Payment Date. Other than amounts due in full on the Non-Revolving Credit Termination Date and on the Revolving Credit Termination Date, interest on any installment of principal will be due on a Payment Date provided however, that any principal amount that is not paid when due (whether by lapse of time, acceleration or otherwise) will be due and payable on demand. Borrower will make all payments at the address specified in Section 3.4. To the extent the Advances are converted to a NRC Term Loan as provided in Section 2.4(c), or a RC Term Loan as provided in Section (2.4e), Borrower will make regular payments of all accrued but unpaid interest and principal on a Payment Date in accordance with the respective NRC Term Note or RC Term Note.

(c) Late Fees. If Borrower fails to make any payment of principal or interest under any of the Promissory Notes or any other sum payable hereunder or under any other Loan Document within five (5) calendar days after its due date, Lender will be entitled at its option to impose a late charge in an amount equal to six percent (6.00%) of the amount of such past due payment, which charge, if imposed by Lender, shall be due and payable by Borrower immediately upon receipt of written notice thereof.

(d) Interest after Default. Upon an Event of Default, Lender reserves the right, if permitted by applicable law, to increase the Applicable Rate by 6.00%.

*Section 3.2. Computation of Interest; Minimum and Maximum Interest Rates.* All interest on the Advances will be calculated on the basis of a year of 360 days for the actual number of days elapsed. In no event shall the applicable interest rate exceed the maximum rate allowed by law.

*Section 3.3. Prepayments.*

(a) Voluntary Prepayment. Borrower may voluntarily prepay Advances, in whole or in part, at any time without any penalty or fee. In connection with such prepayment, Borrower may prepay the principal amount of any Promissory Note, in whole or in part, together with interest accrued on the principal amount prepaid, at its option and without premium, prior to the applicable Maturity Date or the Non-Revolving Credit Termination Date, as the case may be.

(b) Mandatory Prepayment. Borrower will, upon demand, prepay Advances at any time and to the extent that the original principal amount of all Advances under the Non-Revolving Credit exceeds the Non-Revolving Credit Commitment or to the extent the outstanding principal amount of all Advances under the Revolving Credit exceeds the Revolving Credit Commitment.

(c) Application of Prepayments. All prepayments shall be applied in accordance with Section 3.4.

*Section 3.4. Place and Application of Payments and Collections.* All payments of principal, interest, fees and all other Obligations payable hereunder will be made to Lender at the following address no later than 2:00 p.m. (Pacific Standard Time) on the date any such payment is due and payable:

River City Bank  
Loan Center  
2485 Natomas Park Drive, Suite 400  
Sacramento, CA 95833

So long as any Event of Default has occurred and is continuing, Borrower agrees that Lender, in its sole and absolute discretion, may apply any payments or collections received by Lender from Borrower in respect of the Non-Revolving Credit or the Revolving Credit to any of the Obligations in any manner or order as Lender desires. Lender's receipt and application of payments or collections shall not constitute a waiver or cure of any Default.

*Section 3.5. Notations.* All Advances made and evidenced by any Promissory Note and the rates of interest applicable thereto will be recorded by Lender on its books and records or, at its option in any instance, endorsed on a schedule to such Promissory Note, and the unpaid principal balance and interest rates so recorded or endorsed by Lender will, absent manifest error, be *prima facie* evidence in any court or other proceeding brought to enforce such Promissory Note of the principal amount remaining unpaid, the status of the Advances evidenced by such Promissory Note and the applicable interest rates; provided, however, that the failure of Lender to record any of the foregoing will not limit or otherwise affect the obligation of Borrower to repay the principal amount of such Promissory Note together with accrued interest thereon. Prior to any negotiation of any Promissory Note, Lender will record on a schedule thereto, or on its books and records, the status of all amounts evidenced by such Promissory Note (including any principal amounts previously paid) and the rates of interest applicable thereto.

#### SECTION 4. FEES.

*Section 4.1.* Upon execution of this Agreement, Borrower shall pay to Lender fees for this Agreement as follows:

(a) Loan Fee. A Loan Fee in an amount equal to .25% of the Non-Revolving Credit Commitment (\$7,500.00) and a Loan Fee in an amount equal to 0.25% of the Revolving Credit Commitment (\$25,000.00).

(b) Documentation Fee. A Documentation Fee in an amount equal to \$2,500.00 for the Non-Revolving Credit Commitment and a Documentation Fee in an amount equal to \$2,500.00 for the Revolving Credit Commitment.

(c) Other Costs and Fees. Borrower shall be subject to and agrees to pay any and all other fees incurred by Lender associated with the origination and documentation of this Agreement including reasonable legal costs.

SECTION 5. (INTENTIONALLY OMITTED)

SECTION 6. COLLATERAL – NON-REVOLVING CREDIT COMMITMENT.

*Section 6.1. County of San Benito Cash Collateral Account.* As a condition to Lender's obligation to make any Advances under the Revolving Credit Commitment, the County of San Benito ("Grantor") will open and establish a restricted deposit account, which may be interest bearing, with Lender (the "*County of San Benito Cash Collateral Account*") with a balance of not at any time less than \$545,700.00 (18.18% of the Non-Revolving Credit Commitment). The County of San Benito Cash Collateral Account will be held in the name of Grantor and will serve as collateral for the Obligations. Borrower will pay on demand therefore from time to time all customary account opening, activity and other administrative fees and charges in connection with the maintenance and disbursement of the County of San Benito Cash Collateral Account.

SECTION 7. REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lender as follows:

*Section 7.1. Organization and Qualification; Authority; Consents.* Borrower (a) is a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California (Government Code Section 6500, et seq.) that is qualified to be a community choice aggregator pursuant to California Public Utilities Code Section 366.2 and (b) has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying unless the failure to be so licensed or qualified would not have a material adverse effect on its business, operations or assets. Borrower has the agency power to enter into this Agreement and the other Loan Documents to which it is a party, to request the Advances and incur the Obligations provided for herein, to execute the Promissory Notes in evidence thereof, to pledge and encumber assets as security therefor, and to perform each and all of the promises herein and therein. This Agreement and the other Loan Documents to which Borrower is a party do not, nor does the performance or observance by Borrower of any of the matters or things herein or therein provided for, contravene any provision of law or the Joint Powers Agreement or any covenant, indenture or agreement of or affecting Borrower or any of its Properties, including any Power Purchase Agreement. The execution, delivery, performance and observance by Borrower of this Agreement and the other Loan Documents do not and, at the time of delivery hereof, will not require any consent or approval of any other Person, other than such consents and approvals that have been given or obtained.

*Section 7.2. Legal Effect.* This Agreement and the other Loan Documents to which Borrower is a party constitute legal, valid and binding agreements of Borrower, enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable remedies if equitable remedies are sought.

*Section 7.3. Subsidiaries.* Borrower has no Subsidiaries.

*Section 7.4. Use of Proceeds.* Borrower will use the proceeds of the Advances specifically for uses as described herein and solely for purposes consistent with the purpose of Borrower as set forth in the Joint Powers Agreement, including for purposes consistent with the community choice aggregation program established by Borrower pursuant to California Public Utilities Code Section 366.2.

*Section 7.5. Financial Reports.* Effective with the delivery to Lender of the financial statements required by Section 9.2, the statements of financial condition of Borrower as at the date of such statements delivered to Lender, and the related statements of income, retained earnings and cash flows of Borrower for the fiscal year then ended and accompanying notes thereto, which financial statements are to be reviewed by an independent public accountant, and the unaudited interim statements of financial condition of Borrower as at the date of such statements delivered to Lender and the related statements of income and cash flows of Borrower for the period then ended, fairly present the financial condition of Borrower as at said dates and the results of its operations and cash flows for the periods then ended in conformity with GAAP applied on a consistent basis, subject (in the case of unaudited statements) to year-end audit adjustments. Borrower has no contingent liabilities which are material to it other than, with respect to any financial statements delivered to Lender, as indicated on said financial statements.

*Section 7.6. Full Disclosure.* The statements and other information furnished to Lender in connection with the negotiation of this Agreement and the other Loan Documents and the commitment by Lender to provide the financing contemplated hereby do not contain any untrue statements of a material fact or omit a material fact necessary to make the statements contained herein or therein not misleading; provided that Lender acknowledges that, as to any projections furnished to Lender, Borrower only represents that the same were prepared on the basis of information and estimates Borrower believed to be reasonable at the time such information was prepared.

*Section 7.7. Litigation.* There is no litigation or governmental proceeding pending, nor to the knowledge of Borrower threatened in writing, against Borrower which if adversely determined would result in any material adverse change in the financial condition, Properties, business or operations of Borrower.

*Section 7.8. Good Title.* Borrower has good and defensible title to its Properties as reflected on the most recent balance sheet of Borrower furnished to Lender, subject to no Liens other than Permitted Liens or as otherwise limited by applicable law.

*Section 7.9. Members.* Borrower is not a party to any contract or agreement with any of its members on terms and conditions which are less favorable to Borrower than would be usual and customary in similar contracts or agreements between Persons not affiliated with each other.

*Section 7.10. Compliance with Laws.* Borrower is in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to its Properties or business operations (including, without limitation, laws and regulations establishing quality criteria

and standards for air, water, land and toxic or hazardous wastes and substances), non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of Borrower. Borrower has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the financial condition, Properties, business or operations of Borrower.

*Section 7.11. Other Agreements.* Borrower is not in default under the terms of any covenant, indenture or agreement of or affecting Borrower or any of its Properties, which default if uncured would have a material adverse effect on the financial condition, Properties, business or operations of Borrower.

*Section 7.12. No Default.* No Default or Event of Default has occurred or is continuing.

## SECTION 8. CONDITIONS PRECEDENT.

The obligation of Lender to make any Advance is subject to the following conditions precedent:

*Section 8.1. All Advances.* As of the time of the making of each Advance (including the initial Advance unless otherwise specified):

(a) each of the representations and warranties set forth in Section 7 hereof and in the other Loan Documents shall be true and correct as of said time, except that the representations and warranties made under Section 7.5 (except for the initial Advance) shall be deemed to refer to the most recent financial statements furnished to Lender pursuant to Section 9.2 hereof; and

(b) Borrower shall be in full compliance with all of the material terms and conditions of this Agreement, the Promissory Note, all other Loan Documents, and no Default or Event of Default shall have occurred or be continuing.

*Section 8.2. Initial Advances under the Non-Revolving Credit Commitment.* At or prior to the making of the first Advance under the Non-Revolving Credit Commitment, the following conditions precedent must also be satisfied:

(a) Lender shall have received properly completed and executed originals of the following in form and substance approved by Lender:

- i. this Agreement;
- ii. fully executed Guarantees from the Non-Revolving Credit Guarantors, other than the County of San Benito;
- iii. certified copies of the resolutions, action or minutes (as applicable) of the governing board of each Non-Revolving Credit Guarantor and/or Grantor approving the transactions contemplated by this Agreement to which such Non-Revolving Credit

- Guarantor or Grantor is a party and the execution and delivery of such Guarantee and/or other agreement to be delivered, and all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Agreement and the Loan Documents contemplated therein and all other documents reasonably requested by Lender relating to the organization, existence and good standing of such Non-Revolving Credit Guarantor or Grantor and authorization of the transactions contemplated hereby (including, but not limited to, a copy of the up-to-date constitutional documents of each Non-Revolving Credit Guarantor);
- iv. favorable written legal opinion from Borrower's counsel;
  - v. the Non-Revolving Credit Request for Advance in the form of **Exhibit F**;
  - vi. each of the resolutions adopted by the Board of Directors of Borrower with respect to this Agreement and the other Loan Documents, certified by an Authorized Representative;
  - vii. an incumbency certificate containing the name, title and genuine signatures of each of Borrower's Authorized Representatives;
  - viii. evidence of Borrower's good standing in the state of California;
  - ix. payment by Borrower of the Loan Fees and all payments and expenses required to be paid by Borrower pursuant to Sections 4.1 and 11.4(a) of this Agreement;
  - x. a schedule, substantially in the form of **Schedule 1** listing all of Borrower's outstanding Indebtedness for Borrowed Money;
  - xi. copies (executed and certified, as may be appropriate) of the organizational documents of Borrower and all legal documents or proceedings (including minutes of board meetings) taken in connection with the execution and delivery of this Agreement to the extent Lender or its counsel may reasonably request;
  - xii. a subordination agreement on Lender form executed by the County of Santa Cruz;
  - xiii. Customer verification information for officers of Borrower, the Non-Revolving Credit Guarantors, and signers of Loan Documents as Lender may require;
  - xiv. Form of subordinated note as provided in the Subordination Agreement, including repayment terms and conditions, between Borrower and Creditor;
  - xv. Shared Financial Agreement between the Guarantors and Grantor;;
  - xvi. Evidence of Liability Insurance in form and substance satisfactory to Lender; and
  - xvii. Assignment of Deposit Account substantially in the form of **Exhibit J** attached hereto from the County of San Benito.

*Section 8.3 Advances under the Revolving Credit Commitment.*

8.3(a) At or prior to the making of the first Advance under the Revolving Credit Commitment, the following conditions precedent must also be satisfied:

- (i) Conditions set forth in Section 8.2 have been met to Lender's satisfaction;
- (ii) The Debt Service Reserve Account shall have been established with Lender and the Debt Service Reserve Advance (defined below) has been requested;

- (iii) A Certificate from the CPUC has been received confirming the “Launch Date” as approximately March 1, 2018. The initial Advance under the Revolving Credit Commitment cannot be requested earlier than four (4) months prior to the Launch Date;
- (iv) Borrower shall have delivered to Lender executed copies of the Power Purchase Agreements;
- (v) The Lockbox Account shall have been established with Lender;
- (vi) The initial Advance is either a) a PPA Advance or b) a Working Capital Advance as provided in Section 8.3(b) below;
- (vii) For any Advance other than the PPA Advance, a subordination agreement on Lender form executed by the County of Santa Cruz to whom the subordinated indebtedness is payable; and
- (viii) Any legal matters incident to the execution and delivery of this Agreement and the other Loan Documents and to the transactions contemplated hereby and thereby shall be reasonably satisfactory to Lender and its counsel.

8.3 (b) *Permitted Revolving Credit Advances.* The following Advances are permitted under the Revolving Credit Commitment:

- (i) Debt Service Reserve Advance. The Debt Service Reserve Advance shall be in an amount equal to One Million, One Hundred Thousand and no/100 Dollars (\$1,100,000) and will be the first Advance from the Revolving Credit Commitment. The proceeds from the Debt Service Reserve Advance shall be deposited into the Debt Service Reserve Account.
- (ii) PPA Advance. PPA Advances may be requested for the sole purpose of funding reserves in connection with a Power Purchase Agreement with the proceeds from each PPA Advance being deposited into the Lockbox Account established with Lender. The sum of all PPA Advances may not exceed Five Million and no/100 Dollars (\$5,000,000). Each PPA Advance shall be requested in substantially the form of **Exhibit G**
- (iii) Working Capital Advance. Working Capital Advances may be requested for the sole purpose of bridging seasonal gaps between payment obligations due under the Power Purchase Agreements and reductions in cash flow due to lower billing rates in winter months. Working Capital Advances are to fund power purchases only. Each Working Capital

Advance shall be requested in substantially the form of **Exhibit D** with proceeds wired by Lender directly to the power purchase provider.

## SECTION 9. COVENANTS.

Borrower agrees that, so long as any credit is available to or in use by Borrower hereunder, except to the extent compliance in any case or cases are waived in writing by Lender:

*Section 9.1. Maintenance of Business.* Borrower shall preserve and maintain its existence. Borrower shall preserve and keep in force and effect all licenses, permits and franchises necessary to the proper conduct of its business and shall conduct its business affairs in a reasonable and prudent manner. Borrower shall maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel, and shall provide Lender with written notice of any change in executive and/or management personnel.

*Section 9.2. Financial Reports.* Borrower shall maintain a standard system of accounting in accordance with GAAP (as applied to governmental entities) and shall furnish to Lender and its duly authorized representatives such information respecting the business and financial condition of Borrower as Lender may reasonably request; and without any request, shall furnish to Lender:

- (a) Financial Statements
  - (i) as soon as available, and in any event within fifteen (15) days after the close of each month, an unaudited balance sheet of Borrower as of the last day of the period then ended and the statements of income, retained earnings and cash flows of Borrower for the period then ended, prepared in accordance with GAAP and in a form acceptable to Lender;
  - (ii) as soon as available, and in any event within thirty (30) days after the close of each fiscal quarter, an unaudited balance sheet of Borrower as of the last day of the period then ended and the statements of income, retained earnings and cash flows of Borrower for the period then ended, prepared in accordance with GAAP and in a form acceptable to Lender;
  - (iii) as soon as available, and in any event no later than September 30<sup>th</sup> after each Fiscal Year End, a copy of the audited balance sheet of Borrower as of the last day of the Fiscal Year End and the statements of income, retained earnings and cash flows of Borrower for the period then ended, and accompanying notes thereto, each in reasonable detail showing in comparative form the figures for the previous fiscal year, accompanied by an unqualified opinion thereon of Borrower's independent public accountants, to the effect that the financial statements have been prepared in accordance with GAAP and present fairly in accordance with GAAP the financial condition of Borrower as of the close of such fiscal year and the results of its operations and cash flows for the fiscal year then ended and that an examination of such accounts in connection with such financial statements has been made in accordance with generally accepted auditing standards and,

accordingly, such examination included such tests of the accounting records and such other review procedures as were considered necessary in the circumstances;

(b) promptly after receipt thereof, any additional written reports, management letters or other detailed information contained in writing concerning significant aspects of Borrower's operations and financial affairs given to it by its independent public accountants;

(c) promptly after knowledge thereof shall have come to the attention of any responsible officer of Borrower, written notice of any litigation threatened in writing or any pending litigation or governmental proceeding or labor controversy against Borrower which, if adversely determined, would materially adversely affect the financial condition, Properties, business or operations of Borrower or result in the occurrence of any Default or Event of Default hereunder; and

(d) promptly after the request therefore, all such other information as Lender may reasonably request.

Each of the financial statements furnished to Lender pursuant to this Section 9.2 shall be accompanied by a written certificate signed by the chief financial officer of Borrower to the effect that to the best of such officer's knowledge and belief no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by Borrower to remedy the same.

*Section 9.3(a) Debt Service Reserve Account.* As a condition to Lender's obligation to make any Advances under the Revolving Credit Commitment, Borrower will open and establish a restricted deposit account, which may be interest bearing, with Lender (the "*Debt Service Reserve Account*") with a balance of not less than \$1,100,000.00 at any time. The Debt Service Reserve Account will be held in the name of Borrower and will serve as collateral for the Obligations. Borrower will pay on demand therefor from time to time all customary account opening, activity and other administrative fees and charges in connection with the maintenance and disbursement of the Debt Service Reserve Account.

*Section 9.3(b). Assignment of Debt Service Reserve Account.* As security for the prompt payment and performance by Borrower of all Obligations, Borrower hereby unconditionally and irrevocably assigns, conveys, pledges, transfers, delivers, and confirms unto Lender, and hereby grants to Lender a continuing security interest in the Debt Service Reserve Account and (i) all replacements, substitutions or proceeds thereof, (ii) all instruments and documents now or hereafter evidencing the Debt Service Reserve Account, (iii) all powers, options, rights, privileges and immunities pertaining to the Debt Service Reserve Account, including the right to make withdrawals therefrom, and (iv) all interest, income, profits and proceeds of the foregoing. Borrower hereby acknowledges and agrees that Lender shall have exclusive control over the Debt Service Reserve Account, and Borrower shall have no right to withdraw funds from the Debt Service Reserve Account; provided, however, that Borrower may withdraw funds from the Debt Service Reserve Account from time to time if (1) the balance of the Debt Service Reserve Account will not be less than \$1,100,000.00 after giving effect to such withdrawal, (2) no

Default or Event of Default has occurred and is continuing, and (3) no Event of Default would occur as a result of such withdrawal. If an Event of Default shall occur hereunder or under any of the Obligations, then Lender may, without notice or demand on Borrower, at its option: (A) withdraw any or all of the funds (including without limitation, interest) then remaining in the Debt Service Reserve Account and apply the same, after deducting all costs and expenses of safekeeping, collection and delivery, and all reasonable attorneys' fees, costs and expenses incurred by Lender in connection with the Event of Default, to any amounts due and unpaid under this Agreement, any Promissory Note or any other Obligations in such manner and order as Lender shall deem appropriate in its sole discretion, (B) exercise any and all rights and remedies of a secured party under any applicable Uniform Commercial Code, and/or (C) exercise any other remedies available at law or in equity. All rights and remedies of Lender hereunder and under that certain Assignment of Deposit Account entered into as of the date hereof between Borrower and Lender shall be cumulative.

*Section 9.4. Depository Relationship.* Borrower shall maintain its entire business banking deposit account relationship with Lender for so long as any amounts under this Agreement or any Promissory Note remain outstanding. In the event that this condition is not met, as determined by Lender, the Applicable Rate (or the Default Rate, if applicable) and any commissions charge on any outstanding Promissory Note will immediately increase by an additional 2.00 percentage points.

*Section 9.5. Debt Service Coverage Ratio.* Borrower shall maintain a minimum Debt Service Coverage Ratio ("DSCR") not at any time less than 1.25:1.00, measured annually as of each Fiscal Year End beginning with March 31, 2019. DSCR is calculated as Cash Flow divided by Debt Service.

"Cash Flow" is hereby defined as net profit (the change in net position) plus depreciation, amortization and interest expense, for the twelve (12) month period ending the most recent Fiscal Year End.

"Debt Service" is hereby defined as interest expense during the calculated period plus current maturities of long term debt reported at the beginning of the calculated period.

*Section 9.6. Unrestricted Tangible Net Assets.* Borrower shall maintain minimum Unrestricted Tangible Net Assets not at any time less than Two Million and 00/100 Dollars (\$2,000,000), measured annually as of each Fiscal Year End, beginning with the Fiscal Year Ending March 31, 2019.

"Unrestricted Tangible Net Assets" is defined as total assets less temporarily and permanently restricted assets, less any intangible assets, less total liabilities.

*Section 9.7. Positive Change in Net Assets.* Borrower will show a minimum positive change in Unrestricted Tangible Net Assets of no less than One and 00/100 Dollars (\$1.00), measured annually for the twelve month period beginning the first day after each Fiscal Year End through the next Fiscal Year End.

*Section 9.8. Minimum Profitability Requirements.* Borrower shall maintain the following quarterly Minimum Profitability Requirements. The Minimum Profitability Requirements shall represent approximately 80% of Pro-forma Profitability on a cumulative basis:

Reporting Period	Cumulative Projections Through	Minimum Profitability Requirement
03/01/2018 – 06/30/2018	06/30/2018	\$ 14,100,000
03/01/2018 – 09/30/2018	09/30/2018 (FYE)	\$ 32,300,000
10/01/2018 – 12/31/2018	12/31/2018	\$ 6,400,000
10/01/2018 - 03/31/2019	03/31/2019	\$ 7,100,000
10/01/2019 – 06/30/2019	06/30/2019	\$ 28,100,000
10/01/2019 – 09/30/2019	09/30/2019 (FYE)	\$ 45,700,000

“Profitability” is defined as revenue minus expenses, plus any interest, depreciation and amortization.

*Section 9.9. Inspection.* Borrower shall permit Lender and its duly authorized representatives and agents, at such times and intervals as Lender may designate, but in any event, no more than six (6) times during any twelve (12) month period so long as no Default or Event of Default has occurred and is continuing: (i) to visit and inspect any of the Properties, books and financial records of Borrower and to examine and make copies of the books of accounts and other financial records of Borrower, and (ii) to discuss the affairs, finances and accounts of Borrower with, and to be advised as to the same by, the executive officers of Borrower and other officers, employees and independent public accountants of Borrower (and by this provision Borrower authorizes such accountants to discuss with Lender or its agents and representatives the finances and affairs of Borrower). Without limiting the generality of the foregoing, Borrower shall promptly provide all information and access requested by Lender as Lender determines is necessary or required in connection with the preparation of its own financial statements.

*Section 9.10. Liens.* Borrower shall not create, incur or permit to exist any Lien of any kind on any Property owned by Borrower or any Subsidiary; provided, however, that the foregoing shall not apply to nor operate to prevent:

(a) Liens arising by statute in connection with worker’s compensation, unemployment insurance, old age benefits, social security obligations, taxes, assessments, statutory obligations or other similar charges, good faith cash deposits in connection with tenders, contracts or leases to which Borrower is a party or other cash deposits required to be made in the ordinary course of business, provided in each case that the obligation is not Indebtedness for Borrowed Money and that the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest and adequate reserves have been established therefor;

(b) mechanics’, workmen’s, materialmen’s, landlords’, carriers’, or other similar Liens arising in the ordinary course of business with respect to obligations which are not due or which are

being contested in good faith by appropriate proceedings which prevent enforcement of the matter under contest;

(c) the pledge of assets for the purpose of securing an appeal, stay or discharge in the course of any legal proceeding, provided that the aggregate amount of liabilities of Borrower secured by a pledge of assets permitted under this subsection, including interest and penalties thereon, if any, shall not be in excess of \$200,000 at any one time outstanding;

(d) the Liens identified on Schedule 1 hereto representing subordinated indebtedness to a JPA Member which are subject to the Subordination Agreement;

(e) the Liens pursuant to an approved Power Purchase Agreement; and

(f) the Liens established by the Loan Documents or otherwise in favor of Lender.

The Liens described in clauses (a) through (f) of this Section 9.10 are collectively referred to in this Agreement as the “*Permitted Liens*.”

*Section 9.11. Investments, Acquisitions, Loans, Advances and Guaranties.* Borrower shall not directly or indirectly, make, retain or have outstanding any investments (whether through purchase of stock or obligations or otherwise) in, or loans or advances (other than for travel advances and other similar cash advances made to employees in the ordinary course of business) to, any other Person, or acquire all or any substantial part of the assets or business of any other Person or division thereof, or be or become liable as endorser, guarantor, surety or otherwise for any debt, obligation or undertaking of any other Person, or otherwise agree to provide funds for payment of the obligations of another, or supply funds thereto or invest therein or otherwise assure a creditor of another against loss, or apply for or become liable to the issuer of a letter of credit which supports an obligation of another, or subordinate any claim or demand it may have to the claim or demand of any other Person.

*Section 9.12. Compliance with Laws.* Borrower shall comply in all respects with the requirements of all laws, rules, regulations, ordinances and orders applicable to or pertaining to its Properties or business operations, non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of Borrower or could result in a Lien upon any of its Property.

*Section 9.13. Burdensome Contracts With Members.* Borrower shall not enter into any contract, agreement or business arrangement with any of its members on terms and conditions which are less favorable to Borrower than would be usual and customary in similar contracts, agreements or business arrangements between Persons not affiliated with each other.

*Section 9.14. Notices of Claims and Litigation.* Borrower shall promptly inform Lender in writing of (a) all material adverse changes in Borrower’s financial condition and/or (b) all existing or written threats of litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower which could materially affect the financial condition of Borrower.

*Section 9.15. Other Agreements.* Borrower shall comply with all terms and conditions of all other agreements, whether now or hereafter existing, between Borrower and any other party, non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of Borrower, and notify Lender immediately in writing of any default in connection with any other such agreements.

*Section 9.16. Performance.* Borrower shall timely perform and comply with all terms, conditions, and provisions set forth in this Agreement, the Promissory Notes, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender promptly in writing of any Default in connection with any Loan Document.

*Section 9.17. Compliance Certificates.* Borrower shall, unless waived in writing by Lender, provide Lender, at least annually, with a certificate executed by Borrower's chief financial officer, or other officer or person acceptable to Lender, certifying that the representations and warranties set forth in this Agreement are true and correct as of the date of the certificate and further certifying that, as of the date of the certificate, no Event of Default exists under this Agreement.

*Section 9.18. Fiscal Year.* Borrower shall not change its fiscal year without the prior written consent of Lender.

*Section 9.19. Indebtedness for Borrowed Money.* As of the date hereof, Borrower has no outstanding Indebtedness for Borrowed Money, except as set forth on Schedule 1. Except as disclosed on Schedule 1, Borrower shall not issue, incur, assume, create or have outstanding any Indebtedness for Borrowed Money; provided, however, that the foregoing shall not restrict nor operate to prevent the Obligations of Borrower owing to Lender hereunder.

*Section 9.20. No Payments on Subordinated Amounts.* So long as any Obligations remain outstanding, Borrower shall not, without the prior written consent of Lender, make any payment on or any distribution with respect to Indebtedness for Borrowed Money to any JPA Member.

*Section 9.21. Delay in Launch Date.* Borrower will notify Lender no less than 30 calendar days in advance if Borrower anticipates a delay in the Launch Date. Concurrent with such notice, Borrower will provide updated pro-forma profitability projections to Lender. If the anticipated delay is within 30 days of the currently scheduled Launch Date, Lender will review the revised pro-forma profitability projections to determine, in Lender's discretion, if the required Pro-Forma Revenues will remain substantially the same as those estimated with the original Launch Date. Lender will evidence acceptance of the revised Pro-Forma Revenues in writing to Borrower and include 1) a revised table of "Minimum Profitability Requirements" as provided in Section 9.8 and 2) acknowledgement of a revised "Launch Date". Lender's agreement to this Section 9.21 is limited to one occurrence of a delay in Launch Date. Borrower shall acknowledge Lender's acceptance and the respective revisions to Section 9.8 in writing on Lender form.

SECTION 10. EVENTS OF DEFAULT AND REMEDIES.

*Section 10.1. Events of Default.* Any one or more of the following will constitute an “*Event of Default*” hereunder:

- (a) any default in the payment when due (whether by lapse of time, acceleration or otherwise) of (i) any payment of principal or interest under a Promissory Note, or (ii) any other Obligation within five (5) days after payment or performance is due from Borrower; or
- (b) any representation or warranty made by Borrower herein or in any other Loan Document, or in any statement or certificate furnished by it pursuant hereto or thereto, or in connection with any Advance made hereunder, is inaccurate or untrue in any material respect as of the date of the issuance or making thereof; or
- (c) any event occurs or condition exists (other than those described in clauses (a) through (b) above) which is specified as an event of default under any of the other Loan Documents, or any of the Loan Documents for any reason ceases to be in full force and effect, or any of the Loan Documents is declared to be null and void, or Borrower takes any action for the purpose of repudiating or rescinding any Loan Document executed by it; or
- (d) any judgment, order, writ of attachment, writ of execution, writ of possession or any similar legal process seeking an amount in excess of One Million Dollars (\$1,000,000) is entered or filed against Borrower or any of Borrower’s Properties and remains unvacated, unbonded and unstayed for a period of ten (10) or more calendar days; or
- (e) Borrower defaults under any loan, extension of credit, security agreement, purchase or sales agreement, or any other agreement in favor of any other creditor or Person that may materially affect any of Borrower’s Properties, Borrower’s ability to repay the Non-Revolving Credit, or Borrower’s ability to perform its Obligations under this Agreement or any of the other Loan Documents; or
- (f) a material adverse change occurs in Borrower’s financial condition, or Lender believes, in its reasonable discretion, the prospect of payment or performance of Borrower’s obligations under this Agreement is materially impaired; or
- (g) Borrower (i) takes any steps to effect a Winding-Up or (ii) fails to pay, or admits in writing its inability to pay, its debts generally as they become due; or
- (h) a custodian, receiver, administrative receiver, administrator, trustee, examiner, liquidator or similar official is appointed over Borrower or any substantial part of any of its Properties, or a Winding-Up proceeding is instituted against Borrower, and such appointment continues undischarged or such proceeding continues undismissed or unstayed for a period of thirty (30) or more days, or Borrower becomes unable to pay or admits in writing its inability to pay its debts as they become due.

*Section 10.2. Non-Insolvency Default Remedies.* Upon the occurrence of any Event of Default described in clauses (a) through (g) of Section 10.1, Lender or any permitted holder of any Promissory Note may, by notice to Borrower, take any of the following actions:

(a) terminate any obligation to extend any further credit hereunder (including but not limited to Advances) on the date (which may be the date thereof) stated in such notice;

(b) declare all Advances and all indebtedness under all Promissory Notes then outstanding (including all outstanding principal and all accrued but unpaid interest), and all other Obligations of Borrower to Lender, to be immediately due and payable without further demand, presentment, protest or notice of any kind; and

(c) exercise and enforce any and all rights and remedies contained in any other Loan Document or otherwise available to Lender at law or in equity.

*Section 10.3. Insolvency Default Remedies.* Upon the occurrence of any Event of Default described in Section 10.1(h), all Advances and all indebtedness under the Promissory Note then outstanding (including all outstanding principal and all accrued but unpaid interest), and all other Obligations of Borrower to Lender, will immediately become due and payable without presentment, demand, protest or notice of any kind, and Lender shall have no obligation to extend any further credit hereunder (including but not limited to Advances).

## SECTION 11. MISCELLANEOUS.

*Section 11.1. Holidays.* If any payment hereunder becomes due and payable on a day which is not a Business Day, the due date of such payment will be extended to the next succeeding Business Day on which date such payment will be due and payable. In the case of any principal falling due on a day which is not a Business Day, interest on such principal amount will continue to accrue during such extension at the Applicable Rate, which accrued amount will be due and payable on the next scheduled date for the payment of interest.

*Section 11.2. No Waiver, Cumulative Remedies.* No delay or failure on the part of Lender or on the part of the holder of any Promissory Note in the exercise of any power or right will operate as a waiver thereof or as an acquiescence in any Default, nor will any single or partial exercise of any power or right preclude any other or further exercise thereof, or the exercise of any other power or right. All rights and remedies of Lender and the holder of any Promissory Note are cumulative to, and not exclusive of, any rights or remedies which any of them would otherwise have. Borrower agrees that in the event of any breach or threatened breach by Borrower of any covenant, obligation or other provision contained in this Agreement, Lender shall be entitled (in addition to any other remedy that may be available to Lender) to: (i) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach. Borrower further agrees that neither Lender nor any other person or entity shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 11, and Borrower irrevocably

waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

*Section 11.3. Amendments, Etc.* No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document nor consent to any departure by Borrower therefrom, will in any event be effective unless the same is in writing and signed by Lender. No notice to or demand on Borrower in any case will entitle Borrower to any other or further notice or demand in similar or other circumstances.

*Section 11.4. Costs and Expenses.*

(a) Borrower shall pay all reasonable out-of-pocket expenses incurred by Lender in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) including, without limitation, the fees specified in Section 4.1.

(b) Borrower agrees to pay on demand all reasonable costs and expenses (including attorneys' fees and expert witness fees), if any, incurred by Lender or any other holder of the Obligations in connection with any Event of Default or the enforcement of this Agreement, any other Loan Document or any other instrument or document to be delivered hereunder, including without limitation any action, suit or proceeding brought against Lender by any Person which arises out of the transactions contemplated hereby or out of any action or inaction by Lender hereunder or thereunder.

*Section 11.5. Indemnity.* Whether or not the transactions contemplated hereby shall be consummated, Borrower shall indemnify, defend and hold harmless Lender and its officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "*Indemnified Person*") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses or disbursements (including attorneys' costs and expert witnesses' fees), of any kind or nature whatsoever, that (a) arise from or relate in any way to the execution, delivery, enforcement, performance and administration of this Agreement and any other Loan Document, or the transactions contemplated hereby and thereby, and with respect to any investigation, litigation or proceeding (including any Winding-Up or appellate proceeding) related to this Agreement or the Advances or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto, and/or (b) may be incurred by or asserted against such Indemnified Person in connection with or arising out of any pending or threatened investigation, litigation or proceeding, or any action taken by any Person, arising out of or related to any Property of Borrower (all the foregoing, collectively, the "*Indemnified Liabilities*"); provided that Borrower shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities to the extent arising from the gross negligence or willful misconduct of such Indemnified Person.

No action taken by legal counsel chosen by Lender in defending against any investigation, litigation or proceeding or requested remedial, removal or response action vitiates or in any way impairs Borrower's obligation and duty hereunder to indemnify and hold harmless

Lender unless such action involved gross negligence or willful misconduct. Neither Borrower nor any other Person is entitled to rely on any inspection, observation, or audit by Lender or its representatives or agents. Lender owes no duty of care to protect Borrower or any other Person against, or to inform Borrower or any other Person of, any adverse condition affecting any site or Property. Lender is not obligated to disclose to Borrower or any other Person any report or findings made as a result of, or in connection with, any inspection, observation or audit by Lender or its representatives or agents.

The obligations of Borrower in this Section 11.5 shall survive the payment and performance of all other Obligations. At the election of any Indemnified Person, Borrower shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Indemnified Person's sole discretion, at the sole cost and expense of Borrower. All amounts owing under this Section 11.5 shall be paid within thirty (30) days after demand.

*Section 11.6. Right of Set Off.* To the extent permitted by applicable law, Lender reserves a right of setoff in all of Borrower's accounts with Lender (whether checking, savings, or some other account) other than the Lockbox Account. This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums due and owing from Borrower against any and all such accounts.

*Section 11.7. Survival of Representations.* All representations and warranties made herein or in certificates given pursuant hereto will survive the execution and delivery of this Agreement and the other Loan Documents, and will continue in full force and effect with respect to the date as of which they were made as long as any credit is in use or available hereunder.

*Section 11.8. Notices.* Except as otherwise specified herein, all notices hereunder will be in writing (including by hand, post, courier, email or telecopy) and will be given to the relevant party at its address, email address or telecopier number set forth below, or such other address or telecopier number as such party may hereafter specify by notice to the other given by certified or registered mail, by Federal Express or DHL, by telecopy or by other telecommunication device (including electronic mail) capable of creating a written record of such notice and its receipt. Notices hereunder will be addressed:

To Borrower at:

Monterey Bay Community Power Authority  
[ ]  
Attention: Chief Executive Officer

With a copy (not constituting notice) to:

[ ]

To Lender at:

River City Bank  
2485 Natomas Park Drive, Suite 400  
Sacramento, CA 95833  
Telephone: (916) 567-2700  
Telecopy: (916) 567-2780  
Attention: Alice Harris  
Loan Center

Each such notice, request or other communication will be effective (i) if given by telecopier, when such telecopy or email is transmitted to the telecopier number or email address specified in this Section and a confirmation of such telecopy or email has been received by the sender, (ii) if given by mail, three (3) days after such communication is deposited in the mail, certified or registered with return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the addresses specified in this Section 11.8; *provided that* any notice given pursuant to Section 2.2 hereof will be effective only upon receipt.

For notice purposes, Borrower agrees to keep Lender informed at all times of Borrower's current address.

*Section 11.9. Headings.* Section headings used in this Agreement are for convenience of reference only and are not a part of this Agreement for any other purpose.

*Section 11.10. Severability of Provisions.* Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction will, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

*Section 11.11. Counterparts.* This Agreement may be executed in any number of counterparts, and by different parties hereto on separate counterparts, and all such counterparts taken together will be deemed to constitute one and the same instrument.

*Section 11.12. Assignments, Binding Nature, Governing Law, Etc.* This Agreement will be binding upon Borrower and its permitted successors and assigns, and will inure to the benefit of Lender and the benefit of its permitted successors and assigns, including any permitted subsequent holder of a Promissory Note. This Agreement and the rights and duties of the parties hereto will be construed and determined in accordance with the internal laws of the State of California without regard to principles of conflicts of laws. This Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and any prior agreements, whether written or oral, with respect thereto are superseded hereby. Borrower may not assign its rights hereunder without the written consent of Lender. Lender may assign its rights hereunder without the consent of Borrower, but only if after any such assignment Lender acts as the lead agent or administrative agent with respect to this Agreement.

*Section 11.13. Submission to Jurisdiction; Waiver of Jury Trial.* Borrower hereby submits to the nonexclusive jurisdiction of the United States District Court for the Eastern District of California and of any California State court sitting in the County of Sacramento for purposes of all legal proceedings arising out of or relating to this Agreement, the other Loan Documents or the transactions contemplated hereby or thereby. Borrower irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court has been brought in an inconvenient forum. Borrower hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or relating to any Loan Document or in the transactions contemplated thereby.

*Section 11.14. Time is of the Essence.* Time is of the essence in the performance and enforcement of this Agreement and the other Loan Documents.

*Section 11.15. Consent to Loan Participation .* Borrower agrees and consents to Lender's sale or transfer, whether now or later, of one or more participation interests in the Non-Revolving Credit to one or more purchasers, whether related or unrelated to Lender, provided that at all times Lender manages the Non-Revolving Credit such that Borrower may communicate exclusively with Lender. Such purchasers shall be a national banking association, a state banking corporation, or another "qualified institutional investor" as defined in Rule 144A promulgated under the Securities Act of 1933. Lender may provide, without any limitation whatsoever, to any one or more purchasers or potential purchasers, any information or knowledge Lender may have about Borrower or about any other matter relating to this Agreement, and Borrower hereby waives any rights to privacy Borrower may have with respect to such matters. Borrower additionally waives any and all notices of sale of participation interests, as well as all notices of any repurchase of such participation interests. Borrower also agrees that the purchasers of any such participation interests will be considered as the absolute owners of such interest in a Promissory Note and will have all the rights granted under the participation agreement or agreements governing the same of such participation interests. Borrower further waives all rights of offset or counterclaim that it may have now or later against Lender or against any purchaser of such a participation interest and unconditionally agrees that either Lender or such purchaser may enforce Borrower's obligations under this Agreement irrespective of the failure or insolvency of any holder of any interest in the Promissory Note. Borrower further agrees that the purchaser of any such participation interests may enforce the interests irrespective of any personal claims or defenses that Borrower may have against Lender.

*Section 11.16. No Recourse Against Constituent Members of Borrower.* Borrower is organized as a Joint Powers Authority in accordance with the Joint Exercise of Powers Act of the State of California (Government Code Section 6500, et seq.) pursuant to the Joint Powers Agreement and is a public entity separate from its constituent members. Borrower shall be solely responsible for all debts, obligations and liabilities accruing and arising out of this Agreement and any Promissory Note. Lender shall not make any claims, take any actions or assert any remedies against any of Borrower's constituent members in connection with any payment default by Borrower under this Agreement or any other Loan Document, except pursuant to the Guarantees.

**[remainder of page intentionally left blank]**

DRAFT

Upon your acceptance hereof in the manner hereinafter set forth, this Agreement will constitute a contract between us for the uses and purposes hereinabove set forth.

Executed and delivered in Sacramento, California, as of the first date written above.

Monterey Bay Community Power Authority, Borrower

By: \_\_\_\_\_

[ ]

Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

RIVER CITY BANK, Lender

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: \_\_\_\_\_



## EXHIBIT A

### Definitions

“*Advance*” and “*Advances*” is defined in Section 2.1(a) and 2.1(b).

“*Agreement*” means this Credit Agreement, as the same may be amended, modified or restated from time to time in accordance with the terms hereof.

“*Applicable Rate*” means,

**For Non-Revolving Credit Advances and Revolving Credit Advances**, and subject to any Floor Rate that may be in effect, a variable rate of interest equal to the One-Month LIBOR then in effect plus the Non-Revolving Credit Margin or Revolving Credit Margin, as the case may be. The Applicable Rate is subject to increase as provided in Sections 9.4 and 3.1(d).

**For the Advances converted to a NRC Term Note or RC Term Note**, and subject to any Floor Rate that may be in effect, the rate determined by Lender on the conversion date equal to the “3-Year Treasury Constant Maturity Rate” as published by the Federal Reserve Bank (FRB-H.15) plus a margin of 2.000% (the “Fixed Rate”). The Fixed Rate shall be in effect from the conversion date to the maturity date of the respective NRC Term Note or RC Term Note. The Fixed Rate is subject to increase as provided in Sections 9.4 and 3.1(d).

“*Authorized Representative*” means those persons shown on the list of officers provided by Borrower pursuant to Section 8.2(a)(vii), or on any update of any such list provided by Borrower to Lender, or any further or different officer of Borrower so named by any Authorized Representative of Borrower in a written notice to Lender.

“*Borrower*” is defined in the introductory paragraph.

“*Business Day*” means a day (other than a Saturday or Sunday) on which banks are not authorized or required to be closed in Sacramento, California.

“*Capital Lease*” means at any date any lease of Property which in accordance with GAAP is required to be capitalized on the balance sheet of the lessee.

“*Capitalized Lease Obligation*” means the amount of liability as shown on the balance sheet of any Person in respect of a Capital Lease as determined at any date in accordance with GAAP.

“*Cash Flow*” is defined in Section 9.5.

“*Debt Service*” is defined in Section 9.5.

*“Debt Service Reserve Account” is defined in Section 9.3.*

*“Debtor Relief Laws” means the United States Bankruptcy Code and all other liquidation, conservatorship, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.*

*“Default” means any event or condition, the occurrence of which would, with the passage of time or the giving of notice, or both, constitute an Event of Default.*

*“Default Rate” means the Applicable Rate plus five percent (5.0%).*

*“Dollars and \$” mean lawful money of the United States.*

*“Event of Default” is defined in Section 10.1.*

*“Fiscal Year End” means March 31st.*

*“Floor Rate” means a minimum rate of interest charged under a Promissory Note; in the case of a Non-Revolving Credit Note, or NRC Term Note, the Floor Rate is equal to 1.25% and in the case of the Revolving Credit Note, or RC Term Note, the Floor Rate is equal to 1.75%. In no event will the interest rate payable by the Borrower be less than the Floor Rate.*

*“GAAP” means generally accepted accounting principles as established and interpreted by the Governmental Accounting Standards Board (GASB) and as applied by Borrower.*

*“Guarantee” means a guarantee substantially in the form of Exhibit B executed by the Non-Revolving Credit Guarantors in favor of Lender.*

*“Governmental Authority” means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank, or other entity exercising executive, legislative, judicial taxing, regulatory or administrative powers or functions of or pertaining to government.*

*“Grantor” means the County of San Benito under the Assignment of Deposit Account Agreement as described in Section 6.*

*“Indebtedness for Borrowed Money” means, for any Person (without duplication), (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all indebtedness for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business not more than 90 days past due), (iii) all indebtedness secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all Capitalized Lease Obligations of such Person, and (v) all obligations of such Person*

on or with respect to letters of credit, banker's acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money.

*"Indemnified Liabilities"* is defined in Section 11.5.

*"Indemnified Person"* is defined in Section 11.5.

*"Initial Rate Set Date"* means the date of the initial Advance pursuant to each Promissory Note at which time Lender will determine the One-Month LIBOR which shall be in effect until the next Rate Change Date.

*"JPA Member or JPA Members"* means member(s) of Monterey Bay Community Power Authority pursuant to the Joint Powers Agreement, as the same may be amended.

*"Joint Powers Agreement"* means the Joint Exercise of Powers Agreement Relating to and Creating the Monterey Bay Community Power Authority of Monterey, Santa Cruz, and San Benito Counties dated in the footnotes as of January 20, 2017, and effective as described therein, and as amended from time to time.

*"Launch Date"* means March 1, 2018 and is the date on which Borrower is expected to begin revenue generation.

*"Lender"* is defined in the introductory paragraph.

*"Lien"* means any mortgage, lien, security interest, pledge, charge or encumbrance of any kind in respect of any Property, including the interests of a vendor or lessor under any conditional sale, Capital Lease or other title retention arrangement.

*"Loan Documents"* means this Agreement, the Promissory Notes, the Subordination Agreement, the Guarantees and all other documents, certificates, instruments and agreements relating to the foregoing or otherwise executed by Borrower in connection with the Non-Revolver Credit or the Revolver Credit.

*"Loan Fee"* means one-quarter of one percent (0.25%) of the Non-Revolver Credit Commitment.

*"Lockbox Account"* means the lockbox agreement and lockbox account established with Lender, as custodian into which all revenues generated by Borrower must be deposited.

*"Maturity Date"* means, for any Promissory Note, the date so specified in such Promissory Note as the Maturity Date.

*"NRC Term Note"* means a term note issued in accordance with Section 2.4(c).

*"Non-Revolver Credit"* is defined in Section 2.1.

*“Non-Revolving Credit Availability”* means, the Non-Revolving Credit Commitment less the aggregate principal amount of Advances made by Lender under the Non-Revolving Credit.

*“Non-Revolving Credit Commitment”* means, at any time of determination, an amount equal to \$3,000,000.00.

*“Non-Revolving Credit Guarantors”* means the County of Santa Cruz and the County of Monterey.

*“Non-Revolving Credit Margin”* means, percentage points per annum as adjusted for any maximum or minimum rate limitations as provided in the Loan Documents above the One-Month LIBOR. The Non-Revolving Credit Margin is equal to **1.25%** as of the date of this Agreement.

*“Non-Revolving Credit Note”* means a promissory note in substantially the form of Exhibit C and in an amount not to exceed the Non-Revolving Credit Commitment.

*“Non-Revolving Credit Termination Date”* means the first day of the month that is twelve (12) months after the date of this Agreement. Alternatively, in the event Borrower has exercised, and Lender has accepted, Borrower’s option to extend the Non-Revolving Credit Termination Date, the Non-Revolving Credit Termination Date is the first day of the month that is fifteen (15) months after the date of this Agreement.

*“Obligations”* means and includes all loans, advances, debts, liabilities and obligations of Borrower to Lender, of every kind and description (whether or not evidenced by any note or instrument and whether or not for the payment of money), direct or indirect, absolute or contingent, due or to become due, now existing or hereafter owed by Borrower to Lender, whether in connection with the Loan Documents or otherwise, including without limitation all interest, fees, charges, expenses, attorneys’ fees and accountants’ fees chargeable to Borrower or payable by Borrower thereunder.

*“One-Month LIBOR”* means, as of each Rate Change Date or the Initial Rate Set Date, the rate determined by Lender to be the One-Month LIBOR rate as posted on Bankrate.com (or, if such rate becomes unavailable to Lender, a substitute rate based on an index selected by Lender in its sole discretion) as in effect from time to time, which rate is not necessarily the lowest rate charged by Lender on its loans and is set by Lender in its sole discretion.

*“PPA Advance”* means an Advance under the Revolving Credit Note specifically for the purpose of funding a reserve requirement outlined in a Power Purchase Agreement.

*“Payment Date”* means, other than the Termination Date or any Maturity Date, the first day of each calendar month.

*“Permitted Liens”* is defined in Section 9.10.

“*Person*” means an individual, partnership, corporation, company, limited liability company, association, trust, unincorporated organization or any other entity or organization, including a government or agency or political subdivision thereof.

“*Profitability*” is defined in Section 9.8.

“*Promissory Note*” is defined in Section 2.3.

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

“*Power Purchase Agreement*” means any agreement entered into by Borrower for the procurement and purchase of power.

“*Pro-forma Revenues*” means the projected revenues provided by Borrower to Lender dated as of May 24, 2017.

“*Rate Change Date*” means the first calendar day of each calendar month.

“*Related Parties*” means, with respect to any Person, such Person’s affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person’s affiliates.

“*Responsible Officer*” means the Chief Executive Officer.

“*RC Term Note*” means a term note issued in accordance with Section 2.4(e).

“*Revolving Credit*” is defined in Section 2.1(b).

“*Revolving Credit Availability*” means, at any time of determination, an amount equal to \$10,000,000.00 less the aggregate principal amount of Revolving Credit Advances made by Lender under the Revolving Credit.

“*Revolving Credit Commitment*” means, at any time of determination, an amount equal to \$10,000,000.00.

“*Revolving Credit Termination Date*” means the date that is twelve (12) months after the date of this Agreement.

“*Revolving Credit Margin*” means, percentage points per annum as adjusted for any maximum or minimum rate limitations as provided in the Loan Documents above the One-Month LIBOR. The Revolving Credit Margin is equal to **1.75%** as of the date of this Agreement.

“*Revolving Credit Note*” means a promissory note in substantially the form of Exhibit D and in an amount not to exceed the Revolving Credit Commitment.

“*Subordination Agreement*” means a subordination agreement substantially in the form of **Exhibit H** executed by each member of the Joint Power Authority (“*JPA*”) who

has loaned or otherwise advanced Borrower money, affirming the subordination of the \$[ ] indebtedness between the JPA Members and Borrower.

*“Subsidiary” or “Subsidiaries”* means, with respect to a Person, any partnership, corporation, company, limited liability company, association, trust, unincorporated organization, or any other entity or organization, including a government or agency or political subdivision thereof, of which at least 50% of the outstanding voting interests is at the time directly or indirectly owned or controlled by such Person or by one or more of any entities directly or indirectly owned or controlled by such Person. For the purposes of this definition, “control” of a Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies (whether by ownership of capital stock, by contract, or otherwise).

*“System”* means (i) all facilities, works, properties, structures and contractual rights to distribution, metering and billing services, electric power, scheduling and coordination, transmission capacity, and fuel supply of Borrower for the generation, transmission and distribution of electric power, (ii) all general plant facilities, works, properties and structures of Borrower, and (iii) all other facilities, properties and structures of Borrower, wherever located, reasonably required to carry out any lawful purpose of Borrower. The term shall include all such contractual rights, facilities, works, properties and structures now owned or hereafter acquired by Borrower.

*“Term Loan”* means the loan resulting from the conversion of outstanding Advances as provided in Section 2.4(c).

*“Unrestricted Tangible Net Assets”* is defined in Section 9.6.

*“UCC”* means the Uniform Commercial Code as enacted in the State of California.

*“Winding-Up”* means, in relation to a Person, a voluntary or involuntary case or other proceeding or petition seeking dissolution, liquidation, reorganization, administration, assignment for the benefit of creditors or other relief under any federal, state or foreign bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a custodian, trustee, receiver, liquidator or other similar official over that Person or any substantial part of that Person’s Properties.

EXHIBIT B  
NON-REVOLVING CREDIT GUARANTY

This NON-REVOLVING CREDIT GUARANTY is made effective as of \_\_\_\_\_ (“*Guaranty*”) by the County of [ ] (the “*Non-Revolving Credit Guarantor*”) in favor and for the benefit of Lender under the Credit Agreement (each as hereinafter defined).

RECITALS

A. Pursuant to a certain credit agreement dated as of [ ] (as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with the terms thereof in effect, the “*Credit Agreement*”) by and between Monterey Bay Community Power Authority (“*Borrower*”) and River City Bank (“*Lender*”), Lender has agreed to make certain Advances to Borrower. Capitalized terms not defined herein have the meanings ascribed to them in the Credit Agreement.

B. It is a requirement under Section 8.2 (a) of the Credit Agreement that the Non-Revolving Credit Guarantor shall execute and deliver a Guaranty and that this Guaranty shall be in full force and effect.

C. This Guaranty is given by the Non-Revolving Credit Guarantor in favor of Lender to guaranty all of the Obligations of Borrower under the Non-Revolving Credit in accordance with the terms of the Credit Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Non-Revolving Credit Guarantor hereby agrees as follows:

1. Guaranty. (a) To induce Lender to make the Advances upon the terms and conditions set forth in the Credit Agreement, and in consideration thereof, the Non-Revolving Credit Guarantor hereby unconditionally and irrevocably severally (based on Non-Revolving Credit Guarantor’s percentage responsibility set forth on **Exhibit A** attached hereto (each a “*Guarantor’s Share*”)): (i) guarantees to Lender and its successors, transferees and assigns, the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) and at all times thereafter of the Obligations of Borrower (including amounts which would become due but for the operation of the automatic stay under Section 362(a) of the United States Federal Bankruptcy Code of 1978, as amended, or any state bankruptcy statute) under the Non-Revolving Credit (including without limitation the Term Loan); and (ii) agrees to pay any and all reasonable expenses (including reasonable attorneys’ fees and disbursements and expert witnesses’ fees and disbursements) which may be paid or incurred by Lender in enforcing any rights with respect to, or collecting, any or all of the Obligations under the Non-Revolving Credit and/or enforcing any rights with respect to, or collecting against, Non-Revolving Credit Guarantor under this Guaranty (collectively,

the “*Guaranteed Obligations*”). Notwithstanding the foregoing, “Guaranteed Obligations” shall not include principal in an amount greater than the amount of Advances under the Non-Revolving Credit without the prior written consent of the Non-Revolving Credit Guarantor.

(b) Non-Revolving Credit Guarantor agrees that this Guaranty constitutes a guaranty of payment when due and not of collection and waives any right to require that any resort be had by Lender to any security held for payment of any of the Guaranteed Obligations or to any balance of any deposit account or credit on the books of Lender in favor of Borrower or any other Person.

(c) No payment or payments made by Borrower or any other Person or received or collected by Lender from any other Person by virtue of any action or proceeding or any set off or appropriation or application at any time or from time to time in reduction of or in payment of the Guaranteed Obligations shall be deemed to modify, reduce, release or otherwise affect the liability of Non-Revolving Credit Guarantor hereunder which shall, notwithstanding any such payment or payments other than payments made to Lender by a Non-Revolving Credit Guarantor or payments received or collected by Lender from a Non-Revolving Credit Guarantor, remain liable for Guarantor’s Share of the Guaranteed Obligations until the Guaranteed Obligations are indefeasibly paid in full in cash or cash equivalents.

(d) Non-Revolving Credit Guarantor understands, agrees and confirms that this is a guaranty of payment when due and not of collection and that Lender may, from time to time, enforce this Guaranty up to the full amount of Guarantor’s Share of the Guaranteed Obligations owed to Lender without proceeding against any other Person, against any security for the Guaranteed Obligations, against any other guarantor or under any other guaranty covering the Guaranteed Obligations.

2. Waiver by Non-Revolving Credit Guarantor. Until the payment and satisfaction in full of all Guaranteed Obligations and the expiration or termination of any commitment to lend by Lender under the Credit Agreement, Non-Revolving Credit Guarantor hereby waives absolutely and irrevocably any claim which it may have against Borrower or any or its respective Affiliates by reason of any payment to Lender, or to any other Person pursuant to or in respect of this Guaranty, including any claims by way of subrogation, contribution, reimbursement, indemnity or otherwise.

Non-Revolving Credit Guarantor further agrees that Non-Revolving Credit Guarantor’s liability as guarantor shall not be impaired or affected by any renewals or extensions which may be made from time to time, with or without the knowledge or consent of Non-Revolving Credit Guarantor of the time for payment of interest or principal under the Credit Agreement or by any forbearance or delay in collecting interest or principal under the Credit Agreement, or by any waiver by Lender under the Credit Agreement or any other Loan Documents, or by Lender’s failure or election not to pursue any other remedies it may have against Borrower or Non-Revolving Credit Guarantor, or by any change or modification in the Credit Agreement or any other Loan Document, or by the acceptance by Lender of any additional security or any increase, substitution or change therein, or by the release by Lender of any security or any withdrawal thereof or decrease therein, except that payment in full of the indebtedness shall

automatically release Non-Revolving Credit Guarantor of its obligations under this Guaranty, or by the application of payments received from any source to the payment of any obligation other than the indebtedness even though Lender might lawfully have elected to apply such payments to any part or all of the indebtedness (in which case Non-Revolving Credit Guarantor will be automatically released), or by the failure or invalidity of, or any defect in, the Credit Agreement, or by any legal disability or other defense of Borrower, or by the cessation, limitation or termination from any cause whatsoever of any of the Obligations under the Credit Agreement, except upon payment in full of the indebtedness (in which case Non-Revolving Credit Guarantor will be automatically released), or by the application by Borrower of the proceeds of the Advances for purposes other than the purposes represented by Borrower to Lender or intended or understood by Lender or Non-Revolving Credit Guarantor, it being the intent hereof that Non-Revolving Credit Guarantor shall remain liable for its ratable share of obligations hereunder to the extent of Guarantor's obligations provided herein, notwithstanding any act or thing which might otherwise operate as a legal or equitable discharge of a surety. Non-Revolving Credit Guarantor hereby waives any and all rights or defenses based on, and understands and agrees that Non-Revolving Credit Guarantor's liability as guarantor shall not be impaired or affected by, an election of remedies by Lender, even though that election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has destroyed Non-Revolving Credit Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise, or the foreclosure of any of the security for the Advances, including without limitation the security described in any Security Agreement, or Non-Revolving Credit Guarantor's right to a fair value hearing under Section 580a of the California Code of Civil Procedure, it being intended that this Guaranty shall survive the realization upon any of the security for the Advances, including without limitation the security described in the Security Agreement, including without limitation non-judicial foreclosure, where applicable, and notwithstanding any defense, right, or claim that any such foreclosure satisfied the obligations secured thereby. Non-Revolving Credit Guarantor agrees that the payment of all sums payable under the Credit Agreement or any of the other Loan Documents or any part thereof or other act which tolls any statute of limitations applicable to the Credit Agreement or the other Loan Documents shall similarly operate to toll the statute of limitations applicable to Non-Revolving Credit Guarantor's liability hereunder. Without limiting the generality of the foregoing or any other provision hereof, Non-Revolving Credit Guarantor expressly waives to the extent permitted by law any and all rights and defenses that Non-Revolving Credit Guarantor may have if Borrower's debt is secured by real property. This means, among other things: (1) Lender may collect from a Non-Revolving Credit Guarantor without first foreclosing on any security for the Advances (whether such security is real or personal property) pledged by Borrower; and (2) if Lender forecloses on any real property security pledged by Borrower (including without limitation the real property described in a Deed of Trust), (A) the amount of the Indebtedness may be reduced only by the price for which that security is sold at the foreclosure sale, even if the security is worth more than the sale price, and (B) Lender may collect from Non-Revolving Credit Guarantor even if Lender, by foreclosing on the real property security, has destroyed any right Non-Revolving Credit Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Non-Revolving Credit Guarantor may have if Borrower's debt is secured by real property. These rights and defenses include, but are not

limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure, and/or Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code, or any of such sections. Non-Revolving Credit Guarantor further understands and agrees that Lender may at any time enter into agreements with Borrower to amend and modify the Credit Agreement, Loan Agreement, Security Agreement or other Loan Documents, and may waive or release any provision or provisions of the Credit Agreement, Loan Agreement, Security Agreement and other Loan Documents or any thereof, and, with reference to such instruments, may make and enter into any such agreement or agreements as Lender and Borrower may deem proper and desirable, without in any manner impairing or affecting this Guaranty or any of Lender's rights hereunder or Non-Revolving Credit Guarantor's obligations hereunder.

3. Consent by Non-Revolving Credit Guarantor. Non-Revolving Credit Guarantor hereby consents and agrees that, without the necessity of any reservation of rights against Non-Revolving Credit Guarantor and without notice to or further assent by Non-Revolving Credit Guarantor, any demand for payment of any of the Guaranteed Obligations made by Lender may be rescinded by Lender and any of the Guaranteed Obligations continued, and the Guaranteed Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guaranty therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by Lender; and the Credit Agreement or other guaranty or documents in connection therewith, or any of them, may be amended, modified, supplemented or terminated, in whole or in part, as Lender may deem advisable from time to time; and any guaranty or right of offset may be sold, exchanged, waived, surrendered or released, all without the necessity of any reservation of rights against Non-Revolving Credit Guarantor and without notice to or further assent by Non-Revolving Credit Guarantor, which will remain bound hereunder, notwithstanding any such renewal, extension, modification, acceleration, compromise, amendment, supplement, termination, sale, exchange, waiver, surrender or release. Lender shall have no obligation to protect, secure, perfect or insure any property at any time held as security for the Guaranteed Obligations. When making any demand hereunder against Non-Revolving Credit Guarantor, Lender may, but shall be under no obligation to, make a similar demand on Borrower, any other Person who at any time guarantees or pledges any assets to secure the Guaranteed Obligations, or any one or more of them (a "*Credit Party*") or any such other guarantor, and any failure by Lender to make any such demand or to collect any payments from such other Credit Party or any such other guarantor or any release of such other Credit Party or any such other guarantor or of Non-Revolving Credit Guarantor's obligations or liabilities hereunder shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of Lender against Non-Revolving Credit Guarantor hereunder. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

4. Waivers; Successors and Assigns. Non-Revolving Credit Guarantor waives any and all notice of the creation, renewal, extension or accrual of any of the Guaranteed Obligations and notice of or proof of reliance by Lender upon this Guaranty or acceptance of this Guaranty, and the Guaranteed Obligations shall conclusively be deemed to have been created, contracted or incurred in reliance upon this Guaranty, and all dealings between Non-

Revolving Credit Guarantor and any other Credit Party, on the one hand, and Lender, on the other hand, shall likewise be conclusively presumed to have been had or consummated in reliance upon this Guaranty. Non-Revolving Credit Guarantor waives diligence, presentment, protest, demand for payment and notice of default or non-payment to or upon any Credit Party or Non-Revolving Credit Guarantor with respect to the Guaranteed Obligations. This Guaranty shall be construed as a continuing, absolute and unconditional guaranty of payment without regard to the validity, regularity or enforceability of the Credit Agreement, the other Loan Documents, any of the Guaranteed Obligations or any guaranty therefor or right of offset with respect thereto at any time or from time to time held by Lender and without regard to any defense (other than the defense of payment), set-off or counterclaim which may at any time be available to or be asserted by any Credit Party against Lender, or by any other circumstance whatsoever (with or without notice to or knowledge of Non-Revolving Credit Guarantor) which constitutes, or might be construed to constitute, an equitable or legal discharge of the Guaranteed Obligations, or of Non-Revolving Credit Guarantor under this Guaranty, in bankruptcy or in any other instance, and the obligations and liabilities of Non-Revolving Credit Guarantor hereunder shall not be conditioned or contingent upon the pursuit by Lender or any other Person at any time of any right or remedy against any Credit Party or against any other Person which may be or become liable in respect of all or any part or the Guaranteed Obligations or against any collateral security or Guaranty therefor or right of offset with respect thereto. This Guaranty shall be a primary obligation of Non-Revolving Credit Guarantor to secure the payment of the Guaranteed Obligations and Lender shall have no obligation whatsoever to seek payment of the Guaranteed Obligations from Borrower in the event an Event of Default has occurred and is continuing. This Guaranty shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon Non-Revolving Credit Guarantor and the successors and assigns thereof, and shall inure to the benefit of Lender, and their respective successors, transferees and assigns (including each holder from time to time of Guaranteed Obligations), until all of the Guaranteed Obligations and the obligations of Non-Revolving Credit Guarantor under this Guaranty shall have been satisfied by indefeasible payment in full in cash or cash equivalents, notwithstanding that from time to time during the term of the Credit Agreement any Credit Party may be released from all of its Guaranteed Obligations thereunder.

5. Effectiveness; Reinstatement. This Guaranty shall continue to be effective, or be reinstated, as the case may be, if at any time payment, or any part thereof, of any of the Guaranteed Obligations is rescinded or must otherwise be restored or returned by Lender upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of any Credit Party, or upon or as a result of the appointment of a receiver, intervenor or conservator of; or trustee or similar officer for, any Credit Party or any substantial part of its property, or otherwise, all as though such payments had not been made.

6. Payments of Guaranteed Obligations. Non-Revolving Credit Guarantor hereby guarantees that its Guarantor's Share of the Guaranteed Obligations will be paid for the benefit of Lender without set-off or counterclaim in lawful currency of the United States of America at the office of Lender located at 2485 Natomas Park Drive, Sacramento, California 95833. Non-Revolving Credit Guarantor shall make any payments required hereunder within thirty (30) calendar days of receipt of written notice thereof from Lender; provided, however,

that such written notice may only be sent after the occurrence and during the continuation of an Event of Default and provided, further, however, that the failure of Lender to give such notice shall not affect Non-Revolving Credit Guarantor's obligations hereunder.

7. Representations and Warranties. To induce Lender to enter into the Credit Agreement and to make the Advances thereunder, Non-Revolving Credit Guarantor represents and warrants to Lender that, as to Non-Revolving Credit Guarantor, the following statements are true, correct and complete on and as of the date hereof:

(a) Organization and Qualification; Authority; Consents. Non-Revolving Credit Guarantor is a County duly organized, validly existing under and operating pursuant to the laws of the State of California, has full and adequate power to own its Property and conduct its business as now conducted, and is duly licensed or qualified and in good standing in each jurisdiction in which the nature of the business conducted by it or the nature of the Property owned or leased by it requires such licensing or qualifying unless the failure to be so licensed or qualified would not have a material adverse effect on its business, operations or assets. Non-Revolving Credit Guarantor has full right and authority to enter into this Guaranty and to perform each and all of the matters and things herein provided for; and this Guaranty does not, nor does the performance or observance by Non-Revolving Credit Guarantor of any of the matters or things herein or therein provided for, contravene any provision of law or any organizational document of Non-Revolving Credit Guarantor or any covenant, indenture or agreement of or affecting Non-Revolving Credit Guarantor or any of its Properties. The execution, delivery, performance and observance by Non-Revolving Credit Guarantor of this Guaranty and any other instruments and documents executed by Non-Revolving Credit Guarantor in connection with this Guaranty do not and, at the time of delivery hereof, will not require any consent or approval of any other Person, other than such consents and approvals that have been given or obtained.

(b) Legal Effect. This Guaranty constitutes a legal, valid and binding agreement of Non-Revolving Credit Guarantor, enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable remedies if equitable remedies are sought.

(c) Litigation. There is no litigation or governmental proceeding pending, nor to the knowledge of Non-Revolving Credit Guarantor threatened in writing, against Non-Revolving Credit Guarantor which if adversely determined would result in any material adverse change in the financial condition, Properties, business or operations of Non-Revolving Credit Guarantor.

(d) Compliance with Laws. Non-Revolving Credit Guarantor is in compliance with the requirements of all federal, state and local laws, rules and regulations applicable to or pertaining to its Properties or business operations (including, without limitation, laws and regulations establishing quality criteria and standards for air, water, land and toxic or hazardous wastes and substances), non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of Non-Revolving Credit Guarantor. Non-Revolving Credit Guarantor has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental,

health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action could have a material adverse effect on the financial condition, Properties, business or operations of Non-Revolving Credit Guarantor.

(e) Other Agreements. Non-Revolving Credit Guarantor is not in default under the terms of any covenant, indenture or agreement of or affecting Non-Revolving Credit Guarantor or any of its Properties, which default if uncured would have a material adverse effect on the financial condition, Properties, business or operations of Non-Revolving Credit Guarantor.

8. Covenants. Non-Revolving Credit Guarantor agrees that so long as any credit is available to or in use by Borrower under the Credit Agreement, except to the extent compliance in any case or cases is waived in writing by Lender:

(a) Financial Reports. Non-Revolving Credit Guarantor shall maintain a standard system of accounting in accordance with GAAP (as applied to government entities) and shall furnish to Lender and its duly authorized representatives any publicly available information respecting the business and financial condition of Non-Revolving Credit Guarantor as Lender may reasonably request.

(b) Compliance with Laws. Non-Revolving Credit Guarantor shall comply in all respects with the requirements of all laws, rules, regulations, ordinances and orders applicable to or pertaining to its Properties or business operations, non-compliance with which could have a material adverse effect on the financial condition, Properties, business or operations of Non-Revolving Credit Guarantor or could result in a Lien upon any of its Property.

(c) Notices of Claims and Litigation. Non-Revolving Credit Guarantor shall promptly inform Lender in writing of (1) all material adverse changes in Non-Revolving Credit Guarantor's financial condition and (2) all existing litigation and all written threats of litigation, claims, investigations, administrative proceedings or similar actions affecting Non-Revolving Credit Guarantor which could materially affect the financial condition of Non-Revolving Credit Guarantor.

9. Expenses. If: (a) this Guaranty is placed in the hands of an attorney for collection or is collected through any legal proceeding; (b) an attorney is retained to represent Lender in any bankruptcy, reorganization, receivership, or other proceedings affecting creditors' rights and involving a claim under this Guaranty; or (c) an attorney is retained to represent Lender in any proceedings whatsoever in connection with this Guaranty and Lender prevails in any such proceedings, then Non-Revolving Credit Guarantor shall pay to Lender (as the case may be) upon demand Non-Revolving Credit Guarantor's Share of all reasonable attorney's fees, costs and expenses incurred in connection therewith (all of which are referred to herein as "*Enforcement Costs*"), in addition to all other amounts due hereunder, regardless of whether all or a portion of such Enforcement Costs are incurred in a single proceeding brought to enforce this Guaranty as well as the other Loan Documents.

10. No Waiver. No failure to exercise and no delay in exercising, on the part of Lender, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other power or right. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

11. Notices. All notices, demands, instructions or other communications required or permitted to be given to or made upon any party hereto shall be given in accordance with the provisions of the Credit Agreement and at the address set forth therein or as provided on the signature page hereof.

12. Amendments, Waivers, etc. No provision of this Guaranty shall be waived, amended, terminated or supplemented except by a written instrument executed by Non-Revolving Credit Guarantor and Lender.

13. GOVERNING LAW. THIS GUARANTY SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICT OF LAWS.

14. CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST NON-REVOLVING CREDIT GUARANTOR WITH RESPECT TO THIS GUARANTY AGREEMENT SHALL BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE COUNTY OF SACRAMENTO, CALIFORNIA, AND BY EXECUTION AND DELIVERY OF THIS GUARANTY AGREEMENT NON-REVOLVING CREDIT GUARANTOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS. THE PARTIES HERETO HEREBY IRREVOCABLY WAIVE, TO THE EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING IN SUCH RESPECTIVE JURISDICTIONS. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

15. Counterparts. This Guaranty and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

[remainder of page intentionally left blank]

**County of [    ]**

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT A**

**GUARANTOR'S SHARE**

<b><u>Guarantor</u></b>	<b><u>Guarantor's Share of the Obligations</u></b>
County of Santa Cruz	36.3637%
County of Monterey	45.4545%
<b>Total</b>	<b>81.8182%</b>

## EXHIBIT C

### NON-REVOLVING CREDIT NOTE

\$3,000,000.00

Date: September [ ], 2017

FOR VALUE RECEIVED, **Monterey Bay Community Power Authority**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et seq. (“*Borrower*”), promises to pay to the order of **RIVER CITY BANK** (“*Lender*”) the lesser of (a) the principal sum of THREE MILLION and/100 DOLLARS (\$3,000,000.00), or (b) the aggregate unpaid principal amount of Advances made to Borrower by Lender under the Non-Revolving Promissory Note (this “*Note*”), pursuant to the terms of that certain Credit Agreement (the “*Credit Agreement*”) dated as of September [ ], 2017, between Borrower and Lender, together with interest thereon as provided herein and therein. All payments under this Note shall be made to Lender at its address specified in the Credit Agreement, or at such other place as the holder of this Note may from time to time designate in writing, in accordance with the terms of this Note and the Credit Agreement. Capitalized terms used but not defined in this Note shall have the definitions provided in the Credit Agreement.

Payment Terms. Borrower agrees to pay monthly payments of interest only on the unpaid principal balance of this Note as of each Payment Date beginning on the latter of (a) the first Payment Date after the date of each Advance, or (b) October 1, 2017, with all subsequent payments due and payable on each Payment Date thereafter as provided in Section 3 of the Credit Agreement. Interest will accrue prior to maturity (whether by lapse of time, acceleration or otherwise) at the Applicable Rate and after maturity (whether by lapse of time, acceleration or otherwise), whether before or after judgment, at the Default Rate, until paid in full.

Maturity Date. The outstanding principal balance of this Note and all accrued but unpaid interest thereon shall be due and payable in full on the Non-Revolving Credit Termination Date as may be extended pursuant to Section 2.4(d) of the Credit Agreement.

Default and Acceleration. Upon the occurrence of any Event of Default described in Section 10.1 of the Credit Agreement, Lender or any permitted holder of this Note may exercise any or all of the rights and remedies set forth therein, including the exercise of Lender’s option to accelerate this Note and declare all Advances and all indebtedness under this Note then outstanding to be immediately due and payable, with or without notice to Borrower, as applicable.

Miscellaneous. This Note and the holder hereof are entitled to all of the rights benefits provided for in the Credit Agreement. All of the terms, covenants and conditions contained in the Credit Agreement are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Credit Agreement, the terms and provisions of the Credit Agreement shall control.

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Note will be construed in accordance with, and governed by, the internal laws of the State of California.

Borrower promises to pay all costs and expenses (including reasonable attorneys' fees and expert witnesses' fees) suffered or incurred by Lender or subsequent holder of this Note in the collection of this Note or the enforcement Lender's rights and remedies under the Credit Agreement.

Borrower hereby waives presentment for payment and demand. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the obligations evidenced by this Note or release any party or guarantor or collateral, or impair, fail to realize upon or perfect Lender's security interest in the collateral, if any; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify the terms of this Note without the consent of or notice to anyone other than the party with whom the modification is made.

**Prior to signing this Note, Borrower read and understood all the provisions of this Note and the Credit Agreement, including the variable interest rate provisions in the Credit Agreement. Borrower agrees to the terms of this Note and the Credit Agreement. Borrower acknowledges receipt of complete copies of this Note and the Credit Agreement.**

IN WITNESS WHEREOF, Borrower has duly executed this Note as of the day and year first above written.

MONTEREY BAY COMMUNITY POWER AUTHORITY

By: \_\_\_\_\_

[ ]  
Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

## EXHIBIT D

### REVOLVING CREDIT NOTE

\$10,000,000.00

Date: December 12, 2016

FOR VALUE RECEIVED, **MONTEREY BAY COMMUNITY POWER AUTHORITY**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et seq. ("*Borrower*"), promises to pay to the order of **RIVER CITY BANK** ("*Lender*") the principal sum of Ten MILLION and /100 DOLLARS (\$10,000,000.00), pursuant to the terms of that certain Credit Agreement (the "*Credit Agreement*") dated as of September , 2017, between Borrower and Lender, together with interest thereon as provided herein and therein. All payments under this Revolving Credit Promissory Note (this "*Note*") shall be made to Lender at its address specified in the Credit Agreement, or at such other place as the holder of this Note may from time to time designate in writing, in accordance with the terms of this Note and the Credit Agreement. Capitalized terms used but not defined in this Note shall have the definitions provided in the Credit Agreement.

Payment Terms. Borrower agrees to pay monthly payments of interest only on the unpaid principal balance of this Note as of each Payment Date beginning on the latter of (a) the first Payment Date after the date of each Advance, or (b) October 1, 2017, with all subsequent payments due and payable on each Payment Date thereafter as provided in Section 3 of the Credit Agreement. Interest will accrue prior to maturity (whether by lapse of time, acceleration or otherwise) at the Applicable Rate and after maturity (whether by lapse of time, acceleration or otherwise), whether before or after judgment, at the Default Rate, until paid in full.

Maturity Date. The outstanding principal balance of this Note and all accrued but unpaid interest thereon shall be due and payable in full on the Revolving Credit Termination Date. Under the terms and conditions set forth in the Credit Agreement, no later than 30 days prior to the Revolving Credit Termination Date, Borrower may request Lender's approval to convert amounts due and payable hereunder into a term loan evidenced by a RC Term Note.

Default and Acceleration. Upon the occurrence of any Event of Default described in the Credit Agreement, Lender or any permitted holder of this Note may exercise any or all of the rights and remedies set forth therein, including the exercise of Lender's option to accelerate this Note and declare all Advances and all indebtedness under this Note then outstanding to be immediately due and payable, with or without notice to Borrower, as applicable.

Miscellaneous. This Note and the holder hereof are entitled to all of the rights benefits provided for in the Credit Agreement.

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Note will be construed in accordance with, and governed by, the internal laws of the State of California.

Borrower promises to pay all costs and expenses (including reasonable attorneys' fees and expert witnesses' fees) suffered or incurred by Lender or subsequent holder of this Note in the collection of this Note or the enforcement Lender's rights and remedies under the Credit Agreement.

Borrower hereby waives presentment for payment and demand. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the obligations evidenced by this Note or release any party or guarantor or collateral, or impair, fail to realize upon or perfect Lender's security interest in the collateral, if any; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify the terms of this Note without the consent of or notice to anyone other than the party with whom the modification is made.

**Prior to signing this Note, Borrower read and understood all the provisions of this Note and the Credit Agreement, including the variable interest rate provisions in the Credit Agreement. Borrower agrees to the terms of this Note and the Credit Agreement. Borrower acknowledges receipt of complete copies of this Note and the Credit Agreement.**

MONTEREY BAY COMMUNITY POWER AUTHORITY

By: \_\_\_\_\_

Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

**EXHIBIT E-1**  
**NON-REVOLVING CREDIT TERM NOTE**  
**“(NRC TERM NOTE)”**

\$ \_\_\_\_\_

Date: \_\_\_\_\_

FOR VALUE RECEIVED, **MONTEREY BAY COMMUNITY POWER AUTHORITY**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et seq. (“*Borrower*”), promises to pay to the order of **RIVER CITY BANK** (“*Lender*”) the principal sum of \_\_\_\_\_/100 DOLLARS (\$ \_\_\_\_\_), pursuant to the terms of that certain Credit Agreement (the “*Credit Agreement*”) dated as of September [ ], 2017 between Borrower and Lender, together with interest thereon as provided herein and therein. All payments under this NRC Term Note (this “*Note*”) shall be made to Lender at its address specified in the Credit Agreement, or at such other place as the holder of this Note may from time to time designate in writing, in accordance with the terms of this Note and the Credit Agreement. Capitalized terms used but not defined in this Note shall have the definitions provided in the Credit Agreement.

Payment Terms. This Note evidences the NRC Term Loan made in accordance with Section 2.4 of the Credit Agreement, in the original principal amount of \$ \_\_\_\_\_. This Note bears interest from the date hereof at a fixed rate established by Lender in accordance with the Credit Agreement of \_\_\_\_%. Borrower agrees to repay this Note in sixty (60) equal monthly payments of principal hereunder in the amount of \$ \_\_\_\_\_ each, plus all accrued but unpaid interest on the unpaid principal balance of this Note as of each Payment Date, beginning on the first Payment Date after the date of this Note, with all subsequent payments due and payable on each Payment Date thereafter as provided in the Credit Agreement. Interest will accrue prior to maturity (whether by lapse of time, acceleration or otherwise) at the Applicable Rate and after maturity (whether by lapse of time, acceleration or otherwise), whether before or after judgment, at the Default Rate, until paid in full.

Maturity Date. The outstanding principal balance of this Note and all accrued but unpaid interest thereon shall be due and payable in full on \_\_\_\_\_ [date – not to exceed 60 months].

Default and Acceleration. Upon the occurrence of any Event of Default described in Section 10.1 of the Credit Agreement, Lender or any permitted holder of this Note may exercise any or all of the rights and remedies set forth therein, including the exercise of Lender’s option to accelerate this Note and declare all indebtedness under this Note then outstanding to be immediately due and payable, with or without notice to Borrower, as applicable.

Miscellaneous. This Note and the holder hereof are entitled to all of the rights benefits provided for in the Credit Agreement. All of the terms, covenants and conditions contained in the Credit Agreement are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Credit Agreement, the terms and provisions of the Credit Agreement shall control.

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Note will be construed in accordance with, and governed by, the internal laws of the State of California.

Borrower promises to pay all costs and expenses (including reasonable attorneys' fees and expert witnesses' fees) suffered or incurred by Lender or subsequent holder of this Note in the collection of this Note or the enforcement any rights of Lender under the Credit Agreement.

Borrower hereby waives presentment for payment and demand. If any part of this Note cannot be enforced, this fact will not affect the rest of this Note. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the obligations evidenced by this Note or release any party or guarantor or collateral, or impair, fail to realize upon or perfect Lender's security interest in the collateral, if any; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify the terms of this Note without the consent of or notice to anyone other than the party with whom the modification is made.

**Prior to signing this Note, Borrower read and understood all the provisions of this Note and the Credit Agreement, including the variable interest rate provisions in the Credit Agreement. Borrower agrees to the terms of this Note and the Credit Agreement. Borrower acknowledges receipt of complete copies of this Note and the Credit Agreement.**

MONTEREY BAY COMMUNITY POWER AUTHORITY

By: \_\_\_\_\_

[ ]

Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

**EXHIBIT E-2**  
**REVOLVING CREDIT TERM NOTE**  
**“(RC TERM NOTE)”**

\$ \_\_\_\_\_

Date: \_\_\_\_\_

FOR VALUE RECEIVED, **MONTEREY BAY COMMUNITY POWER AUTHORITY**, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et seq. (“*Borrower*”), promises to pay to the order of **RIVER CITY BANK** (“*Lender*”) the principal sum of \_\_\_\_\_/100 DOLLARS (\$ \_\_\_\_\_), pursuant to the terms of that certain Credit Agreement (the “*Credit Agreement*”) dated as of September [ ], 2017 between Borrower and Lender, together with interest thereon as provided herein and therein. All payments under this RC Term Note (this “*Note*”) shall be made to Lender at its address specified in the Credit Agreement, or at such other place as the holder of this Note may from time to time designate in writing, in accordance with the terms of this Note and the Credit Agreement. Capitalized terms used but not defined in this Note shall have the definitions provided in the Credit Agreement.

Payment Terms. This Note evidences the RC Term Loan made in accordance with Section 2.4 of the Credit Agreement, in the original principal amount of \$ \_\_\_\_\_. This Note bears interest from the date hereof at a fixed rate established by Lender in accordance with the Credit Agreement of \_\_\_\_%. Borrower agrees to repay this Note in sixty (60) equal monthly payments of principal hereunder in the amount of \$ \_\_\_\_\_ each, plus all accrued but unpaid interest on the unpaid principal balance of this Note as of each Payment Date, beginning on the first Payment Date after the date of this Note, with all subsequent payments due and payable on each Payment Date thereafter as provided in the Credit Agreement. Interest will accrue prior to maturity (whether by lapse of time, acceleration or otherwise) at the Applicable Rate and after maturity (whether by lapse of time, acceleration or otherwise), whether before or after judgment, at the Default Rate, until paid in full.

Maturity Date. The outstanding principal balance of this Note and all accrued but unpaid interest thereon shall be due and payable in full on \_\_\_\_\_ [date – not to exceed 60 months].

Default and Acceleration. Upon the occurrence of any Event of Default described in Section 10.1 of the Credit Agreement, Lender or any permitted holder of this Note may exercise any or all of the rights and remedies set forth therein, including the exercise of Lender’s option to accelerate this Note and declare all indebtedness under this Note then outstanding to be immediately due and payable, with or without notice to Borrower, as applicable.

Miscellaneous. This Note and the holder hereof are entitled to all of the rights benefits provided for in the Credit Agreement. All of the terms, covenants and conditions contained in the Credit Agreement are hereby made part of this Note to the same extent and with the same force as if they were fully set forth herein. In the event of a conflict or inconsistency between the terms of this Note and the Credit Agreement, the terms and provisions of the Credit Agreement shall control.

This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Borrower or Lender, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought.

This Note will be construed in accordance with, and governed by, the internal laws of the State of California.

Borrower promises to pay all costs and expenses (including reasonable attorneys' fees and expert witnesses' fees) suffered or incurred by Lender or subsequent holder of this Note in the collection of this Note or the enforcement any rights of Lender under the Credit Agreement.

Borrower hereby waives presentment for payment and demand. If any part of this Note cannot be enforced, this fact will not affect the rest of this Note. Lender may delay or forego enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive any applicable statute of limitations, presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) the obligations evidenced by this Note or release any party or guarantor or collateral, or impair, fail to realize upon or perfect Lender's security interest in the collateral, if any; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify the terms of this Note without the consent of or notice to anyone other than the party with whom the modification is made.

**Prior to signing this Note, Borrower read and understood all the provisions of this Note and the Credit Agreement, including the variable interest rate provisions in the Credit Agreement. Borrower agrees to the terms of this Note and the Credit Agreement. Borrower acknowledges receipt of complete copies of this Note and the Credit Agreement.**

MONTEREY BAY COMMUNITY POWER AUTHORITY

By: \_\_\_\_\_

[ ]

Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

**EXHIBIT F**  
**REQUEST FOR ADVANCE**

**\$3,000,000 NON-REVOLVING CREDIT**

**BORROWER: MONTEREY BAY COMMUNITY POWER AUTHORITY, HEREBY REQUESTS AN ADVANCE UNDER THE \$3,000,000 NON-REVOLVING CREDIT NOTE IN ACCORDANCE WITH THE CREDIT AGREEMENT.**

**ADVANCE DATE:** \_\_\_\_\_

**AMOUNT OF REQUESTED ADVANCE: \$** \_\_\_\_\_

**BORROWER CERTIFICATION:**

Borrower hereby certifies that:

(i) after making the Advance requested on the Advance Date above, the sum of all Advances shall not exceed the Non-Revolving Commitment then in effect;

(ii) as of the Advance Date, the representations and warranties contained in the Credit Agreement are true and correct in all material respects on and as of such Advance Date to the same extent as though made on and as of such date, except to the extent such representations and warranties specifically relate to an earlier date, in which case such representations and warranties are true and correct in all material respects on and as of such earlier date; *provided* that, in each case, such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and

(iii) as of the Advance Date, no event has occurred and is continuing or would result from the consummation of the borrowing contemplated hereby that would constitute an Event of Default or a Default.

**MONTEREY BAY COMMUNITY POWER AUTHORITY**

By: \_\_\_\_\_

[    ]  
Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

**EXHIBIT G  
REQUEST FOR ADVANCE**

**\$ 10,000,000 REVOLVING CREDIT**

**BORROWER: MONTEREY BAY COMMUNITY POWER AUTHORITY, HEREBY REQUESTS AN ADVANCE UNDER THE \$10,000,000 REVOLVING CREDIT NOTE IN ACCORDANCE WITH THE CREDIT AGREEMENT.**

**ADVANCE DATE:** \_\_\_\_\_

**AMOUNT OF REQUESTED ADVANCE: \$** \_\_\_\_\_

**PURPOSE OF ADVANCE:**

\_\_\_ - **THIS ADVANCE WILL BE USED TO FUND RESERVES IN ACCORDANCE WITH THE POWER PURCHASE AGREEMENT AND FUNDS ARE TO BE DEPOSITED INTO THE LOCKBOX ACCOUNT: \_\_\_\_\_.**

\_\_\_ - **THIS IS A WORKING CAPITAL ADVANCE TO COVER THE POWER PURCHASE PAYMENT FOR THE MONTH ENDING \_\_\_\_\_, 20\_\_.**

\_\_\_ - **ATTACHED IS THE INVOICE FOR SUCH POWER PURCHASE PAYMENT**

\_\_\_ - **YOU ARE AUTHORIZED TO REMIT THIS PAYMENT DIRECTLY TO THE POWER SUPPLIER AS FOLLOWS:**

**COMPANY NAME:** \_\_\_\_\_ -

**WIRE INSTRUCTIONS:**

**BANK NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**ROUTING NUMBER:** \_\_\_\_\_

**ACCOUNT NUMBER:** \_\_\_\_\_

**OTHER REFERENCE:** \_\_\_\_\_

**BORROWER CERTIFICATION:**

BORROWER HEREBY CERTIFIES THAT:

- (I) AFTER MAKING THE ADVANCE REQUESTED ON THE ADVANCE DATE ABOVE, THE SUM OF ALL ADVANCES SHALL NOT EXCEED THE REVOLVING COMMITMENTS THEN IN EFFECT;

- (II) AS OF THE ADVANCE DATE, THE REPRESENTATIONS AND WARRANTIES CONTAINED IN THE CREDIT AGREEMENT ARE TRUE AND CORRECT IN ALL MATERIAL RESPECTS ON AND AS OF SUCH ADVANCE DATE TO THE SAME EXTENT AS THOUGH MADE ON AND AS OF SUCH DATE, EXCEPT TO THE EXTENT SUCH REPRESENTATIONS AND WARRANTIES SPECIFICALLY RELATE TO AN EARLIER DATE, IN WHICH CASE SUCH REPRESENTATIONS AND WARRANTIES ARE TRUE AND CORRECT IN ALL MATERIAL RESPECTS ON AND AS OF SUCH EARLIER DATE; PROVIDED THAT, IN EACH CASE, SUCH MATERIALITY QUALIFIER SHALL NOT BE APPLICABLE TO ANY REPRESENTATIONS AND WARRANTIES THAT ALREADY ARE QUALIFIED OR MODIFIED BY MATERIALITY IN THE TEXT THEREOF; AND
- (III) AS OF THE ADVANCE DATE, NO EVENT HAS OCCURRED AND IS CONTINUING OR WOULD RESULT FROM THE CONSUMMATION OF THE BORROWING CONTEMPLATED HEREBY THAT WOULD CONSTITUTE AN EVENT OF DEFAULT OR A DEFAULT.
- (IV) THIS ADVANCE IS BEING USED FOR THE PURPOSE INTENDED AS PROVIDED IN THE CREDIT AGREEMENT AND NO PORTION OF THIS ADVANCE IS BEING USED TO FUND OPERATING LOSSES.

MONTEREY BAY COMMUNITY POWER AUTHORITY

BY: \_\_\_\_\_

ITS:             
CHIEF EXECUTIVE OFFICER

BY: \_\_\_\_\_  
Chairman of the Board

## EXHIBIT H

### SUBORDINATION AGREEMENT

River City Bank (the “*Lender*”) and the other parties signatories hereto (each, a “*Subordinated Creditor*” and collectively, the “*Subordinated Creditors*”), agree, effective, \_\_\_\_\_ 2017, as follows:

#### Section 1. Background and Purpose.

1.1 The Lender is making a loan to Monterey Bay Community Power Authority a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq. (the “*Obligor*”), pursuant to that certain Credit Agreement dated as of the date hereof (as modified, amended, restated or replaced from time to time, the “*Senior Loan Agreement*”). The loan is evidenced by a Non-Revolving Promissory Note in the original principal balance of \$3,000,000.00 (the “*Senior Note*”). The Obligor is currently indebted to the Subordinated Creditors as set forth on Schedule 1 attached hereto and incorporated herein (as the same may be amended, modified or refinanced, “*Subordinated Debt*”). The Lender and the Subordinated Creditors desire to enter into this Agreement to effectuate the subordination of the Subordinated Debt to the Senior Debt (as defined below). Capitalized terms used, but not otherwise defined, in this Subordination Agreement shall have the meanings ascribed to them in the Senior Loan Agreement.

#### Section 2. Subordination.

2.1 Each Subordinated Creditor hereby irrevocably subordinates, in accordance with the terms hereof, the payment and performance of the Subordinated Debt by the Obligor to it, to the prior payment and performance in full of all of the obligations specified in the Senior Loan Agreement and the Senior Note (collectively, the “*Senior Debt*”). Each Subordinated Creditor acknowledges that it has been represented by counsel in connection with the transactions that are the subject of this Subordination Agreement. This Subordination Agreement shall be effective as to a Subordinated Creditor when such Subordinated Creditor signs this Subordination Agreement and execution by all Subordinated Creditors is not a condition to such effectiveness.

2.2 Under no circumstances will the Senior Debt be deemed to have been paid in full unless and until such time as, and when used in this Subordination Agreement with respect to the Senior Debt, the words “paid in full,” “payment in full,” and similar phrases shall mean that, the Lender has received payment, in immediately available funds, of 100% of all outstanding Senior Debt, and all of the Lender’s obligations to extend credit under the Senior Loan Agreement have terminated.

2.3 The Subordinated Debt is subordinated in right of payment to the Senior Debt in accordance with this Agreement. Each Subordinated Creditor agrees to make appropriate

entries in its books and records and stamp all Subordinated Debt documents evidencing the Subordinated Debt with the following legend:

“The indebtedness evidenced by this instrument is subordinated to the prior payment in full of the Senior Debt (as defined in the Subordination Agreement hereinafter referred to) pursuant to, and to the extent provided in, the Subordination Agreement effective as of [\_\_\_\_\_] by the maker hereof and payee named herein in favor of River City Bank.”

### Section 3. Payments.

3.1 Until the payment in full of the Senior Debt, without the prior written consent of the Lender (which consent the Lender may refuse to give for any or no reason), under no circumstances will any Subordinated Creditor, directly or indirectly, take any action to enforce payment of or to collect the whole or any part of the Subordinated Debt or enforce any of the rights and remedies available to the Subordinated Creditor, other than in the manner and to the extent permitted by Section 4 hereof, or ask, demand, take or receive any collateral, mortgages or other security from the Obligor in respect of the Subordinated Debt. Any amounts paid by the Obligor to a Subordinated Creditor in violation of the terms of this Subordination Agreement shall be held by such Subordinated Creditor in trust and promptly paid over to the Lender for application to the Senior Debt in accordance with the Senior Loan Agreement.

3.2 Notwithstanding anything to the contrary contained in this Subordination Agreement, each Subordinated Creditor agrees that it will not, without the Lender’s prior written consent (which the Lender may refuse to give for any or no reason), directly or indirectly permit the modification or amendment of any of the terms or provisions, as they exist on the date hereof, of the note reflecting the Subordinated Debt (“*Subordinated Note*”), to the extent that any such modification or amendment would (a) result in any increase in the amount of the Subordinated Debt, (b) increase the amount, or accelerate the due date, of any payment or distribution in respect of the Subordinated Debt.

### Section 4. Allowable Payments.

4.1 Subject to other applicable provisions of this Subordination Agreement, including, without limitation, those contained in Section 5 hereof, without the Lender’s prior written consent, the Obligor may not make, and a Subordinated Creditor may not accept from the Obligor, any payment in respect of the Subordinated Debt.

4.2 Notwithstanding anything to the contrary in this Subordination Agreement, the Obligor may set-off against amounts payable in respect of Subordinated Debt under the circumstances set forth or referenced in any documentation of such Subordinated Debt.

Section 5. Readjustment. Each Subordinated Creditor further agrees that, upon any distribution of the assets or readjustment of the indebtedness of the Obligor, whether by reason of liquidation, composition, bankruptcy, arrangement, receivership, assignment for the benefit of creditors, or any other action or proceeding involving the readjustment of all or any of the

Subordinated Debt, or the application of the property of the Obligor to the payment or liquidation thereof, the Lender, in any such instance, shall be entitled to receive payment in full of the Senior Debt prior to the payment of all or any part of the Subordinated Debt.

Section 6. Bankruptcy Issues. To the extent that the Obligor makes a payment to the Lender, which payment(s) (or any part thereof) subsequently are voided, invalidated, declared to be fraudulent or preferential, set aside, or required to be repaid to a trustee, receiver, or any other person or entity pursuant to Chapter 11 of Title 11 of the United States Code (11 U.S.C. § 101 *et seq.*) (the “*Bankruptcy Code*”), any other bankruptcy act, state or federal law, common law or equitable cause (“*Insolvency Law*”), then, to the extent any such payment(s) or proceeds are repaid by the Lender, the Senior Debt (or the part that was intended to be satisfied) will be revived for all purposes of this Subordination Agreement and will continue in full force and effect, as if such payment or proceeds had not been received by the Lender.

Section 7. Waivers. Each Subordinated Creditor hereby waives until the Senior Debt is paid in full any and all rights at law or in equity to subrogation, reimbursement or set off or any other rights which such Subordinated Creditor may have or hereafter acquire against the Obligor in connection with or as a result of such Subordinated Creditor’s execution, delivery and/or performance of this Subordination Agreement.

Section 8. Attorney-In-Fact. Each Subordinated Creditor irrevocably appoints the Lender as its attorney-in-fact, with full power of substitution, in either the Lender’s name or such Subordinated Creditor’s name, to do the following (but the Lender shall have no obligation to do so): (a) endorse and collect all checks, drafts, other payment orders and instruments representing or included in, any payment, dividend or distribution relating to, the Subordinated Debt or any Collateral securing the Subordinated Debt; (b) take any action to enforce, collect or compromise any of the Subordinated Debt; (c) exercise any other right, remedy, privilege or option of such Subordinated Creditor pertaining to any Subordinated Debt or Subordinated Debt documents; (d) take any actions or institute any proceedings that the Lender determines to be necessary or appropriate to collect or preserve the Subordinated Debt or any Collateral for the Subordinated Debt; (e) execute in the name of or otherwise authenticate on behalf of such Subordinated Creditor any record reasonably believed necessary or appropriate by the Lender for compliance with laws, rules or regulations applicable to any Subordinated Debt or any Collateral for the Subordinated Debt, or in connection with exercising the Lender’s rights under this Agreement; and (f) execute and file claims, proofs of claim or other documents, and to take any other action regarding all or any part of the Subordinated Debt necessary or appropriate to insure payment to and receipt by the Lender of all payments, dividends and other distributions on account of the Subordinated Debt, instruments evidencing the Subordinated Debt, or any Collateral for the Subordinated Debt. This appointment is irrevocable and coupled with an interest and shall survive the dissolution or disability of such Subordinated Creditor. Notwithstanding the foregoing, the Lender shall not be liable to any Subordinated Creditor for any failure (i) to prove the existence, amount, or circumstances of the Subordinated Debt; (ii) to exercise any right related to the Subordinated Debt; or (iii) to collect any sums payable on or distributions attributable to, the Subordinated Debt.

Section 9. Representations and Warranties. Each Subordinated Creditor represents and warrants to the Lender as follows: (a) the execution, delivery and performance of this Agreement and each of the Subordinated Debt documents now outstanding (true and complete

copies of which have been furnished to the Lender) have been duly authorized by all necessary action, are within the power and authority of the Subordinated Creditor and do not and will not (i) contravene the articles, charter, bylaws, partnership agreement, operating agreement, regulations or other organic documents, if any, establishing or governing such Subordinated Creditor, any applicable law or governmental regulation or any contractual restriction binding on or affecting such Subordinated Creditor or any of their respective properties, (ii) result in or require the creation of any lien upon or with respect to any of such Subordinated Creditor's properties or (iii) violate the rights of any person or entity; (b) this Agreement and each of the Subordinated Debt documents are legal, valid and binding obligations of such Subordinated Creditor, enforceable against such Subordinated Creditor in accordance with their respective terms except as limited by bankruptcy, insolvency or other laws of general application relating to the enforcement of creditors' rights and by general equitable principles; (c) there exists no default, event of default, or event which with the passage of time, the giving of notice or both may result in a default or event of default under the Subordinated Debt or any Subordinated Debt documents or any event or occurrence that gives a Subordinated Creditor the right to terminate a commitment, refuse to make an advance, accelerate a maturity with or without notice or the passage of time; and (d) if such Subordinated Creditor is an entity, that entity is and will remain duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation and in good standing in the jurisdictions in which it is doing business. Each Subordinated Creditor further represents and warrants to the Lender as follows: (A) such Subordinated Creditor owns and holds the Subordinated Debt now outstanding free and clear of any lien that has not been disclosed in writing by such Subordinated Creditor to the Lender; (B) such Subordinated Creditor is now solvent, the execution, delivery and performance of this Agreement will benefit such Subordinated Creditor directly or indirectly and such Subordinated Creditor has and will receive fair and reasonably equivalent value for the obligations undertaken in this Agreement; (C) such Subordinated Creditor has (1) without reliance on the Lender or any information received from the Lender and based upon the documents and information such Subordinated Creditor deems appropriate, made an independent investigation of the transactions contemplated by this Agreement and the Borrower, the Borrower's business, assets, operations, prospects and condition, financial or otherwise, and any circumstances that may bear upon those transactions, the Borrower or the obligations and risks undertaken in this Agreement with respect to the Senior Debt; (2) adequate means to obtain from the Borrower on a continuing basis information concerning the Senior Debt and the Lender has no duty to provide to such Subordinated Creditor any information; (3) full and complete access by and through the Borrower to the Lender's loan documents; (4) not relied and will not rely upon any representations or warranties of the Lender not embodied in this Agreement or any acts taken by the Lender (including but not limited to any review by the Lender of the affairs of the Borrower) prior to or after the date of this Agreement; (D) such Subordinated Creditor is the sole holder of the Subordinated Debt with full power to make the subordinations set forth in this Agreement; and (E) such Subordinated Creditor has not made or permitted any assignment or transfer, as security or otherwise, of the Subordinated Debt, any Subordinated Debt documents or of any of the Collateral securing the Subordinated Debt, and such Subordinated Creditor shall not do so except in favor of the Lender as long as this Agreement remains in effect.

Section 10. Successors and Assigns. This Subordination Agreement immediately shall be binding on each Subordinated Creditor and on its heirs, representatives and assigns, and shall inure to the benefit of the Lender and its successors and assigns. Whenever reference is made in

this Subordination Agreement to the Obligor, such term shall include any successor or assign of the Obligor, including, without limitation, a receiver, trustee, or debtor or debtor-in-possession under the Bankruptcy Code.

Section 11. Notices. Any notice required or permitted hereunder shall be given in writing by personal delivery, by overnight delivery through a recognized courier service, by certified U.S. mail, or by telecopier (fax) (i) as to a Subordinated Creditor, by giving such notice to such Subordinated Creditor at the address set forth below such Subordinated Creditor's signature hereon, and (ii) as to the Lender, by giving such notice to the Lender at the address set forth below its signature hereon. All such notices shall be deemed to have been received on the date given, except that any such notice given by overnight delivery will be deemed to have been received on the next business day after such notice was delivered to such a carrier for delivery, and any such notice given by certified U.S. mail will be deemed to have been received three days after such notice was deposited in the U.S. mails, postage prepaid.

Section 12. Governing Law. THIS SUBORDINATION AGREEMENT SHALL BE GOVERNED BY CALIFORNIA LAW (WITHOUT REGARD TO ANY JURISDICTION'S CONFLICT OF LAWS PRINCIPLES). EACH SUBORDINATED CREDITOR AND THE LENDER EACH WAIVES TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS SUBORDINATION AGREEMENT. This is a "Subordination Agreement" within the meaning of Section 510(a) of the Bankruptcy Code and shall be interpreted and construed accordingly in any proceeding under the Bankruptcy Code.

Section 13. Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if the parties had all signed the same document. All counterparts shall be construed together and shall constitute one agreement.

*[Remainder of this Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the undersigned has caused this Subordination Agreement to be executed as of the Effective Date.

**[County/City]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for notice and service of process:

\_\_\_\_\_  
\_\_\_\_\_

**RIVER CITY BANK, as Lender**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for notice and service of process:

River City Bank  
2485 Natomas Park Drive, Suite 100  
Sacramento, CA 95833  
Attention: \_\_\_\_\_  
Fax: (916) \_\_\_\_\_



ACKNOWLEDGMENT

Monterey Bay Community Power Authority, a public agency formed under the provisions of the Joint Exercise of Powers Act of the State of California, Government Code Section 6500 et. seq. (the “Company”), acknowledges receipt of a copy of the Subordination Agreement by and between River City Bank (the “Lender”), and the cities, towns and counties parties thereto (each a “Subordinated Creditor”), dated as of September [ ], 2017 (as amended from time to time, the “Subordination Agreement”), and agrees that: (a) it will not: (i) except to the extent permitted by the Subordination Agreement, pay any of the Subordinated Debt until the payment in full of the Senior Debt, (ii) provide any security or collateral for any of Subordinated Debt until the payment in full of the Senior Debt, or (iii) take or omit from taking any action that would cause a breach of the Subordination Agreement; (b) neither the Company nor any of its successors or assignees, by operation of law or otherwise, is a party to the Subordination Agreement, and neither the Company nor any of its successors or assignees will have: (i) any right in, or to enforcement of, the Subordination Agreement as against the Lender or a Subordinated Creditor, (ii) any claim of damage if the Lender or a Subordinated Creditor defaults under the Subordination Agreement, or (iii) any right to object to any amendment, modification, or supplement to, or any restatement or replacement of, the Subordination Agreement that is agreed upon by a Subordinated Creditor and the Lender; and (c) none of the provisions of the Subordination Agreement limit or impair the Lender’s rights against the Company or its successors and assigns or any of their respective obligations, indebtedness, or liabilities to the Lender under the Senior Loan Agreement, any related documents, or otherwise.

All capitalized terms used in this Acknowledgment that are defined in the Subordination Agreement and not otherwise defined in this Acknowledgment have the meanings specified in the Subordination Agreement.

IN WITNESS WHEREOF, the Company has executed and delivered this Acknowledgement to the Lender as of the Effective Date.

**Monterey Bay Community Power Authority**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## **EXHIBIT I**

### **DOCUMENT SUMMARY AND NOTICE OF FINAL AGREEMENT**

Borrower, each Guarantor and Grantor have been provided with the following documents issued in connection with the loans evidenced by a Promissory Note in the original commitment amount of \$3,000,000 (the Non-Revolving Credit) and a Promissory Note in the original commitment amount of \$10,000,000.00 (the Revolving Credit).

Credit Agreement with Exhibits

A – Definitions

B – Form of Guarantee (with Exhibit A – Guarantor’s Share)

C – Form of Non-Revolving Note

D – Form of Revolving Note

E-1 Form of Non-Revolving Credit Term Note

E-2 Form of Revolving Credit Term Note

F – Form of Request for Advance (NRLOC)

G – Form of Request for Advance (RLOC)

H – Form of Subordination Agreement (with Schedule 1 and Acknowledgement attached)

I - Form of Document Summary and Notice of Final Agreement

J - Form of Assignment of Deposit Account

And Schedules

1 – Indebtedness for Borrowed Money

#### **BORROWER, EACH GUARANTOR, AND GRANTOR, REPRESENT AND WARRANT:**

- 1) THEY HAVE READ, UNDERSTAND AND AGREE WITH THE TERMS OF EACH DOCUMENT LISTED ABOVE AND THIS AGREEMENT;
- 2) THEY CONFIRM THAT THERE ARE NO CONFLICTS BETWEEN THE TERMS OF THE DOCUMENTS AND THEIR RESPECTIVE UNDERSTANDING OF THE TRANSACTION;
- 3) NOTWITHSTANDING THE EFFECTIVENESS OF THE DOCUMENTS, THE OBLIGATIONS OF EACH GUARANTOR UNDER ITS APPLICABLE GUARANTY SHALL NOT BE IMPAIRED OR AFFECTED AND THE APPLICABLE GUARANTIES ARE, AND SHALL CONTINUE TO BE, IN FULL FORCE AND EFFECT AND ARE HEREBY CONFIRMED AND RATIFIED IN ALL RESPECTS.
- 4) NOTHING IN THE LOAN, THE DOCUMENTS OR ANY OTHER DOCUMENT SHALL BE DEEMED TO REQUIRE THE CONSENT OF GUARANTORS TO ANY FUTURE AMENDMENT TO THE LOAN.
- 5) THE WRITTEN DOCUMENTS ISSUED IN CONNECTION WITH THE LOAN REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

6) THE WRITTEN DOCUMENTS MAY NOT BE CONTRADICTED BY EVIDENCE OF ANY PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OR UNDERSTANDINGS OF THE PARTIES.

7) EACH HAS HAD AN OPPORTUNITY TO DISCUSS THE LOAN TRANSACTION WITH ITS COUNSEL.

**BORROWER:**

Monterey Bay Community Power Authority

By: \_\_\_\_\_

[ ]

Its: Chief Executive Officer

By: \_\_\_\_\_

Chairman of the Board

**GUARANTOR:**

County of Santa Cruz

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

County of Monterey

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GRANTOR:**

County of San Benito

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT J**

**ASSIGNMENT OF DEPOSIT ACCOUNT**

**Grantor:** County of San Benito  
[    ]  
[    ]

**Lender:** **RIVER CITY BANK**  
**Business Banking Group**  
**2485 Natomas Park Drive**  
**Sacramento, CA 95833**

**THIS ASSIGNMENT OF DEPOSIT ACCOUNT** dated September [    ], 2017 is made and executed among County of San Benito ("Grantor") and RIVER CITY BANK ("Lender").

**ASSIGNMENT.** For valuable consideration, Grantor assigns and grants to Lender a continuing security interest in the Collateral, including without limitation the deposit account(s) described below, to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

**COLLATERAL DESCRIPTION.** The word "Collateral" means the following described deposit account(s) ("Account"):

**A deposit account from Grantor with Lender with reference number \_\_\_\_\_, and all amendments, extensions, renewals, replacements of the accounts (all called the "San Benito Cash Collateral Account", or the "Account"), and all existing and future amounts in the Account, and all existing and future interest and other earnings on the San Benito Cash Collateral Account, and all proceeds. The San Benito Cash Collateral Account will at all times maintain the following minimum account balance:**

**Minimum Required Balance is equal to 18.18% of the Non-Revolving Credit Commitment: \$545,700.00**

together with (A) all interest, whether now accrued or hereafter accruing; (B) all additional deposits hereafter made to the Account; (C) any and all proceeds from the Account; and (D) all renewals, replacements and substitutions for any of the foregoing.

**RIGHT OF SETOFF.** To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

**GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL.** With respect to the Collateral, Grantor represents and promises to Lender that:

**Ownership.** Grantor is the lawful owner of the Collateral free and clear of all loans, liens, encumbrances, and claims except as disclosed to and accepted by Lender in writing.

**Right to Grant Security Interest.** Grantor has the full right, power, and authority to enter into this Agreement and to assign the Collateral to Lender.

**No Prior Assignment.** Grantor has not previously granted a security interest in the Collateral to any other creditor.

**No Further Transfer.** Grantor shall not sell, assign, encumber, or otherwise dispose of any of

Grantor's rights in the Collateral except as provided in this Agreement.

**No Defaults.** There are no defaults relating to the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly do everything required of Grantor under the terms, conditions, promises, and agreements contained in or relating to the Collateral.

**Proceeds.** Any and all replacement or renewal certificates, instruments, or other benefits or proceeds related to the Collateral that are received by Grantor shall be held by Grantor in trust for Lender and immediately shall be delivered by Grantor to Lender to be held as part of the Collateral.

**Validity; Binding Effect.** This Agreement is binding upon Grantor and Grantor's successors and assigns and is legally enforceable in accordance with its terms.

**Financing Statements.** Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Collateral. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement. Grantor will promptly notify Lender of any change to Grantor's name or its jurisdiction of organization .

**LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL.**

While this Agreement is in effect, Lender may retain the rights to possession of the Collateral, together with any and all evidence of the Collateral, such as certificates or passbooks. This Agreement will remain in effect until (a) there is no longer any Indebtedness owing to Lender; (b) all other obligations secured by this Agreement have been fulfilled; and (c) Grantor, in writing, has requested from Lender a release of this Agreement.

**LENDER'S EXPENDITURES.** If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the applicable rate charged under any one of the Notes (as selected by Lender in its sole discretion) from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of such Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. This Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

**LIMITATIONS ON OBLIGATIONS OF LENDER.** Lender shall use ordinary reasonable care in the physical preservation and custody of any certificate or passbook for the Collateral but shall have no other obligation to protect the Collateral or its value. In particular, but without limitation, Lender shall have no responsibility (A) for the collection or protection of any income on the Collateral; (B) for the preservation of rights against issuers of the Collateral or against third persons; (C) for ascertaining any maturities, conversions, exchanges, offers, tenders, or similar matters relating to the

Collateral; nor (D) for informing Grantor about any of the above, whether or not Lender has or is deemed to have knowledge of such matters.

**DEFAULT.** Any Default or Event of Default under the Credit Agreement shall constitute an Event of Default under this Agreement.

**RIGHTS AND REMEDIES ON DEFAULT.** Upon the occurrence of an Event of Default, or at any time thereafter, Lender may exercise any one or more of the following rights and remedies, in addition to any rights or remedies that may be available at law, in equity, or otherwise:

**Accelerate Indebtedness.** Lender may declare all Indebtedness of Borrower to Lender immediately due and payable, without notice of any kind to Borrower or Grantor.

**Application of Account Proceeds.** Lender may take directly all funds in the Account and apply them to the Indebtedness. If the Account is subject to an early withdrawal penalty, that penalty shall be deducted from the Account before its application to the Indebtedness, whether the Account is with Lender or some other institution. Any excess funds remaining after application of the Account proceeds to the Indebtedness will be paid to Borrower or Grantor as the interests of Borrower or Grantor may appear. Borrower agrees, to the extent permitted by law, to pay any deficiency after application of the proceeds of the Account to the Indebtedness. Lender also shall have all the rights of a secured party under the California Uniform Commercial Code ("Code"), even if the Account is not otherwise subject to the Code concerning security interests, and the parties to this Agreement agree that the provisions of the Code giving rights to a secured party shall nonetheless be a part of this Agreement.

**Transfer Title.** Lender may effect transfer of title upon sale of all or part of the Collateral. For this purpose, Grantor irrevocably appoints Lender as Grantor's attorney-in-fact to execute endorsements, assignments and instruments in the name of Grantor and each of them (if more than one) as shall be necessary or reasonable.

**Other Rights and Remedies.** Lender shall have and may exercise any or all of the rights and remedies of a secured creditor under the provisions of the Code, at law, in equity, or otherwise.

**Deficiency Judgment.** If permitted by applicable law, Lender may obtain a judgment for any deficiency remaining in the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement.

**Remedies Cumulative.** Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and any election by Lender to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

**MISCELLANEOUS PROVISIONS.** The following miscellaneous provisions are a part of this Agreement:

**Amendments.** This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

**Attorneys' Fees; Expenses.** Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to

modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

**Caption Headings.** Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

**Governing Law.** This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of California without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of California.

**Choice of Venue.** If there is a lawsuit, Grantor agrees upon Lender's request to submit to the jurisdiction of the courts of Sacramento County, State of California.

**Joint and Several Liability.** All obligations of Borrower and Grantor, if they are different, under this Agreement shall be joint and several, and all references to Grantor shall mean each and every Grantor, and all references to Borrower shall mean each and every Borrower. This means that each Borrower and Grantor signing below is responsible for all obligations in this Agreement.

**Preference Payments.** Any monies Lender pays because of an asserted preference claim in Borrower's or Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Borrower and Grantor as provided in this Agreement.

**No Waiver by Lender.** Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

**Notices.** Any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other party, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Unless otherwise provided or required by law, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

**Power of Attorney.** Grantor hereby appoints Lender as its true and lawful attorney-in-fact, irrevocably, with full power of substitution to do the following: (1) to demand, collect, receive, receipt for, sue and recover all sums of money or other property which may now or hereafter become due, owing or payable from the Collateral; (2) to execute, sign and endorse any and all claims, instruments, receipts, checks, drafts or warrants issued in payment for the Collateral; (3) to settle or compromise any and all claims arising under the Collateral, and in the place and stead of Grantor, to execute and deliver its release and settlement for the claim; and (4) to file any claim or claims or to take any action or institute or take part in any proceedings, either in its own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be

necessary or advisable. This power is given as security for the Indebtedness, and the authority hereby conferred is and shall be irrevocable and shall remain in full force and effect until renounced by Lender.

**Waiver of Co-Obligor's Rights.** If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

**Severability.** If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any person or circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other person or circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

**Successors and Assigns.** Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

**Survival of Representations and Warranties.** All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Borrower's Indebtedness shall be paid in full.

**Time is of the Essence.** Time is of the essence in the performance of this Agreement.

**DEFINITIONS.** The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Code:

**Account.** The word "Account" means the deposit account(s) described in the "Collateral Description" section.

**Agreement.** The word "Agreement" means this Assignment of Deposit Account, as this Assignment of Deposit Account may be amended or modified from time to time, together with all exhibits and schedules attached to this Assignment of Deposit Account from time to time.

**Borrower.** The word "Borrower" means Monterey Bay Community Power Authority and includes all co-signers and co-makers signing the Notes and all their successors and assigns.

**Collateral.** The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

**Credit Agreement.** The words "Credit Agreement" mean the Credit Agreement dated as of September [ ], 2017 between Borrower and Lender, as amended or modified from time to time.

**Default.** The word "Default" means the Default set forth in this Agreement in the section titled "Default".

**Event of Default.** The words "Event of Default" mean any of the events of default set forth in

this Agreement in the default section of this Agreement.

**Grantor.** The word "Grantor" means County of San Benito.

**Indebtedness.** The word "Indebtedness" means all indebtedness of Borrower under the Credit Agreement, the Notes or any of the Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or any of the Related Documents.

**Lender.** The word "Lender" means RIVER CITY BANK, its successors and assigns.

**Notes.** The word "Notes" means any and all Promissory Notes (as defined in the Credit Agreement) executed by Borrower in connection with a Non-Revolver Credit (as defined in the Credit Agreement), together with all renewals, extensions, modifications, consolidations and replacements of such Promissory Notes.

**Related Documents.** The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

**GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS ASSIGNMENT OF DEPOSIT ACCOUNT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED SEPTEMBER [], 2017.**

**GRANTOR:**

**COUNTY OF SAN BENITO**

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**By:**



### Staff Report Item 8

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** Delegation of Authority and Response to Legislative and Regulatory Matters

**DATE:** September 6, 2017

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#### **Recommendations**

- 1) Staff requests that the Operations Board recommend moving the approval of limited delegation of authority to the Policy Board in accordance with Section 3.4 of the JPA for approval at its September 13, 2017 meeting authorizing the CEO to execute agreements up to \$100,000, provided that (1) the expenditures authorized by these agreements are consistent with the approved budget; (2) the agreements are approved as to form by MBCP's general council; and (3) agreements are reported at the next Board meeting.
- 2) Authorize CEO to respond to time-sensitive legislative and regulatory matters that may impact MBCP ratepayers or Agency operations when the following conditions are met:
  - a. The legislation or proceeding is related to and consistent with MBCP's mission.
  - b. Bringing the matter to the Board of Directors at its next scheduled meeting is not practical due to time constraints.
  - c. Calling a special meeting to address the matter is neither practical nor appropriate under the circumstances.
  - d. The CEO has investigated the positions of other operational CCAs and Cal-CCA, the statewide trade organization representing the interests of CCA before the State Legislature and at the CPUC.
  - e. The CEO has conferred with the Chairs of the Policy and Operations Boards of Directors and there is agreement about the action to be taken.
  - f. The CEO reports any position taken pursuant to this policy at the next regularly scheduled Board of Directors meeting as part of the CEO Report.

## **Background and Discussion**

Now that MBCP has hired an interim CEO and moved into full program implementation, there are a number of activities and organizational decisions that require timely response and/or prompt action. One is in the area of administrative and organizational start-up and the other is in the area of statewide regulatory and legislative affairs, where things can change in a matter of hours or days.

- A) **CEO Spending Authorization:** It is anticipated that MBCP will incur several start-up expenses and contracts within a short period of time in order to meet a March 2018 program launch and support timely operations thereafter. This includes the purchase of goods and services including but not limited to office equipment, office space, insurance services, legal services, and other administrative expenses. It does not include major vendor contracts or power purchase agreements. MBCP's proposed CEO spending authorization and related requirements are consistent with those of several operational CCA programs including Sonoma Clean Power and East Bay Community Energy in Alameda County. This item requires Board approval by resolution which is attached.
- B) **Legislative and Regulatory Responses:** There are several bills currently before the State legislature and several proceedings underway the CA Public Utilities Commission that directly affect CCA programs and their customers. At times, the CEO must make a decision to support or oppose a piece of legislation or support or protest a regulatory proceeding that may have an impact on MBCP customers. These instances are often time-sensitive in nature and the CEO may need to act before getting direction from the MBCP Board of Directors at its next meeting. Staff recommends authorizing the CEO to sign documents or take a position on legislative/regulatory matters on behalf of MBCP when the following conditions are met:
- a. The legislation or proceeding is related to and consistent with MBCP's mission.
  - b. Bringing the matter to the Board of Directors at its next scheduled meeting is not practical due to time constraints.
  - c. Calling a special meeting to address the matter is neither practical nor appropriate under the circumstances.
  - d. The CEO has investigated the positions of other operational CCAs and Cal-CCA, the statewide trade organization representing the interests of CCA before the State Legislature and at the CPUC.
  - e. The CEO has conferred with the Chairs of the Policy and Operations Boards of Directors and there is agreement about the action to be taken.
  - f. The CEO reports any position taken pursuant to this policy at the next regularly scheduled Board of Directors meeting as part of the CEO Report.

Delegated legislative and regulatory authority to the CEO is consistent with several operational CCA policies including Peninsula Clean Energy and Silicon Valley Clean Energy.



## Staff Report Item 9

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** Rate Design and Disposition of Net Revenue

**DATE:** September 6, 2017

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### **Recommendations**

This recommends that for FY 2017-18:

- 1- MBCP electric generating rates will be identical to PG&E less the Power Charge Indifference Adjustment (PCIA) imposed by regulatory agencies
- 2- Customer programs aiming at further reduction of GHG will be budgeted at 1% of forecasted operating revenue
- 3- For FY 2017-2018, Ninety percent of net operating revenues will be held in Rate Stabilization and other reserve funds
- 4- Ten percent of net operating revenues will be credited to customers on their December electric bill or shortly after their relocation from MBCP service territory.
- 5- Staff requests that the Operations Board recommend moving the rate design and disposition of net revenue proposal to the Policy Board for approval at its September 13, 2017 meeting.

### **Background**

During the August meetings of the operation and policy boards meetings, staff presented a conceptual approach to rates design and suggested a new approach to allocating net revenues. Representatives of the public as well as board members raised two issues:

- 1- Surveys conducted by one member of MBCP indicated that the public is more likely to remain a customer of MBCP if they receive a discount of 3% or more from PG&E's rates
- 2- Many customers in some MBCP communities are transient customers and consequently wouldn't receive the cash credit at the end of the year

Staff promised to address these issues and return to both boards with specific recommendations.

## **Analysis**

### **Clean Power and Customer Programs:**

There are two foundational principals to the formation of MBCP; 1) To source electricity for the region from cleaner resources and 2) To offer local custom-tailored programs to the customers of MBCP. Staff considered whether to make resource allocation for these goals as a function of the surplus and eventually, for FY2017-2018 opted to dedicate funds for both programs. Increasing the carbon free portion in the portfolio mix is likely to add 5% to the operating expenses. In addition, customer programs funding of 1% of operation expenses should be sufficient giving the limited revenue expected during FY 2018.

### **Customer Credit, Monthly versus annual:**

As the financial pro forma indicates, MBCP is expecting healthy net revenue even after we pay the premium associated with ensuring that MBCP supply portfolio is near carbon free. In the first 1 to 4 years of operation, majority of that surplus should be held in reserves to establish the agency's financial viability and facilitate future investments in carbon free resources. Provided that MBCP during the startup years of operation opted to offer 3% discount from PG&E generation charges, and recognizing that generation charges are roughly 30% of the total PG&E bill (typically \$100/month for residents), then an average resident should expect savings of \$1/month.

This level of savings will hardly be noticed and unlikely to garner MBCP any goodwill among customers, especially those suspicious of new service providers and governmental agencies. A better approach, especially in the early years when the discount is 5% or less, is to offer that discount as a lump sum or credit at the end of the year.

Considering that MBCP's fiscal year ends September 30 and that it takes an average of 6 weeks to account for payments and receivables, customer cash rebates would be best determined in December.

Provided that this approach is simple to administer, saves MBCP on data management cost and is welcomed by customers, MBCP may choose to adopt it for future years, otherwise staff may return to the traditional approach of offering rate discounts.

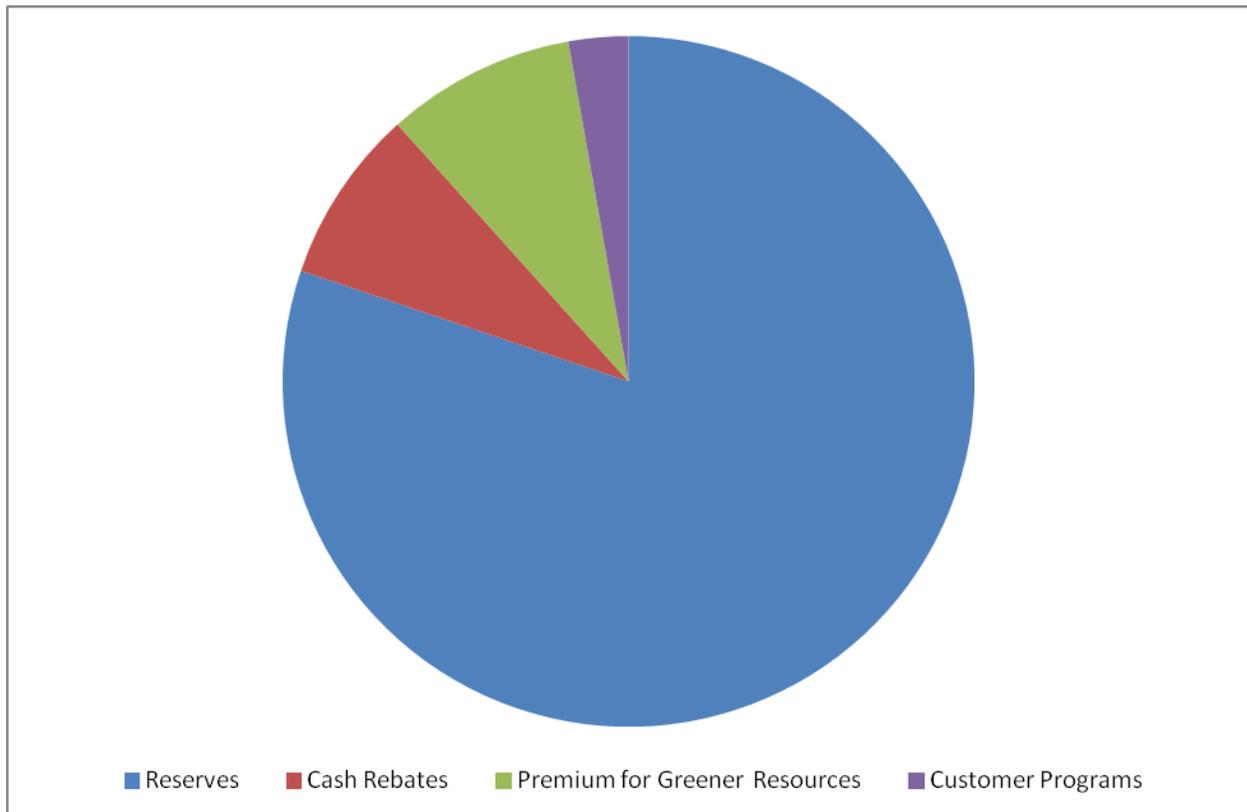
### **Rate Stabilization Fund**

MBCP need sufficient funds to provide for operating capital reserves, rate stabilization fund and sufficient credit to support long-term investment in renewable resources. Reserve of 50% of operating expenses should provide a reasonable target until a thorough study that consider all potential risks is conducted. To prevent frequent rate adjustments, MBCP should establish a boundary of 25% and 75% of operating expenses as the minimum and maximum for the reserve balance.

The speed by which reserves are accumulated is very important. MBCP should dedicate the majority of operating surplus in the early years to reserves. Gradually, the portion of the surplus dedicated to reserves should be reduced until the target reserves is met, then the allocation of the surplus would be dedicated to new programs and customer credits.

The following graph shows the allocation of discretionary expenses among the four areas for FY 2017-2018. Staff will periodically report on the effectiveness of this approach and make recommendation for the following years in mid 2018.

Reserves	\$34.4 million
Cash Rebates	\$3.5 million
Premium for Greener resources	\$3.8 million
Customer programs	\$1.2 million



### **Conclusion**

MBCP is in an enviable position, expecting net revenue of roughly \$43 million in FY 2017-2018. MBCP should hold the 80% of this position into cash reserves and allocate the remaining 20% to fund greener power supply, customer programs and cash rebates



## Staff Report Item 10

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer  
Shawn Marshall, LEAN Energy US

**SUBJECT:** Approval of MBCP Staffing Plan, Employee Benefits and Policies

**DATE:** September 6, 2017

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### **Recommendations**

1. Direction and approval of: (1) proposed MBCP job classifications and initial organizational chart, (2) proposed salary ranges and hiring schedule, (3) proposed employee benefits and (4) employment policies as specified in the employee handbook.
2. Authorize the CEO to develop job descriptions based on the proposed staffing plan and begin recruitment efforts once working capital has been approved and becomes available.

### **Background and Discussion**

In July 2017, the Board approved a contract with interim CEO, Tom Habashi, who is the first contract employee of MBCP. MBCP is currently supported by a combination of staff from Santa Cruz County and consultants with expertise in various specialty areas. As MBCP moves more aggressively into implementation and secures a line of credit to support Agency development, it will be in a position to hire permanent staff and get a core group trained and ready for customer enrollment and early operations.

Attached is a package of staffing and human resources information that includes a proposed framework for MBCP's initial staffing, functional roles and salary ranges, a schedule for on-boarding initial personnel, a review of proposed employee benefits, and an employee handbook outlining employee policies. These documents were developed through examination of HR best practices among operating CCAs and experience with start-up CCA agencies. The following near-term needs were also considered:

- 1) Efficient initial staffing plan and baseline organizational chart that can expand as the organization grows
- 2) Initial emphasis on administrative support, marketing and key accounts to ensure smooth roll out and minimal opt outs
- 3) Flexible timing of staff hires to adapt to program needs and recruitment outcomes

**Next Steps:**

If the Board approves the overall staffing plan and employee benefits and policies, the CEO will work with staff and consultants to draft job descriptions and begin recruitment for initial hires. It is anticipated that recruitment will commence in mid to late September in anticipation of the line of credit being in place and continue through program launch in March 2018.

**Attachments:**

- 1) Proposed Job Classifications, Initial Organization Chart, Hiring and Salary schedules
- 2) Overview of Proposed Employee Benefits
- 3) Proposed Employee Handbook



## Description of Proposed Employee Benefits

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*The following provides an overview of proposed benefits for MBCP exempt and some non-exempt employees. Employee benefits are subject to change based on market conditions, available insurance carriers/premiums, and other factors at the discretion of the Human Resources Manager and CEO.*

### **Health Insurance – minimum of 2 enrolled and 70% participation**

Employer contributes \$1000 a month to employee’s medical, dental & vision coverage. If the employee has coverage elsewhere, employer will contribute up to \$1000 to a Health Savings Account or Flexible Spending Account in lieu of health, dental and vision coverage. The employee must provide proof of health coverage within 30 days of starting date.

### **Medical, Dental and Vision Care Providers:**

To be determined

### **Retirement**

MBCP does contribute to employee’s social security taxes.  
Employer will provide up to 5% matching contribution to 401A plan.  
Employee can voluntarily contribute up to the IRS limits to 457B plan.

### **Paid Time Off**

Employee accrues PTO at a rate of 160 hours per year at time of hire for vacation, sick and personal time. Employee may no longer accrue leave time when the balance of leave reaches 2 times their annual maximum accrual. After the employee’s first anniversary they will accrue an additional 8 hours per year for each year of employment, up to a maximum accrual rate of 240 hours per year. Employee must be paid out for any balance accrued at the time of separation from the organization.

### **Holidays**

New Year’s Day	Labor Day
Martin Luther King Jr.’s Birthday	Veterans Day
President’s Day	Thanksgiving
Memorial Day	Day after Thanksgiving
Independence Day	Christmas Day

There are quite a few mandatory leaves of absence that are required based on both Federal & CA law which change due to employer size. More details are included in the employee handbook.

- Domestic Violence and Sexual Assault Victim Leave
- Jury Duty or Witness Leave
- Military Leave

- Pregnancy Disability Leave
- School Appearance Leave
- Time Off for Victims of a Violent or Serious Crime
- Time Off to Vote
- Volunteer Emergency Duty Leave

**Long-term Disability Insurance**

LTD provided at 60% of salary subject to term of LTD insurance carrier and cap based on wage

**Term Life Insurance**

Guaranteed \$200,000 life and AD&D coverage

**Flexible Spending Account & Health Savings Account**

Pre-tax deductions for health spending and dependent care as well as employer excess contribution to the HSA.

2017	HSA (Health Savings Account)
Contribution limit (employee + employer)	Self-only - \$3,400 Family - \$6,750
HDHP minimum deductible	Self only - \$1,300 Family - \$2,600
	FSA (Flexible Spending Account)
Dependent Care Contribution	\$5,000
Health Care Contribution	\$2,550

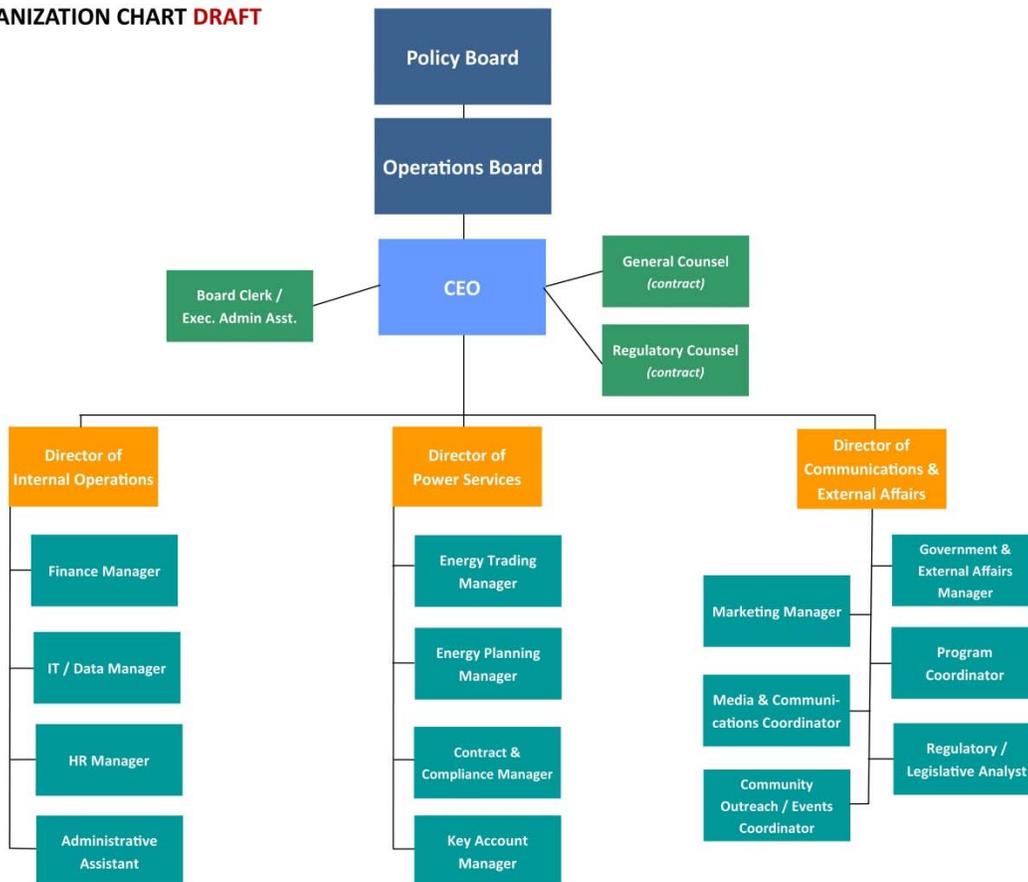


## Proposed Job Classifications, Hiring and Salary Schedule

### Job Classifications:

Job classifications/positions have been categorized to reflect the nature of the duties and the role within the organization. Job descriptions will be drafted for each position, including a description of the duties, minimum education and experience qualifications, and skills and abilities required to perform the functions of each position. Specific positions and their corresponding job descriptions are proposed to be updated by the HR Manager and CEO as needed. Material changes in job titles/classifications and/or roles will be provided to the Board for approval as needed.

**MBCP ORGANIZATION CHART DRAFT**



**Proposed Hiring Schedule:**

The following is a proposed hiring schedule based on the previous experience of MBCP’s interim CEO. It is subject to change as may be needed to fulfill each position with qualified candidates.

Position	Group 1 Sep 01 2017	Group 2 Jan 1, 2018	Group 3 Mar 1 , 2018
Chief Executive Officer	Complete		
Board Clerk/Executive Assistant	X		
General Counsel (contract position)	X		
Regulatory Counsel (contract position)		X	
Director of Internal Operations		X	
Finance Manager	X		
IT/ Data Manager		X	
HR Manager			X
Administrative Assistant	X		
Director of Power Services			X
Energy Trading Manager	X		
Energy Planning Manager			X
Contract & Compliance Manager			X
Key Account Manager	X		
Director of Communications & External Affairs		X	
Marketing Manager	X		
Media and Communications Coordinator	X		
Community Outreach & Events Coordinator	X		
Government and External Affairs Manager	X		
Programs Coordinator			X
Regulatory/Legislative Analyst			X

**Proposed Salary Schedule:**

These proposed salary ranges are based on salary surveys of similar positions conducted in 2016 for Silicon Valley Clean Energy and on current (June 2017) salary information received from Marin Clean Energy; where there was great divergence, judgment was applied. These numbers do not include MBCP benefits which are estimated to be valued at an additional 35%-40% of the total salary.

Position/Title	Minimum Salary (Annual \$)	Maximum Salary (Annual \$)
Board Clerk/Executive Assistant	\$75,000	\$120,000
General Counsel (contract)		\$120,000
Regulatory Counsel (contract)		\$120,000
Director of Internal Operations	\$120,000	\$180,000

Finance Manager	\$90,000	\$150,000
IT Manager	\$75,000	\$120,000
HR Manager	\$75,000	\$120,000
Administrative Assistant	\$50,000	\$75,000
Director of Power Services	\$150,000	\$240,000
Energy Trading Manager	\$120,000	\$180,000
Energy Planning Manager	\$120,000	\$180,000
Contract & Compliance Manager	\$100,000	\$150,000
Key Account Manager	\$80,000	\$125,000
Director of Communications & External Affairs	\$120,000	\$180,000
Marketing Manager	\$80,000	\$120,000
Media and Communications Coordinator	\$60,000	\$90,000
Community Outreach & Events Coordinator	\$50,000	\$75,000
Government and External Affairs Manager	\$80,000	\$120,000
Programs Coordinator	\$60,000	\$90,000
Regulatory/Legislative Analyst	\$60,000	\$100,000

The chart below represents a market salary survey done by SVCE in 2016 (collecting data from five electric utilities, including MCE and SCP).

Classification	Study Results (Monthly)			Proposed (Monthly)			Proposed (Annual)	
	Mean	Median	Highest	Minimum (CP-30%)	Control Point	Maximum (CP+10%)	Minimum Salary	Maximum Salary
Account Representative I	See Below			5,250	7,500	8,250	63,000	99,000
Account Representative II	8,272	8,223	9,143	6,300	9,000	9,900	75,600	118,800
Account Services Manager	10,343	10,291	11,623	8,400	12,000	13,200	100,800	158,400
Administrative Analyst	8,632	8,584	9,167	6,300	9,000	9,900	75,600	118,800
Administrative Assistant	5,766	5,746	5,857	4,200	6,000	6,600	50,400	79,200
Board Clerk / Executive Assistant	9,663	9,960	11,232	7,700	11,000	12,100	92,400	145,200
Community Outreach Manager	10,728	9,123	14,969	8,400	12,000	13,200	100,800	158,400
Community Outreach Specialist	6,106	6,067	6,417	4,550	6,500	7,150	54,600	85,800
Director of Administration & Finance	15,362	16,273	19,929	11,200	16,000	17,600	134,400	211,200
Director of Marketing & Public Affairs	13,166	13,166	14,665	11,200	16,000	17,600	134,400	211,200
Director of Power Resources	15,589	15,464	16,161	13,300	19,000	20,900	159,600	250,800
Finance Manager	13,166	13,463	15,621	9,100	13,000	14,300	109,200	171,600
General Counsel & Director of Government Affairs	20,695	20,591	22,233	15,400	22,000	24,200	184,800	290,400
Power Contracts & Compliance Manager	12,516	11,721	15,511	10,500	15,000	16,500	126,000	198,000
Power Resource Planning & Programs Analyst	9,974	9,751	11,250	7,700	11,000	12,100	92,400	145,200
Regulatory/Legislative Analyst	10,419	10,180	10,914	7,700	11,000	12,100	92,400	145,200

The chart below represents salary ranges for Marin Clean Energy Positions

Salary Ranges for MCE Positions 1.1.17 (updated 6.16.17)

Job Title	Bottom of Range	Top of Range
Account Manager I	\$51,237	\$71,689
Account Manager II	\$63,594	\$97,753
Administrative Assistant	\$48,688	\$72,465
Board Clerk/Executive Assistant to CEO	\$68,156	\$108,427
Chief Executive Officer	\$274,804	\$274,804
Community Affairs Coordinator	\$46,768	\$79,395
Community Development Manager	\$83,570	\$122,751
Community Power Organizer	\$67,117	\$93,824
Deputy General Counsel-Reg & Legislative Policy	\$146,286	\$221,809
Director of Customer Programs	\$108,974	\$180,350
Director of Internal Operations	\$90,422	\$139,812
Director of Power Resources	\$118,510	\$199,948
Director of Public Affairs	\$130,691	\$181,433
Customer Programs Manager	\$88,944	\$128,896
Customer Programs Specialist I	\$67,094	\$93,798
Energy Efficiency Program Specialist II	\$75,010	\$106,055
Finance Manager	\$95,749	\$149,385
General Counsel	\$195,140	\$267,277
Human Resources Manager	\$95,731	\$140,969
Internal Operations Associate	\$54,530	\$81,160
Internal Operations Coordinator	\$77,037	\$114,918
Legal Assistant I	\$48,688	\$72,417
Legal Assistant II	\$54,530	\$81,160
Legal Counsel I	\$87,210	\$121,376
Legal Counsel II	\$119,925	\$178,390
Legal Operations Manager	\$73,554	\$109,162
Manager of Account Services	\$94,688	\$154,733
Manager of Business & Comm Dev.	\$96,423	\$152,250
Manager of Community Development	\$96,423	\$152,250
Manager of Consumer Programs - Operations	\$94,688	\$154,733
Manager of Consumer Programs - Policy & Planning	\$94,688	\$154,733
Manager of Marketing Communications	\$83,876	\$119,977
Marketing Associate	\$60,450	\$84,498
Marketing Manager	\$74,721	\$100,101
Power Settlements Analyst	\$78,355	\$113,341
Power Supply Contracts Manager I	\$75,099	\$118,391
Power Supply Contracts Manager II	\$102,471	\$153,375
Regulatory & Legislative Coordinator	\$65,674	\$97,467
Regulatory & Legislative Counsel	\$126,547	\$210,775
Policy Analyst I	\$76,699	\$119,188
Policy Analyst II	\$82,348	\$127,673
Policy Counsel I	\$87,210	\$121,376
Policy Counsel II	\$99,933	\$159,277
Senior Community Development Manager	\$91,927	\$135,206
Senior Policy Analyst	\$99,710	\$149,016

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# Employee Handbook

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**September, 2017**

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## Welcome To Monterey Bay Community Power

DATE

Dear MBCP Employee:

Congratulations on your employment with Monterey Bay Community Power! We at MBCP share great pride and passion in the work we do, and we're glad you're joining us to help advance our mission for the benefit of our ratepayers, our environment, and our communities.

As an employee of MBCP, you are our most valuable resource. With your talent and abilities, as well as those of the rest of our team, we plan to continue fostering an open, cooperative and dynamic environment; it is our hope that you find MBCP a rewarding place to work.

Information regarding the procedures, practices, policies and benefits of MBCP are contained within this handbook and we encourage you to review carefully and become familiar with them. MBCP's policies may change at any time, and staff employees are expected to comply with the most current versions.

If you would like further information or have questions about any of the information outlined in this handbook, please feel free to reach out to me or your supervisor to discuss.

On behalf of the MBCP Board of Directors and staff, I extend a warm welcome to our team!

Sincerely,

Tom Habashi  
Chief Executive Officer

## Introductory Policies

### Introduction & Future Revisions

We hope you will find your employment with MBCP to be both rewarding and challenging. Our staff are key to MBCP's success and we carefully select our new employees. This handbook is not a contract, express or implied, nor does it guarantee employment for any specific length of time.

The policies included in this handbook are guidelines only and are subject to change as MBCP deems appropriate and necessary. From time to time you may receive notice of new or modified policies, procedures, benefits, or programs. No oral statements or representations can in any way change or alter the provisions of this employee handbook.

### Our Working Relationship

MBCP does not offer tenure or any other form of guaranteed employment. Either MBCP or the employee can terminate the employment relationship at any time, with or without cause, with or without notice. This is called Employment At Will. This employment at will relationship exists regardless of any other written statements or policies contained in this handbook or any other Agency documents or any verbal statement to the contrary.

No one except MBCP's CEO can enter into any kind of employment relationship or agreement that is contrary to the previous statement. To be enforceable, such relationship or agreement must be in writing, signed by the CEO, and notarized.

### What Monterey Bay Community Power Expects From You

MBCP wants your employment to be a positive and rewarding experience. You help create the pleasant and safe working conditions that MBCP intends for you. As such, MBCP expects you to:

- Know your own duties and how to do them promptly, safely, correctly and pleasantly
- Cooperate with management and your fellow employees and maintain a good team attitude
- Perform every task to the very best of your ability
- Be on time and work all of your scheduled hours
- Be courteous and maintain a positive attitude
- Approach your supervisor, or any member of management, to discuss any problem or question
- Voice your opinions and contribute your suggestions to improve the quality of MBCP

### Employee Relations Policy

MBCP's commitment to long-term collective relationships with its employees is guided by the implementation of our Employee Relations Policy, which is as follows:

1. Provide an exciting, challenging, and rewarding workplace and experience.
2. Select people on the basis of skill, training, ability, attitude, and character without discrimination with regard to age, gender, genetic information, genetic characteristics, gender identity, gender expression, color, race, national origin, religious creed, marital status, military status, sexual orientation, political belief, disability, or any other protected basis.

3. Develop competent people who understand and meet our objectives, and who accept ideas, suggestions and constructive feedback from fellow employees.
4. Assure employees an opportunity to discuss any problems with their supervisor or the CEO of MBCP.
5. Make prompt and fair adjustment of any complaints, which may arise in the everyday conduct of our business, to the extent that it is practical.
6. Respect individual rights, and treat all employees with courtesy and consideration.
7. Promote employees on the basis of their ability and merit.
8. Keep all employees informed of the progress of MBCP as well as MBCP's overall aims and objectives.

### **Open Communication Policy**

At MBCP, courtesy, tact and consideration should guide each employee in relationships with fellow workers and the public. It is mandatory that each employee show maximum respect to every other person in the organization. The purpose of communication should be to help others and to make our business run as effectively as possible, thereby gaining the respect of our colleagues and customers.

- Discuss any issue you may have with a co-worker directly with that person. If a resolution is not reached, please arrange a meeting with your supervisor to discuss any concern, problem, or issue that arises during the course of your employment. MBCP will not retaliate against you for appropriate usage of open communication channels.
- Differences of opinion should be handled privately and discreetly. Gossip and backbiting are to be avoided.
- Employees should strive to maintain a civil work atmosphere at all times and refrain from shouting, yelling or using vulgarities at co-workers.
- MBCP is a work environment free from disparaging remarks about religion, ethnicity, sexual preferences, appearance and other non-work related matters.
- Inappropriate remarks based on any of the following are not tolerated and such behavior will result in immediate termination of employment: race, religion, ethnic origin, physical attributes, mental or physical disability, color, ancestry, marital status, pregnancy, medical condition, citizenship and/or age.

### **Equal Employment Opportunity**

MBCP considers itself to be an equal opportunity employer and makes employment decisions on the basis of merit and business need. MBCP's policies prohibit unlawful discrimination based on race, color, religious creed, gender, genetic information, genetic characteristics, gender identity, gender expression, religion, marital status, military status, age, national origin or ancestry, physical or mental disability, medical condition, sexual orientation, or any other consideration made unlawful by federal, state or local laws. All such discrimination is unlawful.

MBCP furthers the principles of equal employment by seeking talented and competent persons who are suited for a specific position by reason of training, experience, character, personality, intelligence and general ability. MBCP does not consider an individual's race, color, sex, age, religion, national origin, sexual preference, handicap, disability status, veteran status, military status, gender, genetic information, genetic characteristics, gender identity, gender expression, or any other protected status in recruiting and selecting employees.

Promotions are based on an employee's past performance and qualifications to assume additional responsibilities determined without regard to, or consideration of, the individual's status. MBCP takes all personnel actions without regard to an individual's protected status. When necessary under the California Fair Employment and Housing Act and the Americans with Disabilities Act, MBCP will reasonably accommodate an employee or applicant with a disability if the employee or applicant is otherwise qualified to safely perform all of the essential functions of the position.

We are committed to complying with all applicable laws providing equal employment opportunities. This commitment applies to all persons involved in the operations of MBCP, and prohibits unlawful discrimination by any employee of MBCP.

We will make reasonable accommodations when requested to comply with applicable laws ensuring equal employment opportunities to qualified individuals with a disability. These accommodations will be made for the known physical or mental disability of an applicant or an employee unless undue hardship would result in a direct threat to the health and safety or other job related considerations exist.

MBCP will engage in a timely, good-faith, interactive process to determine a reasonable accommodation, if any, in response to a request for reasonable accommodation by an employee or applicant with a known physical or mental disability or known medical condition.

### **Unlawful Harassment**

MBCP intends to provide a work environment that is pleasant, professional, and free from intimidation, hostility or other offenses which might interfere with work performance. Harassment of any sort - verbal, physical, or visual - will not be tolerated. This includes both sexual harassment as well as harassment based on an employee's status in a protected class. These classes include, but are not necessarily limited to race, color, religion, age, gender, genetic information, genetic characteristics, gender identity, gender expression, sexual orientation, national origin or ancestry, disability, medical condition, marital status, veteran status, military status, or any other protected status defined by law. This policy also prohibits unlawful harassment based on the perception that anyone has any of those characteristics, or is associated with a person who has or is perceived as having any of those characteristics. This policy extends to unlawful harassment of, or by vendors, independent contractors, customers, or others with whom employees may come into contact with during their work for MBCP.

Our workplace is not limited to our agency facilities, but may also include customer and vendor facilities, as well as anywhere a business-related function, or social function sponsored by MBCP, is taking place.

### **What Is Workplace Harassment?**

Workplace harassment can take many forms. It may be, but is not limited to, words, signs, offensive jokes, cartoons, pictures, posters, e-mail jokes, social media communication, messages or statements, pranks, intimidation, physical assaults or contact, or violence. It may also take the form of other vocal activity including derogatory statements not directed to the targeted individual but taking place within their hearing. Other prohibited conduct includes written material such as notes, photographs, cartoons, articles of a harassing or offensive nature, and taking retaliatory action against an employee for discussing or making a harassment complaint. In addition, this policy covers all individuals in the workplace, such as fellow employees, supervisors,

outside customers, vendors, independent contractors, or other non-employees who conduct business with our agency.

### **What Is Sexual Harassment?**

Sexual harassment may include unwelcome sexual advances, requests for sexual favors, or other verbal or physical contact of a sexual nature. When this conduct creates an offensive, hostile and intimidating working environment, it may prevent an individual from effectively performing the duties of their position. It also encompasses such conduct when it is made a term or condition of employment or compensation, either implied or stated and when an employment decision is based on an individual's acceptance or rejection of such conduct.

It is important to note that harassment crosses age and gender boundaries and cannot be stereotyped. Among other perceived unconventional situations, sexual harassment may involve two women or two men. Harassment may exist on a continuum of behavior. For instance, one example of harassment may be that of an employee showing offensive pictures to another employee. A picture will be presumed to be sexually suggestive if it depicts a person of either sex who is not fully clothed or in clothes that are not suited to, or customarily accepted for, the accomplishment of routine work in and around the workplace.

Generally, two categories of harassment exist. The first, "quid pro quo," may be defined as an exchange of sexual favors for improvement or continuance in your working conditions and/or compensation. The second category, "hostile, intimidating, offensive working environment," can be described as a situation in which unwelcome sexual advances, requests for sexual favors, or verbal or other conduct creates an intimidating or offensive environment. Examples of a hostile, intimidating, and offensive working environment includes, but is not limited to, pictures, cartoons, symbols, or apparatus found to be offensive and which exist in the workspace of an employee. This behavior does not necessarily link improved working conditions in exchange for sexual favors. An employee may have a claim of harassment even if he or she has not lost a job or other economic benefit. The law prohibits any form of protected basis harassment that impairs an employee's working ability or emotional well-being at work.

We prohibit any employee from retaliating in any way against anyone who has raised any concern about sexual harassment or discrimination against another individual. We will investigate any complaint of sexual harassment and will take immediate and appropriate disciplinary action if sexual harassment has been found within the workplace.

### **Responsibility**

All MBCP employees, and particularly supervisors, have a responsibility for keeping our work environment free of harassment. Any employee who becomes aware of an incident of harassment, whether by witnessing the incident or being told of it, must report it to their immediate supervisor, the CEO or the designated management representative with whom they feel comfortable. When management becomes aware of the existence of harassment, it is obligated by law to take prompt and appropriate action, whether or not the victim wants MBCP to do so.

### **Reporting**

All reported incidents of prohibited harassment will be investigated in an effective, thorough and objective manner that provides all parties with appropriate due process and reaches reasonable conclusion based on the

evidence collected. The investigation will be completed and a determination regarding the reported harassment will be made and communicated to both the complainer and to the accused harasser(s). If you believe you have been harassed by any agency employee, customer, or other business contact, confront the harasser and ask him/her to stop. While we encourage you to communicate directly with the alleged harasser, and make it clear that the harasser's behavior is unacceptable, offensive or inappropriate, it is not required that you do so. It is essential, however, to notify the Human Resources Manager immediately even if you are not sure the offending behavior is considered harassment. Any incidents of harassment must be immediately reported to the Human Resources Manager. If the Human Resources Manager is not available, contact your immediate supervisor. At any time if you feel that you are in immediate harm and do not have time to contact either the Human Resources Manager or your supervisor, seek assistance from any management representative.

Appropriate investigation and disciplinary action will be taken. All reports will be promptly investigated with due regard for the privacy of everyone involved. However, confidentiality cannot be guaranteed. Any employee found to have harassed any employee will be subject to severe disciplinary action up to and including termination. MBCP will also take any additional action necessary to appropriately remedy the situation. Retaliation of any sort will not be permitted. No adverse employment action will be taken for any employee making a good faith report of alleged harassment.

In addition, MBCP will take appropriate action to remedy any loss to the complaining employee resulting from the harassment. The individual who makes unwelcome advances, threatens or in any way harasses another employee may be personally liable for such actions and their consequences.

All employees must report any incidents immediately so that complaints can be quickly and fairly resolved. The California Department of Fair Employment and Housing (“DFEH”) investigates and may prosecute complaints of harassment. Whenever an employee thinks he or she has been harassed or that he or she has been retaliated against for resisting or complaining, that employee may file a complaint with the DFEH. The nearest DFEH office is listed in the telephone book or on-line.

## **Employment Policies and Practices**

### **Classification of Employees**

A new hire will be classified as either “exempt” or “non-exempt.”

Non-exempt employees are entitled to overtime pay for hours worked in excess of eight (8) hours per day or forty (40) hours per workweek.

Exempt employees are those employees whose duties and responsibilities allow them to be “exempt” from provisions as provided by the Federal Fair Labor Standards Act (FLSA) and any applicable state laws. If you are an exempt employee, you will be advised that you are in this classification at the time you are hired, transferred, or promoted. Participation in MBCP’s benefits programs may be affected by your employment status or classification.

All employees of MBCP whether exempt, non-exempt, full-time, part-time, or temporary are employed at-will.

1. The EXEMPT status applies to certain administrative, professional, and executive staff. Exempt employees qualify for exemption from overtime regulations under state and federal law and their salaries already take into account that they may work long hours.
2. The NON-EXEMPT status applies to all other regular employees. Non-exempt employees are covered by regulations in the State of California wage orders and receive extra pay for overtime work (as described in the overtime section of this employee handbook). Employees working in non-exempt positions are compensated for the actual amount of time spent on their job and are entitled to receive time and one-half (1 ½) their regular rate of pay for each hour worked in excess of forty (40) hours in a work week. Non-exempt California employees are eligible for overtime compensation after eight (8) hours worked in one (1) day or forty (40) hours worked in one (1) week, at one and one-half (1½) times their regular pay.
3. FULL-TIME employees work on a regular basis for at least 40 hours per week. Full-time employees may or may not be EXEMPT. They are eligible for all benefits available through work at MBCP, so long as they meet the applicable requirements, such as length of service.
4. PART-TIME employees work on a regular basis for fewer than 40.0 hours per week. Part-time employees are entitled to all benefits as explained later in this employee handbook according to a prorated formula based on their average hours worked compared to a standard 40.0 hour workweek.
5. TEMPORARY EMPLOYEES are hired with the understanding that their employment will not continue beyond a stated date or beyond completion of a specified project or projects. Temporary employees will generally not be employed for more than 6 months. Temporary employees are not eligible for benefits covered in this employee handbook, other than those required by law or as stipulated in writing signed by the CEO.
6. INTERNS are employees who are students gaining supervised practical experience in a professional field. Interns may be paid, but are not eligible for any benefits listed in this employee handbook.

### **Job Postings**

Open positions at MBCP will be posted and will include the position title, department and a brief description of qualifications. If you are interested in a particular job opening, you should discuss first with your current supervisor. A promotion or transfer will not be considered without the supervisor's knowledge. You are also encouraged to refer qualified candidates for open positions.

### **Rehired/Converted Employees**

If you meet eligibility requirements for rehire at the time of your separation from MBCP, you will be considered at any time there is a position available for which you are qualified. Former employees will be considered along with all other applicants, and have no greater chance of being selected for employment than all other applicants.

If you are rehired by MBCP or convert from part-time to full-time status, your length of service with MBCP for all purposes will be calculated beginning with the rehiring date or the date of conversion to full-time status.

Employees who are terminated due to misconduct or violation of agency policy will be considered ineligible for rehire.

## **Job Duties**

Your supervisor will explain your job responsibilities and the performance standards expected of you. Your job responsibilities may change at any time during your employment; for example you may be asked to work on special projects or to assist with other work necessary or important to the operation of MBCP. It is expected that MBCP will have your cooperation and assistance in performing such additional work.

MBCP also may, at any time, with or without notice, alter or change your job responsibilities, reassign or transfer your position, or assign you additional job responsibilities depending on business needs.

## **Work Schedules**

MBCP's normal business hours are 8:00 a.m. through 5:00 p.m., Monday through Friday. Your supervisor will assign your individual work schedule, and you are expected to be ready to perform your work at the start of your scheduled shift.

On occasion, work schedules may fluctuate with customer demand. If a change in your work schedule is required, your supervisor will notify you at the earliest opportunity. You may be required to work overtime or hours other than those normally scheduled, although we expect this to be kept to a minimum. Exempt employees are required to work as many hours as are necessary to complete the responsibilities of their positions.

## **Personnel Records**

A personnel file will be maintained in the office of the CEO on each MBCP employee. General personnel records may be kept in your file such as: job application, performance evaluations, training records, emergency contact information and payroll changes. You may review your personnel file during regular business hours upon making a request to the CEO. No one other than you, your supervisor, the Human Resources Manager, the CEO, or his/her designee may seek information from your file without your written permission. Under no circumstances should your file be removed from the CEO's office.

MBCP will keep your personnel records private. However, there are certain times when information may be given to a person outside MBCP. These are:

1. In response to a subpoena, court order, or order of an administrative agency;
2. To a governmental agency as part of an investigation by that agency of MBCP's compliance with applicable law;
3. In a lawsuit, administrative proceeding, grievance, or arbitration in which you and MBCP are parties;
4. In a workers' compensation proceeding;
5. To administer employee health benefit plans;
6. To a health care provider, when necessary;
7. To a first aid or safety personnel, when necessary; and
8. To a prospective employer or other person requesting a verification of your employment.

Please promptly notify the CEO of any changes in your personal data. Keeping your file up-to-date can be important with regard to pay, deductions, benefits and other matters. Coverage or benefits that you and your

family may receive under MBCP's benefits package could be negatively affected if the information in your personnel file is incorrect.

### **Inspection of Payroll Records**

Employees and former employees have the right to inspect and obtain copies of their own payroll records. All requests must be submitted in writing to the CEO, his/her designee or to MBCP's Human Resources Manager who will process the request. Requests will be honored within 30 days from the date they are received. Individuals who make a request may be asked to provide identification and may be required to pay for the cost of making the copies.

### **Layoffs and Work Reductions**

Depending on the scope of the reduction, (i.e., agency-wide, job classification, position), employees will be selected for layoff based on a combination of factors, including, but not necessarily limited to: past performance and productivity, qualifications, attendance, attitude, ability and willingness to work the required days and hours, and the ability to work cooperatively with others in the affected work unit.

The weight given to the above factors may vary depending upon the particular needs of the affected work unit and MBCP as a whole at the time of the layoff.

Seniority shall be considered only when, in our opinion, all other factors are equal between two or more employees in the affected work unit. Seniority will be computed on the basis of an employee's total continuous service with MBCP. For this purpose, continuous service before and after any break in service of less than 30 days or an approved leave of absence, will be counted.

### **Employment Termination**

MBCP strives to ensure a smooth transition for employees leaving MBCP.

MBCP and its employees have an employment relationship that is known as "employment at will." This means that employees are not required to work for MBCP for any set period of time nor is MBCP required to employ individuals for any specific length of time. **The statements made in this policy do not alter, modify or limit the employment at will relationship.** An "at-will" employee is subject to termination of employment at any time MBCP concludes it appropriate to do so.

Involuntary separation from service means that the termination action is being initiated by MBCP, rather than by the employee. In general, employees who are discharged by MBCP are not eligible for rehire. However, employees who are terminated due to layoff or restructuring may be eligible for rehire or recall at MBCP's discretion.

MBCP will consider you to have voluntarily terminated your employment if you do any of the following:

1. Resign from MBCP;
2. Fail to return from an approved leave of absence on the date specified by MBCP, or;
3. Fail to report to work or call in for 3 consecutive work days in accordance with our policies

In the event that you resign voluntarily, you will be asked to provide us with the professional courtesy of two weeks' notice of resignation to allow for a smooth transition and training of any replacement personnel. The notice you give will be noted on the employment record and will be considered in any discussion regarding rehire or reference information. Once notice has been given, accrued and unused paid time off (PTO) days normally may not be taken, unless an exception is granted by the Human Resources Manager or CEO.

All agency property such as office equipment, credit cards, keys, manuals, computer equipment, and cell phones must be returned on or prior to the last day of employment. You should return these items to your immediate supervisor.

Final wages for time worked, plus any pay for unused but accrued PTO, will normally be paid on your last day of employment.

### **Severance Pay**

MBCP does not maintain a formal severance pay policy nor provide severance pay to employees who leave MBCP for any reason. Severance pay should therefore not be expected. However, MBCP reserves the right to make exceptions to this policy at any time.

### **Exit Interviews**

If you resign voluntarily, the Human Resources Manager or your direct supervisor will conduct an exit interview whenever feasible. This interview allows you to communicate your views on your work with MBCP and the job requirements, operations and training needs and future reference information to potential employers.

### **Employment Verification and References**

MBCP's policy as to references for employees who have left MBCP is to disclose only the dates of employment and the title of the last position held. MBCP will provide a prospective employer with your last earned wage or salary only at your written request. You may provide a signed form authorizing MBCP to release specific reference information to potential employers.

It is our policy that only the CEO is authorized to respond to requests for employee references and verification of employment from financial institutions, etc. No other supervisor or employee is authorized to provide references for current or former employees.

As an employee of MBCP, do not under any circumstances respond to any requests for information regarding another employee unless it is part of your assigned job responsibilities. If it is not, please forward the information request to the Human Resources Manager or the CEO.

## **Timekeeping and Attendance**

### **Punctuality and Attendance**

Regular attendance and punctuality is considered an "essential function" of your job. You are expected to have regular attendance during all scheduled work hours, report to work on a timely basis, and work through the end of your regularly scheduled workday. Chronic lateness will not be tolerated and will result in discipline, up to and including termination.

- You must personally call your supervisor prior to the start of your shift if you are unable to report to work, or will be late to work, on any particular day.
- You are expected to advise another management representative of your absence if you are not able to reach your supervisor and leave a telephone number where you can be reached.
- You may not have a relative or friend call in to report your absence, unless you are unable to call yourself due to a medical or other emergency.
- If you call after the start of your shift you will be considered tardy for that day.
- You are expected to provide your supervisor with an honest reason or explanation of your absence or tardiness and inform your supervisor of the expected duration of the absence.
- With the exception of certain extenuating circumstances, you must call in each day you are scheduled to work and will not report to work.

Repeated absenteeism or tardiness (whether excused or not) is not tolerated. Continuing patterns of absences, early departures, or tardiness - regardless of the exact number of days—may warrant disciplinary action, up to and including termination of employment. Emergency or extraordinary circumstances concerning an absence or tardiness will be considered and we reserve the right to make an exception to this policy if, at our discretion, an exception is warranted. Repeated car failures, missing the bus, consistently failing to arrange back-up childcare or oversleeping do not constitute emergency or extraordinary circumstances. We reserve the right to determine what is considered excessive absenteeism.

If you fail to report for work for three (3) consecutive days without any notification to your supervisor, we will consider that you have abandoned your employment, and have resigned your position. If you return, you may be required to provide documentation verifying your absence.

#### **Timekeeping Requirements for Non-Exempt Staff**

Federal and state law requires MBCP to keep an accurate record of time worked. Employee time records are official MBCP records and must be accurately maintained. You must input your own time at the start and at the end of each workday, and at the start and end of each lunch hour. Completing another employee's time record or intentionally falsifying a time record is a serious violation and may result in immediate termination of employment. If a time record needs to be corrected, both you and your supervisor must initial the change in the time record to verify its accuracy.

#### **Meal and Rest Periods for Non-Exempt Staff**

California law requires that each non-exempt employee be given at least a 30-minute lunch break each day, and that this break begins within the first five hours of your workday. Accordingly, taking a duty-free lunch period of at least 30 minutes is mandatory. If you work more than 10 hours, you are entitled to a second, unpaid meal period of at least 30 minutes. Depending on the circumstances, you may be able to waive your second meal period if you took the first one.

You are allowed one ten-minute rest period for every four hours of work or major portion thereof. While there is no set schedule for breaks, you are able to take restroom breaks and get refreshments as desired.

If, at any time, you are unable to take a lunch break and/or rest period because of workload, please inform your supervisor.

You are expected to observe your assigned working hours and the time allowed for meal and rest periods.

### **Overtime Time Provisions for Non-Exempt Staff**

As necessary, you may be asked to work overtime. Only actual hours worked in a given workday or workweek will be counted in determining which hours constitute overtime. We will attempt to distribute overtime evenly and accommodate individual schedules. A supervisor must previously authorize all overtime work. Any overtime worked without prior authorization may be grounds for discipline. We provide compensation for all overtime hours worked by non-exempt employees in accordance with state and federal law as follows:

1. All hours worked in excess of eight (8) hours in one workday or forty (40) hours in one workweek, or for the first eight (8) hours on the seventh consecutive day of work in one workweek, will be treated as overtime.
2. One and one-half (1 ½) times your regular rate of pay for hours worked in excess of forty (40) for the workweek, or in excess of eight (8) and not more than twelve (12) for the workday, and for the first eight (8) hours on the seventh consecutive day of work in one (1) workweek.
3. Two times your regular rate of pay for hours worked in excess of twelve (12) in one (1) workday and/or in excess of eight (8) on the seventh consecutive workday in the same workweek.

Exempt employees may have to work hours beyond their normal schedules, as work demands require. It does not include an unpaid meal period, make-up time, or hours away from work due to PTO, sickness, holiday, jury duty, or other absences from work. No overtime compensation will be paid to exempt employees.

### **Make-Up Time for Non-Exempt Staff**

Make-Up time is defined as when a non-exempt employee asks his or her supervisor for additional time off to attend to personal matters. If the request is granted, this time off will be without pay. If you wish to make up this missed time, you may submit a "Make-Up Time Request Form" to your supervisor before the make-up time is worked. It is within the supervisor's discretion to grant the request. Make-Up time must be worked in the same workweek as the missed time (including prior to the missed time) in order not to incur overtime. You may not work over eleven (11) hours in one (1) day or over forty (40) hours total in the week including make-up time.

### **Exempt Employee Time Off**

Exempt employees of MBCP are paid a salary, which compensates them for working as many hours as required to complete their job duties. Exempt employees do not receive overtime pay. We realize, however, that in instances of extraordinary additional pressure or increased work hours, it may be appropriate for supervisors to recognize the exempt employee's efforts by granting the employee extra time-off separate from and in addition to the employee's accrued PTO time. In order to achieve consistency among supervisors and fairness to the exempt employees, supervisors should use the following guidelines when exercising their discretion to grant additional time off:

1. Limit the amount of additional time-off to no more than two days;
2. Require the employee to take the time-off in the following week whenever possible and;

3. Do not allow employees to accumulate any granted but unused time-off

### **Lactation Accommodation**

MBCP will provide a reasonable amount of break time to accommodate an employee desiring to express breast milk for the employee's infant child. The break time shall, if possible, run concurrently with any break time already provided to the employee. MBCP shall make reasonable efforts to provide the employee with the use of a room or other location, other than a toilet stall, in close proximity to the employee's work area, for the employee to express milk in private. If special arrangements are made to provide a non-exempt employee extra time beyond or in addition to her normal rest period, the time will be unpaid.

### **Payment of Wages**

Paydays are every other week. There are 26 pay periods in a year. The workday (a 24-hour, consecutive period) begins at 12:01 a.m. and ends at midnight. The workweek begins on Sunday and ends on Saturday.

If a regular payday falls on a weekend or holiday, you will be paid on the first day of work prior to the regularly scheduled payday. If there is an error on your check, please report it immediately to your supervisor.

For your convenience, we offer a direct deposit option.

### **Advances**

We do not permit advances against paychecks or against unaccrued PTO.

### **Payroll Deductions, Wage Attachments and Garnishments**

MBCP makes certain deductions from every employee's paycheck. Among these are applicable federal, state, and local income taxes, social security and Medicare taxes, state disability insurance contributions, and paid family leave contributions. By law, MBCP is also required to honor legal attachments and garnishments of an employee's wages or salaries. If your wages are attached, we will withhold the specified amount to satisfy the terms of the attachment.

### **Reporting Time Pay**

Reporting time pay will be paid under the following conditions:

1. Reporting time pay is owed when you report to work at your regularly scheduled time, but you are not put to work or are given less than half the usual or scheduled day's work. In this case, you will be paid for at least half of the hours you were scheduled to work, but never less than two hours pay, and never more than four hours pay.
2. Reporting time pay is also owed if you are required to report to work a second time in any one (1) workday and are given less than two (2) hours work on the second reporting. In this case you will receive at least two (2) hours pay for the second appearance.

These provisions do not apply if on a paid "standby" or "on call" status. In some instances, you may not receive reporting time pay. Reporting time pay does not apply if public utilities fail, such as water, gas, electricity, or sewer and/or when work is interrupted by an "act of God" or other causes not within MBCP's control.

### **Payment for Hours Worked During Business Travel for Non-Exempt Staff**

Whenever possible, non-exempt employees traveling on agency business are expected to do so during normal working hours. In the very rare instance where your travel time constitutes overtime, you will be paid overtime as required by law. Non-exempt employees will be paid for all hours worked, including out of town travel time, at regular and overtime pay rates according to the law. Pay for travel time may be at a rate of pay that is less than the employee's normal rate of pay.

If you are non-exempt and traveling on business, you will not be paid for time between work assignments; e.g., if you stay the night in a hotel, pay begins when you begin to work, or are in transit. Travel pay is to be scheduled in advance, in writing by your supervisor, with the knowledge of the CEO.

Non-exempt travel may be approved on an as-needed basis, but only with prior authorization from your supervisor.

### **Pay for Mandatory Meetings for Non-Exempt Staff**

MBCP will pay you for your attendance at meetings, lectures and training programs if all of the following conditions are met:

1. Attendance is mandatory (i.e. required by MBCP).
2. The meeting, course, or lecture is directly related to your job.
3. You are notified of the necessity for such meetings, lectures, or training programs by your supervisor (i.e. pre-approval by management is required)

If you meet the above conditions you will be compensated at your regular rate of pay. If you are required to travel, then travel pay will be initiated. You will not receive compensation time spent for in voluntary attendance in courses that are conducted outside of normal business hours and/or that are not directly related to your current job.

## **Standards of Conduct**

### **Professional Business Conduct and Ethics**

By accepting employment with us, you have a responsibility to MBCP and to your fellow employees to adhere to certain codes of behavior and conduct. The purpose of these rules is not to restrict your rights, but rather to be certain that you understand what conduct is expected and necessary. When each person is aware that he or she can fully depend upon fellow workers to follow the rules of conduct, then our agency will be a better place for everyone to work.

Generally speaking, we expect you to act in a mature and responsible way at all times and MBCP values honesty in communication and personal responsibility. To avoid any possible confusion, some of the more obvious unacceptable activities are noted below. Your avoidance of these activities will be to your benefit as well as to the benefit of MBCP. If you have any questions concerning any work or safety rule, or any of the unacceptable activities listed, please ask for an explanation.

Occurrences of any of the following violations, because of their seriousness, may result in disciplinary action up to and including immediate suspension or termination:

**Unacceptable Activities:**

1. Generally, conduct which is disloyal, disruptive, competitive or damaging to MBCP.
2. Falsification of timekeeping records.
3. Dishonesty; falsification or misrepresentation on your application for employment or other work records; lying about sick or personal leave; falsifying reason for a leave of absence or other data requested by MBCP; alteration of agency records or other agency documents.
4. Working under the influence of alcohol or illegal drugs, including marijuana.
5. Theft or inappropriate removal or possession of agency property or the property of fellow employees; unauthorized use of agency equipment and/or property for personal reasons.
6. Possession, distribution, solicitation, sale, transfer, or use of alcohol or illegal drugs, including marijuana, in the workplace, while on duty, or while operating agency-owned vehicles or equipment.
7. Fighting, threatening, or coercing fellow employees on agency property or during working hours, for any purpose.
8. Boisterous or disruptive activity in the workplace.
9. Negligence or any careless action leading to damage of agency-owned or customer-owned property or which endangers the life or safety of another person.
10. Obscene or abusive language toward any supervisor, employee or customer; indifference or rudeness towards a customer or fellow employee; any disorderly/antagonistic conduct on agency premises.
11. Insubordination or other disrespectful conduct; refusing to obey instructions properly issued by your supervisor pertaining to your work; refusal to help out on a special assignment.
12. Violation of security or safety rules or failure to observe safety rules and/or practices; failure to wear required safety equipment; tampering with MBCP equipment or safety equipment.
13. Creating or contributing to unsanitary conditions.
14. Smoking in prohibited areas.
15. Any act of harassment, sexual, racial or other; telling sexist or racist jokes; making racial or ethnic slurs.
16. Possession of dangerous or unauthorized materials, such as explosives or firearms, in the workplace.
17. Excessive absenteeism or any absence without notice; failure to report an absence or late arrival.
18. Unauthorized absence from work station during the workday; sleeping or loitering during working hours.
19. Unauthorized use of telephones, mail system, or other agency-owned equipment.
20. Originating, spreading, and taking part in malicious gossip or rumors about employees of MBCP.
21. Unauthorized disclosure of business "secrets" or confidential information; giving confidential or proprietary information to competitors or other organizations or to unauthorized MBCP employees; breach of confidentiality of personnel or agency information.
22. Violation of agency rules or policies; any action that is detrimental to MBCP's efforts to operate profitably.
23. Unsatisfactory or careless work; failure to meet production or quality standards as explained to you by your supervisor.

24. Soliciting during working hours and/or in working areas; selling merchandise or collecting funds of any kind for charities or others without authorization during business hours, or at a time or place that interferes with the work of another employee on agency premises.
25. Conducting a lottery or gambling on agency property.
26. Failure to immediately report any damage or accident involving agency equipment and vehicles.
27. Failure or refusal to comply with the work schedule, including mandatory overtime.
28. Using, removing, or borrowing agency equipment or property without prior authorization.
29. The use of abusive or threatening language or actions toward anyone.

This list is not exhaustive. Rather, we ask that you keep in mind at all times the need to conduct yourself with reasonable and proper regard for the welfare and rights of all our employees and for the best interests of the agency. This statement of prohibited conduct does not alter MBCP's policy of at-will employment. Either you or MBCP remains free to terminate the employment relationship at any time, with or without reason or advance notice.

### **Performance Evaluations**

MBCP encourages an open dialogue between an employee and his or her supervisor on an informal, regular basis. We believe this type of interaction increases job satisfaction for both the employee and MBCP.

Formal performance evaluations will be conducted annually or with frequency dependent on length of service, job position, past performance, changes in job duties, or recurring performance problems. After the review, you will be asked to sign the evaluation report to acknowledge that it has been presented to you and discussed with you by your supervisor, and that you are aware of its contents.

Positive performance evaluations do not guarantee increases in salary or promotions. Salary increases and promotions are solely within the discretion of MBCP, and depend upon many factors in addition to performance. Wage and salary increases are based on merit alone, not length-of-service or the cost-of-living. Having your compensation reviewed does not necessarily mean that you will be given an increase.

### **Problem Resolution**

At some time, you may have a complaint or question about your job, your working conditions, or the treatment you are receiving. Your good-faith complaints and questions are of concern to us. We ask that you take your concerns first to your supervisor, following these steps:

1. Bring the situation to the attention of your immediate supervisor who will then investigate and provide a solution or explanation.
2. If the problem remains unresolved, you may present it in writing to the CEO who will work towards a resolution.

This procedure, which we believe is important for both you and us, cannot result in every problem being resolved to your satisfaction. However, we value your input and you should feel free to raise issues of concern, in good faith, without the fear of retaliation.

### **Alcoholic Beverage Consumption**

Due to the high risk and liability involved, MBCP will not provide alcoholic beverages at social gatherings to MBCP employees. This policy applies to the following:

1. Birthday parties;
2. Office parties;
3. Office picnics; and
4. Recreational activities (i.e. organized team sports)

### **Drug and Alcohol Abuse**

MBCP is concerned about the use of alcohol, illegal drugs, or controlled substances as it affects the workplace. We comply with state and federal drug abuse regulations, including the Drug-Free Workplace Act of 1988. Use of these substances whether on or off the job can adversely affect your work performance, efficiency, and safety and health. The use or possession of these substances on the job constitutes a potential danger to the welfare and safety of other employees, and exposes MBCP to the risks of property loss or damage, or injury to other persons. Furthermore, the use of prescription drugs and/or over-the-counter drugs also may affect your job performance and seriously impair your value to us. Any employee who is using prescription or over-the-counter drugs that may impair your ability to safely perform the job, or affect the safety or well-being of others, must notify a supervisor of such use immediately before starting or resuming work. All precautions necessary to preserve your privacy will be taken. You must adhere to the rules stated in this policy as a condition of employment. Failure to comply with this policy may result in discipline, including termination. The Human Resources Manager has been designated to administer this policy, monitor the program and make reports as required by law.

If there is ever a reasonable basis to suspect you of violating the drug and alcohol policy, you will be requested to immediately submit to a drug and/or alcohol test. Suspicion will be based on objective symptoms, such as factors related to your appearance, behavior and speech. A reasonable basis may also exist if you are found to be in possession of illegal drugs, alcohol or paraphernalia connected with the use of an illegal drug. Possession of illegal drugs or alcohol is prohibited even if you have not used these substances. To help ensure a safe and healthful working environment, job applicants and employees may be asked to provide body substance samples (such as urine, hair samples, and/or blood) to determine the improper or illegal use of drugs and alcohol.

The following rules and standards of conduct apply to all employees either on agency property, or during the workday (including meals and rest periods). The following are strictly prohibited by MBCP:

1. Possession or use of alcohol or illegal drugs, including marijuana, or being under the influence of alcohol or illegal drugs while on agency premises or at any time on duty.
2. Driving an agency vehicle or driving for agency business in a private vehicle while under the influence of alcohol or illegal drugs, including marijuana.
3. Distribution, sale, or purchase of an illegal or controlled substance while on agency premises or at any time on duty.
4. Possession or use of an illegal or controlled substance, or being under the influence of an illegal or controlled substance while on agency premises or at any time while working.

5. Any drug or alcohol statute conviction. You must notify MBCP within 5 days of such conviction.

In order to enforce this policy, we reserve the right to conduct searches of agency property and to implement measures necessary to deter and detect abuse of this policy.

In the event of suspicion of use and/or an on the job accident, you may be asked to provide body substance samples (such as urine and/or blood) to determine the illicit or illegal use of drugs and alcohol. MBCP will test for alcohol, cannabinoids, (THC), Opiates, i.e. codeine and morphine, Cocaine metabolites, Amphetamines, i.e. amphetamine and metamorphines, adulterants low creatine levels and Phencyclidine. MBCP assures that any information concerning your drug and/or alcohol use will remain confidential. Refusal to submit to drug testing may result in disciplinary action, up to and including termination of employment.

If the results of your drug and/or alcohol test are positive, MBCP will take disciplinary action which may include suspension or immediate termination. The disciplinary action will be based on the seriousness of the offense and your past performance. If you return to work after testing positive for drugs and/or alcohol, you may be required to consent to unannounced tests for drugs and/or alcohol for a two-year period as a condition of continued employment. In the event that you test positive, you may request a second test to be performed by a reliable drug testing agency, at your expense.

Any conviction you receive on a charge of illegal sale or possession of any controlled substance will not be tolerated. In addition, we must keep people who use, sell, or possess controlled substances off MBCP's premises in order to keep the controlled substances themselves off the premises.

Violation of the above rules and standards of conduct will not be tolerated. MBCP may bring the matter to the attention of appropriate law enforcement authorities.

MBCP's policy on drug and alcohol in no way limits or alters the at-will employment relationship.

### **Customer and Public Relations**

The success of MBCP depends upon the quality of the relationships between MBCP, our employees, and our customers, suppliers and the general public. Our customers' impression of MBCP and their interest and willingness to do business with us are formed by how you serve them.

The opinions and attitudes that customers have toward our agency can be affected for a long period of time by the actions of just one employee. It is sometimes easy to take a customer for granted, but when we do, we run the risk of not only losing that customer, but their associates, friends or family who also may be customers or prospective customers.

Here are several things you can do to help give customers a good impression of MBCP:

1. Customers are to be treated courteously and given proper attention at all times. Never regard a customer's questions or concerns as an interruption or an annoyance. Customer inquiries, whether in person or by telephone, must be addressed promptly and professionally.
2. Never place a telephone caller on hold for an extended period of time. Direct incoming calls to the appropriate person and make sure that the call is received.

3. Act competently and deal with customers in a courteous and respectful manner. Through your conduct, show your desire to assist the customer in obtaining the help that he or she needs. If you are unable to help a customer, find someone who can.
4. All correspondence and documents, whether to customers or others, must be neatly prepared and error-free. Attention to accuracy and detail in all paperwork demonstrates your commitment to those with whom we do business.
5. Never argue with a customer. If a problem develops or if a customer remains dissatisfied, ask your supervisor to intervene.
6. Communicate pleasantly and respectfully with other employees at all times.

These are the building blocks for your and MBCP's continued success.

### **Confidentiality**

It is your responsibility to safeguard confidential information obtained during your employment with us, including information obtained from customers and vendors of MBCP.

You may in no way reveal or divulge any such information unless it is necessary for you to do so in the performance of your duties. Such confidential information includes, but is not limited to, the following examples:

- customer lists and customer history
- pending projects and proposals
- marketing strategies
- compensation data
- budget information
- periodic business reports and summaries
- bid proposals/contract negotiations
- statistical data
- research and development programs
- mergers/dissolutions
- employee data
- financial information
- pricing information
- passwords
- business plans

Access to confidential information should be on a "need-to-know" basis and must be authorized by your supervisor.

Upon accepting employment with MBCP, you may have been asked to sign a Confidentiality Agreement, which generally provides that you will not disclose or use any of MBCP's confidential information, either during or after your employment with us. If you are questioned by someone outside MBCP or your department and you are concerned about the appropriateness of giving them certain information, you are not required to answer. Instead, as politely as possible, refer the request to your supervisor or the Human Resources Manager.

It is also important to remember that you may not disclose or use proprietary or confidential information except as your job requires. You may not keep or retain any originals or copies of reports, notes, proposals, customer lists or other confidential and proprietary documents, equipment, supplies, or property belonging to MBCP. Any and all copies or originals of reports, notes, proposals, customer lists or other confidential and proprietary documents must be turned over to MBCP within twenty-four (24) hours of termination of employment.

You are not permitted to remove or make copies of any MBCP records, reports or documents without prior management approval. Do not post confidential or proprietary information about MBCP, customers, employees, or affiliates on any social media. Disclosure of confidential information could lead to termination, as well as other possible legal action.

### **Conflict of Interest**

As an employee of MBCP, you must avoid actual or potential conflicts of interest with MBCP. If you are found to have a conflict of interest, you may be subject to discipline, including termination. You should contact your supervisor with any questions about this policy. Prohibited activities include, but are not limited to:

1. Being an owner, employee, consultant or vendor to any business that competes, directly or indirectly, with MBCP.
2. Having a direct or indirect financial relationship with a competitor, customers, or supplier; however, no conflict will exist in the case of ownership of less than 1 percent of a publicly traded corporation.
3. Engaging in any other employment or personal activity during work hours, or using MBCP's name, logo, equipment or property, including stationery, office supplies, computers, telephones, fax machines, postage, and office machines, for personal purposes.
4. Soliciting agency employees, suppliers, or customers to purchase goods or services of any kind for non-agency purposes, or to make contributions to any organizations or in support of any causes.
5. Soliciting or entering into any business or financial transaction with another employee whom the soliciting employee supervises, either directly or indirectly, such as hiring the employee to perform personal services or soliciting the employee to enter into an investment.

### **Solicitation**

You are not permitted to solicit or distribute literature during working time. Working time includes both your working time and the working time of the employee to whom the solicitation or distribution is directed. Similarly, distribution of written solicitation material in working areas is prohibited at all times. If you wish to distribute fundraising items such as cookies, candy, and coupon books for sale, you may place them without solicitation in your workstation or MBCP break rooms.

### **Media Contact**

Only contact people designated by the CEO of MBCP may comment on agency policy or events that have an impact on MBCP. If you are contacted by a news organization, please direct all media inquiries to your supervisor, the Director of Marketing or the Media Manager.

### **Employment of Friends or Relatives**

The employment of friends and relatives in the same area of an organization may cause conflicts of interest and appearances of impropriety. In addition, personal conflicts may impact the working relationship of the parties. Although MBCP does not prohibit the hiring of friends and relatives of existing employees, MBCP is committed to monitoring situations in which friends or relatives work in the same area. In the event of an actual or potential problem, MBCP's response may include reassignment or termination of one or both of the individuals involved. For the purposes of this policy, a relative is any person who is related by blood or marriage, or whose

relationship with an employee is similar to that of persons who are related by blood or marriage, or one who is a domestic partner.

MBCP desires to avoid misunderstandings, complaints of favoritism, claims of sexual harassment, and employee dissension that may result from personal or social relationships amongst employees. Therefore, MBCP asks that if you become romantically involved with another employee that you disclose your relationship to an appropriate supervisor with whom you feel comfortable. This information will be kept as confidential as possible. For purposes of this provision, "romantically involved" will be interpreted broadly. MBCP reserves the right to take necessary and appropriate action to resolve any potential conflict of interest arising out of romantic involvement among employees. Depending on the facts of the situation, such action may include reassignment or termination of one or both of the employees involved.

### **Personal Relationships in the Workplace**

MBCP is committed to maintaining a professional work environment where their supervisors treat all employees fairly and impartially. Accordingly, supervisors are not allowed to date, or become romantically or intimately involved with, employees who report to them directly or indirectly. Also, spouses and immediate family members are prohibited from working in job positions where they directly report to, or are reported to, by their spouses or family members. Personal relationships very often cause problems in the workplace, such as a lack of objectivity towards the subordinate's job performance, the perception of favoritism by other employees (whether justified or not), and potential sexual harassment complaints should a couple break up.

For purposes of this policy, "immediate family" includes significant others (such as unmarried couples who live together), domestic partners, step-parent and step-child relationships, in-law relationships, grandparents and cousins (including analogous relationships with the parents and children of an employee's significant other). This policy covers all family-like relationships, regardless of blood or legal relationships.

Employees who are currently dating one another, or employees who are married or related and report to or supervise each other, may request to be transferred in order to comply with this policy. When possible, MBCP will attempt to accommodate such requests. Please understand, however, that MBCP reserves the right not to transfer employees based on conflicting business considerations.

Unprofessional behavior in the workplace, such as sexually related conversations, inappropriate touching (i.e., kissing, hugging, massaging, sitting on laps) another employee, and any other behavior of a sexual nature, is prohibited.

If two employees marry or become related, causing actual or potential problems such as those described, only one of the employees will be retained with MBCP unless reasonable accommodations can be made to eliminate the actual or potential conflict. The employees will have 30 days to decide which relative will stay with MBCP. If this decision is not made in the time allowed the CEO will make the decision, taking the employment history and job performance of both employees into account. Supervisors who have any questions about the application of this policy to an employee or applicant should contact the Human Resources Manager.

## **Dress Policy**

You are expected to dress and groom yourself in accordance with accepted social and business standards, particularly if your job involves dealing with customers or visitors in person. A neat, tasteful appearance contributes to the positive impression you make on our customers.

Business casual dress is generally expected which should include nice shoes, slacks, pantsuits, dresses, skirts, and shirts (and possibly suits and ties when appropriate). Hair should be human colored unless expressly permitted by your supervisor and facial and tongue jewelry should not be worn at work. Please keep your nails clean and tastefully groomed. Visible tattoos are not acceptable.

If your supervisor feels your attire and/or grooming is out of place, you may be asked to leave your workplace until you are properly attired and/or groomed. Violating dress code standards may subject you to appropriate disciplinary action.

## **Day-to-Day Operations**

### **Employer and Employee Property**

Routine inspections of agency property might result in the discovery of an employee's personal possessions. You are encouraged not to bring into the workplace any item of personal property which you do not want to reveal to MBCP.

All desks, lockers, offices, work spaces, credenzas, cabinets, electronic mail (e-mail), telephone systems, office systems, computer systems, any and all electronically issued technology, agency vehicles and other areas or items belonging to MBCP are open to MBCP and its employees. **YOU SHOULD HAVE NO EXPECTATION OF PRIVACY IN ANY OF THESE AREAS.** Personal items and messages or information that you consider private should not be placed or kept in any of these places or areas belonging to MBCP.

Storage areas, work areas, file cabinets, credenzas, computer systems and software, office telephones, cellular telephones, any and all electronically issued technology, modems, facsimile machines, copy and scanner machines, tools, equipment, desks, voice mail, and electronic mail are the property of MBCP, and need to be maintained according to agency rules and regulations.

Desks and work areas must be kept clean, and are to be used for work-related purposes. MBCP's property is subject to inspection at any time, with or without prior notice. Prior authorization must be obtained before any of MBCP's property may be removed from the premises.

For security reasons, you should not leave personal belongings of value in the workplace. Personal items, lockers and desks are subject to inspection and search, with or without notice, and with or without your prior consent.

Terminated employees should remove any personal items at the time they leave us. Personal items left in the workplace by previous employees are subject to disposal if not claimed at the time of your termination.

## **Electronic Systems and Privacy**

There should be NO expectation of privacy in connection with the use of electronic systems, including stored e-mail/voice mail/text messages or any messages sent electronically. All messages created, sent, received or stored in these systems are and remain the property of MBCP. MBCP reserves the right to retrieve and review any message composed, sent or received via the system. Please note that even when a message is deleted or erased, it is still possible to recreate the message; therefore, the ultimate privacy of messages cannot be ensured to anyone.

To safeguard and protect the proprietary, confidential and business-sensitive information of MBCP, and to ensure that the use of all electronic systems and equipment is consistent with MBCP's legitimate business interests, authorized representatives of MBCP may monitor the use of such systems from time to time without notice, which may include printing and reading materials, files on the system, list servers, and equipment.

You should be aware that e-mail messages, like MBCP correspondence, and any and all messages sent electronically may be read by other MBCP employees and outsiders under certain circumstances. While it is impossible to list all of the circumstances, some examples are the following: (1) during system maintenance of the e-mail system, (2) when MBCP has business needs to access the employee's mailbox, (3) when MBCP receives a legal request that requires disclosure of e-mail messages, or (4) when MBCP has reason to believe the employee is using e-mail in violation of MBCP policies.

## **Social Media Guidelines**

MBCP understands that various forms of communication occur through social media, such as Facebook, Twitter, LinkedIn, blogs, and multimedia host sites such as YouTube. Such communications occur in social networking, blogs, and video sharing and similar media. It should be remembered that social media sites do not provide a private setting. Employees who communicate information through social media therefore should not expect that such information is private

Employees must remember that all existing policies apply to information disseminated through social media. These guidelines are intended to help employees understand some of the unintended outcomes of sharing information through social media.

## **Application of Policies**

The employer's policies and standards apply to conduct that occurs in the workplace and while employees are on duty, wherever they happen to be. They also apply to activities that occur during an employee's own time, outside of work, if the activities have an actual or potential impact on the employee's performance, the performance of coworkers, or the employer. Employees should therefore understand that they are responsible for certain activities that occur off the employer's premises or on their own time both to the employer and third parties. Nothing in this policy prevents employees from exercising their broad rights to discuss the terms and conditions of employment with others, to take action with others to improve your working conditions, or to otherwise exercise their rights to engage in protected concerted activity.

## **General Policies**

MBCP's policies regarding workplace conduct and interpersonal interactions are embodied in a number of policies, including policies that protect MBCP's trade secrets, legal interests and confidential information.

The policies also prohibit unlawful harassment and discrimination and require employees to use work time in an appropriate manner.

The principles set forth in MBCP's policies apply equally to social media, even when the policies do not refer specifically to social media. Violations of any policy through social media or networking will be appropriately addressed when brought to management's attention.

Illustrations of some of the relevant policies and how they may apply to social media are provided below. The following guidelines apply to all employees when they are at work and away from work.

#### General expectations

- Employees may not post or transmit any material or information that includes confidential, proprietary or trade secret information, or information that is untrue, defamatory, obscene, profane, threatening, harassing, abusive, hateful or humiliating to another person or entity. This includes, but is not limited to, comments regarding MBCP or its employees or customers. Employees should ask their supervisors and refer to agency policies if they have any questions about what is appropriate to include in communications involving social media.

#### Harassment

- MBCP will not tolerate intimidation, bullying or threats of violence among co-workers and such acts, even if occurring on line outside of work, will result in serious consequences, including termination.
- MBCP maintains a strict policy prohibiting unlawful harassment of any kind. Harassment is unlawful if it is based upon any legally protected characteristic. It includes unwelcome verbal, physical, or visual conduct that creates an intimidating, offensive, or hostile work environment or unreasonably interferes with work performance.

#### Reputation

- Employees should act responsibly and remember that untrue or defamatory postings can have serious consequences. Do not create fake blogs or false reviews of MBCP or its competitors.

#### Acceptable Use Guidelines

- E-mail and Internet access is provided to support MBCP's business operations. Users who are given access to these tools may not make personal use of them either during work or non-work time. Any use that includes tapping into electronic social media should be consistent with MBCP's values, policies and applicable laws.
- Participation in social media sites should be limited during work time; incidental use during break time is not prohibited by this policy. Under no circumstances may employees access social media sites while performing safety-sensitive functions such as driving.

#### Opinions

- Employees should not refer to MBCP without proper authorization to do so. Employees should at all times make it clear that their opinions do not represent those of MBCP. They should include disclaimers

in online communications advising that they are not speaking officially or unofficially on behalf of the organization.

- Employees may not use MBCP's logo or proprietary graphics to imply that you are speaking on behalf of MBCP.

#### Questions

- Employees who have concerns regarding workplace conduct or inappropriate behavior or comments are encouraged to contact the Human Resources Consultant for further guidance.

#### **Additional Guidance and Information**

While MBCP's policies offer very clear direction on some issues, there are other areas where common sense must prevail. When in doubt about posting, employees should consider the following:

- There is no expectation of privacy when engaging in social media networking activities. You may know everyone in the room when you have a conversation in person. This will not apply with social networking applications. You may not have full control over how your comments are perceived or shared.
- These are public forums. As a practical matter, it may be impossible to delete information that is shared. Comments may be publicly available for years.
- Even when you do not identify your employer by name in the communication or posting, some readers are likely to know where you work. Keep this in mind when you consider posting or transmitting comments that may be work-related. This should also be considered when creating your profile.
- Do not state or imply that the opinions you express are those of MBCP, its management, or other employees. Include a disclaimer to this effect.

#### **Telephone Usage**

You may use agency telephones for local or personal calls within reason. You are not to charge long distance personal telephone calls to MBCP. You are expected to limit personal calls so they do not become excessive or disruptive to your work or work area.

#### **Cell Phone Usage**

MBCP realizes that in our fast-paced business environment, meeting our goals and staying in touch with our customers and co-workers is a necessary process in working efficiently. But, first and foremost, we want to preserve the safety of our employees and those in the community. California law limits the use of cell phones while driving to those having hands-free operation.

This law provides that, it is illegal to drive a motor vehicle while using a wireless telephone, unless that telephone is designed and configured to allow hands-free listening and talking operation, and is used in that manner while driving.

Additionally, writing, sending, or reading text-based communications on your cell phone while driving is also prohibited under California law. This includes text messaging, instant messaging, and e-mail. You will be responsible for any tickets you receive if you violate this law.

Use of a hands-free cell phone is required while driving for agency business. An option is that you pull over while driving to place or receive calls on your cellular phones. There is a great potential for harm to you and to others if this policy is violated.

Personal cell phone use is not needed or required for work purposes unless expressly directed by a supervisor and should not be used for work.

### **Workplace Monitoring**

Workplace monitoring, both human and electronic, may be conducted by MBCP to ensure quality control, employee safety, security, and customer satisfaction.

Customer sites may also utilize video surveillance of non-private workplace areas. Video monitoring is used to identify safety concerns, maintain quality control, detect theft and misconduct, and discourage or prevent acts of harassment and workplace violence.

Because MBCP is sensitive to your legitimate privacy rights, every effort will be made to see that workplace monitoring is done in an ethical and respectful manner.

### **Travel Expense Policy**

MBCP will reimburse you for work-related travel expenses such as transportation, overnight accommodations and meals. You should have your supervisor's approval before incurring travel expenses. All requests for reimbursement must be submitted to the CEO for approval along with supporting documents or original invoices.

Non-exempt employees will be paid for time spent traveling and in conference sessions. If you are required to use your personal automobile on work-related business, MBCP will reimburse you for mileage at the current IRS reimbursement rate and for parking expenses. You should submit the appropriate expense form to the CEO for approval and then forward it to accounting for payment once per month. If you use your personal vehicle for work-related travel you are expected to maintain at least the minimum insurance required by law.

### **Agency Property and Equipment**

Equipment essential to accomplishing job duties is often expensive and may be difficult to replace. When using agency property, you are expected to exercise care, perform required maintenance, and follow all operating instructions, safety standards, and guidelines.

MBCP requires that all equipment be in proper working order and safe to work with at all times. If any equipment appears to be damaged, defective, or in need of repair, do not use it until a qualified technician certifies that it is repaired and safe. Never try to fix broken equipment yourself. Please notify your supervisor of any equipment breakdown as soon as it happens. If the breakdown requires emergency repairs, your supervisor will help you deal with the emergency situation as soon as possible. Prompt reporting of damages, defects, and the need for repairs could prevent possible personal injury and deterioration of equipment. Please ask your supervisor if you have any questions about your responsibility for maintenance and care of equipment used on the job.

If you are authorized to operate an agency vehicle in the course of your assigned work, or if you operate your own vehicle in performing your job, you must adhere to the following rules:

1. You must be a licensed California driver and must maintain at least the minimum insurance required by law.
2. You must maintain weekly mileage reports.
3. You are responsible for following all the manufacturer's recommended maintenance schedules so as to maintain valid warranties, and for following the manufacturer's recommended oil change schedule.
4. MBCP provides insurance on agency vehicles. However, you will be considered completely responsible for any accidents, fines, moving or parking violations.
5. If involved in an accident do not admit fault, only provide required insurance and personal DMV information.
6. You must keep MBCP vehicle clean at all times.
7. Persons not authorized or employed by MBCP cannot operate or ride in an agency vehicle.
8. Prior to operation of any agency vehicle, your supervisor will train you on the appropriate steps to take if you are involved in an accident, such as filling out the accident report, getting names and phone numbers of witnesses and so on.

If you are required to drive an agency vehicle or your own vehicle for agency business, you will also be required to show proof of a current, valid driver's license and current effective auto insurance coverage prior to the first day of employment.

If you drive your own vehicles on agency business you will be reimbursed at the current IRS reimbursement rate.

You are responsible for all agency property, materials, or written information issued to you or in your possession. You may be asked to sign an acknowledgment of receipt of agency property issued to you. All agency property must be returned on or before your last day of work. You may be responsible for the replacement cost of agency property not returned.

Agency cars are for agency business only, and only authorized employees may drive agency cars. Employee spouses, children, friends or anyone other than the employee may not operate these vehicles, unless an emergency arises. A violation of these rules, or excessive or avoidable traffic and parking violations may result in disciplinary action, up to and including termination.

### **Personal Use of Agency Property**

You are not allowed to use agency owned property for personal use. The definition of "agency owned" assets includes, but is not limited to, facilities, computers, and their related equipment, labelers, copy machines, postage meter, any type of supplies including office supplies, tools, vehicles, credit cards, etc. These assets are provided to you for agency related business only.

Please also remember that all desks, lockers, cabinets, computers and vehicles that belong to MBCP will be open to all agency employees. Personal items, messages or information that you consider private should not be

placed or kept in telephone systems, office systems, agency computer systems, office work spaces, desks, and credenzas or file cabinets.

If you are issued an agency credit card you are responsible for the use of that card. Under no circumstances will MBCP allow you to sign an agency credit card unless the card being signed is issued in your name. Signing another employee's credit card will result in liability for the expense and may subject you to immediate termination. If you hold an agency credit card you may only give permission to another employee to make an authorized business purchase or reservation using your card with prior approval from the CEO of MBCP. Any holders of agency credit cards or authorized users who transact a non-business related charge may be subject to immediate termination. Receipts for all credit card transactions must be given to the Finance Director along with an explanation of the purchase.

### **Driving Record and Insurance**

As a condition of employment, we require you to maintain an acceptable driving record if you drive for agency business. Any accidents or traffic violations must be reported to a supervisor immediately if they occur during the course of your duties. You will be responsible for any tickets you receive while driving on agency business whether in an agency vehicle or your own personal vehicle. Failure to report an on-the-job motor vehicle accident, no matter how minor, will lead to disciplinary action, up to and including termination. Additionally, you are required to maintain the level of insurance required by the state of California. A copy of your insurance card must be on file before you will be allowed to drive for agency business.

### **Health and Safety**

Safety is everybody's business. Safety is to be given primary importance in every aspect of planning and performing all MBCP activities. We want to protect you against injury and illness, as well as minimize the potential loss of production. To achieve our goal of maintaining a safe workplace, everyone must be safety conscious at all times. In compliance with California law, and to promote the concept of a safe workplace, we maintain an Injury and Illness Prevention Plan (IIPP). The IIPP is available for your review from the Responsible Safety Officer. The Responsible Safety Officer has responsibility for implementing, administering, monitoring, and evaluating the safety program. Its success depends on the alertness and personal commitment of all.

You will receive a copy of MBCP's general safety rules and will receive health and safety training as part of this program. A complete copy of the Safety Program is kept by the CEO and is available for your review.

### **Smoking Policies**

Smoking, use of e-cigarettes or vapor products is not allowed in any enclosed area of the building, or within 25 feet of any entrance of the building or in any agency vehicle. In fairness to those who do not smoke, smoking is allowed only during breaks and lunch and only outside of the office or building.

### **Security**

To provide for the safety and security of you, our customers and our facilities, only authorized visitors are allowed in the work areas. To ensure the safety of our guests, we encourage family and friends to check in when visiting you at the workplace.

The following security procedures should always be followed to ensure your safety and the safety of your fellow employees, and to ensure the confidentiality of MBCP's proprietary information. At no time should unauthorized persons be allowed to roam unescorted through MBCP's office. It is a matter of courtesy to accompany customers and guests to and from the exits and other office to which they may be destined. If strangers are encountered in our office who do not satisfactorily identify themselves or the person with whom they will be meeting, escort them to the front of the office. If they resist, contact your supervisor immediately.

Be aware of persons loitering for no apparent reason in other non-office areas (e.g., in parking areas, walkways, entrances/exits and service areas). Report any suspicious persons or activities to your supervisor. Secure your desk at the end of the day or when called away from your work area for an extended length of time and do not leave valuable and/or personal articles in or around your workstation that may be accessible. Please report any lost facility keys to your supervisor immediately.

### **Workplace Violence**

MBCP recognizes that violence in the workplace is a growing nationwide problem necessitating a firm, careful response by all employers. The costs of workplace violence are great, both in human and financial terms.

MBCP has adopted the following policies to ensure the safety of its employees and to provide guidance on dealing with violence in the workplace. If qualified, you may provide first aid to injured persons when required. You are required to:

1. Immediately report all indirect and direct threats of violence to a supervisor.
2. Immediately report all suspicious individuals or activities to a supervisor.
3. Never put yourself or others in peril.
4. Immediately call 911 and seek shelter if you hear a violent commotion near your workstation.
5. Cooperate fully with security, law enforcement, and medical personnel who respond to a call for help.
6. Direct all inquiries from the media about violence on MBCP premises to your supervisor or the CEO.

The CEO of MBCP will make the sole determination of whether, and to what extent, threats or acts of violence will be acted upon by the company. In making this determination, we may undertake a case-by-case analysis in order to ascertain whether there is a reasonable basis to believe that workplace violence has occurred. No provision of this policy shall alter the at-will nature of employment at MBCP.

### **Off-Duty Use of Facilities**

You are prohibited from being on agency premises, or making use of agency facilities, while not on duty. You are expressly prohibited from using agency facilities, agency property or agency equipment for personal use.

### **Parking**

You are encouraged to use the parking areas designated for our employees. Remember to lock your car every day and park within the specified areas.

Courtesy and common sense in parking will help eliminate accidents, personal injuries, and damage to your vehicle and to the vehicles of other employees. If you should damage another car while parking or leaving,

immediately report the incident, along with the license numbers of both vehicles and any other pertinent information you may have, to your supervisor. MBCP cannot be and is not responsible for any loss, theft or damage to your vehicle or any of its contents. You will be responsible for any parking tickets you receive while driving on agency business whether in an agency vehicle or your own personal vehicle.

### **Employee Suggestion Program**

We encourage you to bring forward your suggestions and good ideas about how our agency can be made a better place to work and our service to customers enhanced. When you see an opportunity for improvement, please talk it over with your supervisors. Your manager can help you bring your idea to the attention of the people in MBCP who will be responsible for possibly implementing it.

All suggestions are valued and listened to. When a suggestion of yours has particular merit, we provide special recognition.

## **Employee Benefits**

### **Benefits**

MBCP has developed and invested in an employee benefit program to supplement your regular wages. MBCP will continue these benefits as agency profits permit; however, we reserve the right to change or eliminate any benefit program at any time.

Our benefit program consists of programs which may include health, dental, and vision coverage, life insurance, paid time off (PTO) and holiday pay. In addition, there are a number of programs such as State Disability, Paid Family Leave, Unemployment Insurance, Social Security and Workers' Compensation. Eligibility to participate in these programs is determined by your employee classification and length of continued service with MBCP.

This handbook provides brief summaries to acquaint you with some of the key features of MBCP's benefit programs. Separate plan summaries and plan documents describe the plans in detail and should be consulted for further information. In the case of a conflict between the benefit information set forth in this employee handbook or oral explanations by agency representatives and the terms and conditions of the official plan documents, the provisions of the official plan documents, as interpreted by the plan administrator, shall control.

Our benefits represent a hidden value of between 35% and 50% supplement to your incomes.

### **Official Health Plan Documents**

The employee handbook contains a number of brief summaries of the benefit programs that the employer provides for eligible employees. The purpose of these summaries is simply to acquaint you with the general provisions of the applicable plans; they do not contain full statements of all of the terms, conditions, and limitations of the plans. If there are any real or apparent conflicts between the brief information in the handbook and the terms, conditions and limitations of the official plan documents, the provisions of the official plan documents will be considered accurate. You are encouraged to review all plan documents carefully to familiarize yourself with all of the provisions of the plans.

## **Paid Time Off (PTO)**

### **Eligibility**

Paid Time Off (PTO) is an all purpose time-off policy for eligible employees to use for vacation, the diagnosis, care, treatment of an existing health condition or preventative care of an employee, family member or for employees who are victims of domestic violence, sexual assault or stalking to seek aid, treatment, or related assistance. A family member is defined as a spouse, registered domestic partner (RDP), grandparent, grandchild, sibling, In-law, parent, step-parent, legal guardian, or child (regardless of age or dependency status), illness or injury, and personal business. Personal business also includes time spent for jury duty, bereavement, and time off to vote. Regular full-time employees are eligible to earn and use PTO as described in this policy.

PTO begins accruing upon your date of hire. Employees may begin using PTO upon your 90th day of employment. At that time, you can request the use of earned PTO including that accrued during the waiting period. On your 90th day of employment you will be eligible for our Paid Time Off Schedule.

### **Accrual**

Regular, full-time employees accrue 6.15 hours of PTO per pay period for your first year of eligibility. After your first anniversary, and thereafter, you will receive an additional eight (8) hours per year, which will accrue at an additional rate of .31 hours per pay period, not to exceed ten (10) years of employment.

The length of eligible service is calculated on the basis of a "benefit year." This is the 12-month period that begins when you start to earn PTO. You will not earn PTO while you are out on a leave of absence. Therefore, your benefit year may be extended if you go out on a leave of absence other than a military leave of absence. Military leave has no effect on this calculation. (See individual leave of absence policies for more information.)

### **Scheduling PTO**

PTO can be used in minimum increments of one (1) hour for non-exempt employees. Exempt employees may use PTO in ½ day or 1 full day increments. If you have an unexpected need to be absent from work you should notify your direct supervisor before the scheduled start of your workday, if possible. Your direct supervisor must also be contacted on each additional day of unexpected absence.

To schedule planned PTO, you need to request advance approval from your supervisor. Requests will be reviewed based on a number of factors, including business needs and staffing requirements.

PTO is paid at your base pay rate at the time of absence. It does not include overtime or any special forms of compensation such as incentives, commissions, bonuses, or shift differentials.

PTO will be used to supplement any payments that you are eligible to receive from state disability insurance, or workers' compensation. The combination of any such disability payments and PTO cannot exceed your normal weekly earnings.

**PTO Caps**

Employee can accumulate PTO up to a balance of twice the annual PTO for which they are entitled. Once that limit is reached, employee will no longer accrue PTO.

Upon termination of employment, you will be paid for unused PTO that has been earned through your last day of work.

**Sick Leave**

For employees who are not eligible for the PTO policy as outlined above.

Sick leave is a form of insurance that is accumulated in order to provide a cushion for incapacitation due to illness. It is to be used only for the diagnosis, care, treatment of an existing health condition or preventative care of an employee, family member or for employees who are victims of domestic violence, sexual assault or stalking to seek aid, treatment, or related assistance. A family member is defined as a spouse, registered domestic partner (RDP), grandparent, grandchild, sibling, In-law, parent, step-parent, legal guardian, or child (regardless of age or dependency status).

Employees will accrue sick leave and may begin using sick leave upon their 90th day of employment. Employees may not carry unused sick leave forward to the next year.

When wishing to use sick leave, you should personally call your supervisor prior to the start of your shift on the day you are scheduled to work. Sick leave is not to be taken in less than two (2) hour increments and does not accrue when you are out on sick leave.

A paid absence is counted as hours worked for the purposes of computing a 40-hour week, but is not counted as a basis for computing overtime.

You will not receive sick pay for any days for which you received State Disability Insurance (SDI) or Workers' Compensation payments.

Sick leave is not granted for the purpose of accompanying or taking pets to procure medical attention.

Accrued sick leave does not carry over from year to year. We do not provide pay in lieu of unused sick leave. Additionally, unused sick leave has no cash value and will not be paid at termination.

**Holidays**

We observe the following paid holidays for full-time employees:

- New Year's Day
- Martin Luther King Jr.'s Birthday
- President's Day
- Memorial Day
- Independence Day
- Labor Day

Veterans Day  
Thanksgiving  
Day after Thanksgiving  
Christmas Day

Eligibility for holiday pay begins upon date of hire. You must also be regularly scheduled to work on the day on which the holiday is observed, and must work your regularly scheduled working days immediately preceding and immediately following the holiday, unless an absence on either day is approved in advance by your supervisor.

When a holiday falls on a Saturday or Sunday, it is usually observed on the preceding Friday or the following Monday. Holiday observance will be announced in advance.

If you are on a paid absence due to PTO when a holiday occurs, you will receive holiday pay. Non-exempt employees who work on holidays, due to customer job requirements, will receive regular earned wages.

### **Insurance Benefits**

**Medical, Dental and Vision Insurance:** We provide comprehensive medical, dental & vision insurance plans for eligible employees and their dependents. You may be required to provide adequate proof of the dependent relationship in order to add the dependents to our insurance policies. Typically proof of the relationship may be established through a copy of a birth certificate, adoption documents, marriage license, or certificate of registered domestic partnership. We cannot guarantee your domestic partner relationship will be kept confidential.

Full-time and part-time employees are eligible on the first of the month once they have completed 30 days of continuous employment with MBCP. MBCP will contribute \$1,000 towards full-time employee's medical, dental and vision benefits. Part-time employees will be eligible on a prorated contribution based on the average hours worked. You will be responsible for any excess premiums due for the coverage you choose for your dependents. Deductions from your paycheck will be made to cover this cost through payroll deductions. Information describing your benefits will be given to you when you join the program. Any remaining employer contribution will be allocated towards the employee's flexible spending account or health savings account.

During any leave of absence such as personal leave, Workers' Compensation leave or other disability leave, health benefits will continue through the end of the month. For the duration of any pregnancy disability leave of absence, health and life insurance benefits will be continued for the duration of your pregnancy disability leave.

Please direct any questions you have regarding your health and dental insurance to the Human Resources Manager.

**Retirement Plan:** We provide a 401(A) and 457B defined contribution retirement plans for eligible employees in order to assist in planning for your retirement. Eligible employees may enroll following 6 months of employment. For more information regarding eligibility, contributions, benefits and tax status, contact the Human Resources Manager. All eligible participants will receive a summary plan description.

**Disability Insurance:** MBCP furnishes private long-term disability policies. For more information, contact the Human Resources Manager.

**Life and Accidental Death and Dismemberment Insurance:** If you are a regular full time employee of MBCP, you will be provided our group life insurance coverage paid for by the organization. This insurance is payable in the event of your death, in accordance with the policy, while you are insured. You may change your beneficiary whenever you wish by submitting the appropriate documents to the Human Resources Consultant. Refer to the literature provided by our insurance agency for details on your life insurance coverage.

**Paid Family Leave (PFL) Insurance:** All employees who take time off to care for a seriously ill family member (child, parent, grandparent, grandchildren, in-laws, spouse or registered domestic partner) or bond with a new child may be eligible to receive replacement wages for up to six weeks during any 12-month period, under California's Paid Family Leave program. This program is funded with employee contributions through the State Disability Insurance (SDI) Program. Such contributions are deducted from each employee's paycheck. Even though employees may be eligible to receive Paid Family Leave insurance benefits, a leave of absence must still be requested and approved as defined in our leave policies. Please understand that this leave does not mandate any guarantee that your job will be available when you are ready to return.

**State Disability Insurance:** If you are unable to work due to a non-work related medical condition or injury you may be entitled to State Disability Insurance (SDI). SDI benefits are paid by the state and are financed from mandatory payroll tax deductions from all employees' wages. Questions regarding SDI benefits should be directed to the Human Resources Manager or the state's Employment Development Department.

**Unemployment Compensation:** We contribute each year to the California Unemployment Insurance Fund on behalf of our employees.

**Social Security:** Social Security is an important part of every employee's retirement benefit. We pay a matching contribution to each employee's Social Security taxes.

**Workers' Compensation:** MBCP purchases a workers' compensation insurance policy to protect you while you are employed by us. The policy covers you in case of occupational injury or illness. It is your responsibility to notify a member of management immediately if injured. Please refer to the Workers' Compensation policy for additional information.

We provide workers' compensation insurance for our employees as required by state law. The insurance provides important protection for employees who suffer a work-related injury. We encourage you to report all workplace injuries immediately and to take advantage of the benefits provided by our workers' compensation insurance if you are injured on the job.

Workers' compensation insurance provides important protection for employees who suffer an injury at work. Unfortunately, we understand that some employees are encouraged to file fraudulent workers' compensation claims. For your own protection, you should know that the California Insurance Frauds Protection Act provides that it is unlawful for any person to:

*"Make or cause to be made any knowingly false or fraudulent material statement or material representation for the purpose of obtaining . . . compensation . . . and shall be punished by imprisonment in county jail for one year, or in the state prison for two, three or five years, or by a fine not exceeding Fifty Thousand Dollars (\$50,000.00) . . . or by both imprisonment and fine."*

Our policy is to investigate all questionable workers' compensation claims. If they appear to be fraudulent, they are referred to the Bureau of Fraudulent Claims and the District Attorney's office.

**Section 125 (Cafeteria Plan):** Through the flexible spending account or the health savings account, you may designate an annual dollar amount of your before-tax income to pay for certain eligible expenses. Particular care should be taken to assure that the funds required in the flexible spending account are not over estimated as unused funds cannot be returned to the participant at the end of the plan year. Please refer to the booklets for information about the program. If you need additional information or change forms, please speak with the Human Resources Manager.

### **Domestic Partners**

MBCP believes that basic medical/dental/vision coverage should be available to employees and their dependents. To recognize non-traditional family arrangements and to demonstrate our commitment to our community of employees and their families, MBCP has instituted a Domestic Partners Policy. This policy gives you the opportunity to cover a long-term, significant same sex partner under our benefits plans, as well as opposite sex partners for employees over 62 years of age. MBCP wishes to make it clear that it cannot guarantee confidentiality of the relationship once a domestic partner is covered under our policy. See the CEO or the Human Resources Manager for more information.

### **Cal-COBRA**

The California Continuation Benefits Replacement Act (Cal-COBRA) gives qualified employees and their dependents the opportunity to continue health insurance coverage under MBCP's health plan when a "qualifying event" would normally result in the loss of eligibility. Some common qualifying events are resignation, termination of employment, or death of an employee; a reduction in an employee's hours or a leave of absence; an employee's divorce or legal separation; and a dependent child no longer meeting eligibility requirements. Under Cal-COBRA, you or the beneficiary pays the full cost of coverage at MBCP's group rates. In addition, you or the beneficiary may be required to pay an administration fee. Our plan administrator will provide you with a written notice describing rights granted under Cal-COBRA when you become eligible for coverage under our plan. The notice contains important information about your rights and obligations.

### **Recreational Activities and Programs**

MBCP or its insurer will not be liable for payment of workers' compensation benefits for any injury that arises out of your voluntary participation in any off-duty recreational, social, or athletic activity that is not part of your work related duties.

## **Leaves of Absence**

Occasionally, for medical, personal, or other reasons, you may need to be temporarily released from the duties of your job with MBCP. It is the policy of MBCP to allow its eligible employees to apply for and be considered for certain specific leaves of absence.

All requests for leaves of absence shall be submitted in writing to your supervisor. Each request shall provide sufficient detail such as the reason for the leave, the expected duration of the leave, and the relationship of family members, if applicable. When you become aware of your need for leave, requests should be provided at least 30 days in advance. If your need for leave is not foreseeable, you should follow MBCP's customary notice and procedural requirements for requesting leave. Failure to return to work as scheduled from an approved leave of absence or to inform your supervisor of an acceptable reason for not returning as scheduled will be considered a voluntary resignation of employment. While on a leave of absence you may not obtain other employment or apply for unemployment insurance. If either of these instances occurs, you may be viewed as having voluntarily resigned from MBCP.

You will not accrue PTO while you are on a leave of absence, regardless of whether it is paid or unpaid. There are several types of leaves for which you may be eligible.

### **Medical Leaves of Absence**

A medical leave of absence may be granted for non-work related temporary medical disabilities (other than pregnancy, childbirth and related medical conditions) until the end of the month in which the leave began with a doctor's written certificate of disability. Requests for leave should be made in writing as far in advance as possible, but, requests should be provided at least 30 days in advance. If your need for leave is not foreseeable, you should follow MBCP's customary notice and procedural requirements for requesting leave. If you are granted a medical leave you are required to use any accrued sick pay. You also may use any PTO or sick time previously accrued.

A medical leave begins on the first day your doctor certifies that you are unable to work and ends when your doctor certifies that you are able to return to work, when the employer is unable to accommodate additional leave or until the end of the month in which the leave began, whichever occurs first. Your supervisor will supply you with a form for your doctor to complete, showing the date you were disabled and the estimated date you will be able to return to work. You must present a doctor's certificate showing fitness to return to work.

For the duration of any leave of absence, health and life insurance benefits ordinarily provided by MBCP, and for which you are otherwise eligible, will be continued until the last day of the month in which the leave begins. For the duration of a pregnancy disability leave, health and life insurance benefits ordinarily provided by MBCP, and for which you are otherwise eligible, will be continued for the duration of your pregnancy disability leave. During this time, you will be required to contribute your portion of the premium on the same basis as you would have been required during your normal working relationship, including payment of any premium for the dependent coverage you have elected.

If you wish to continue these benefits you may do so by electing to continue the benefit through the CAL-COBRA provisions, and by paying the applicable premiums.

You will not accrue PTO while you are on a medical leave of absence.

If returning from a non-work related medical leave, you will be offered the same position held at the time of leaving, if available. However, we cannot guarantee that your job or a similar job will be available upon your return. If MBCP is unable to provide a job for you at the end of your leave, we will end your employment, but you will be eligible to apply for any opening that may arise for which you are qualified.

### **Bereavement Leave**

MBCP provides regular full-time and regular part-time employees up to three (3) days' paid bereavement leave in the event of a death in your immediate family. For purposes of this policy, "immediate family" includes your spouse, parent, child, sibling; your spouse's parent, child, or sibling; your long-time companion or domestic partner; and your grandparents or grandchildren. If you need to take time off due to the death of an immediate family member you should contact your supervisor. Your supervisor may approve additional unpaid time off.

### **Bone Marrow and Organ Donation Leave**

Employees who are donating an organ to another person may take a leave of absence not exceeding 30 business days (and which may be taken in one or more periods) in any one-year. Employees who are donating their bone marrow to another person may take a leave of absence not exceeding 5 business days (and which may be taken in one or more periods) in any one year.

Requests for leave should be made in writing as far in advance as possible. You must provide a written medical certification from your health care provider to MBCP that shows that you are a bone marrow or organ donor and that there is a medical necessity for the donation.

Bone Marrow and Organ Donation leave is a paid leave, however you are required to use up to 5 days of accrued but unused sick or PTO leave for bone marrow donation, and up to 2 weeks of accrued but unused sick or PTO leave for organ donation.

For the duration of a Bone Marrow or Organ Donation leave of absence, health and life insurance benefits ordinarily provided by MBCP, and for which you are otherwise eligible, will be continued until the last day of the month in which the leave begins. During this time, you will be required to contribute your portion of the premium on the same basis as you would have been required during your normal working relationship, including payment of any premium for the dependent coverage you have elected.

When you are ready to return to work after a Bone Marrow or Organ Donation leave, you must provide certification from your medical care provider that you are able to safely perform all of the essential functions of your position with or without reasonable accommodation. Except as otherwise allowed by law, you are entitled, upon return from leave, to be reinstated in the position you held before the Bone Marrow or Organ Donation leave, or to be placed in a comparable position with comparable benefits, pay, and terms and conditions of employment.

### **Civil Air Patrol Leave**

Employees who volunteer for the California Wing of the Civil Air Patrol are allowed up to ten days of unpaid leave each year. This leave covers employees who are needed to respond to an emergency operational mission who have been employed by MBCP for at least 90 days immediately preceding the requested leave. MBCP reserves the right to verify the need for the leave with the Air Patrol.

### **Domestic Violence and Sexual Assault Victim Leave**

MBCP takes threats and actions of domestic abuse and sexual assault against our employees very seriously, and wants employees to feel free to obtain services to keep themselves and their dependents safe.

If at any time you need to be absent from work because you have been a victim of domestic violence or sexual assault, and you need to take time off to ensure your safety, seek medical treatment, or receive counseling as a result of domestic violence or sexual assault, please let your supervisor or the CEO know immediately. Your privacy will be protected to the greatest extent possible. You may use accrued PTO or sick leave in lieu of unpaid time off for these purposes.

### **Jury Duty or Witness Leave**

You may want to fulfill your civic responsibilities by serving on a jury or as a witness as required by law. You may request unpaid leave for the length of absence, unless the leave of absence is taken as PTO. We will comply with federal and state requirements on pay for exempt employees. You may be requested to provide written verification from the court clerk of having served.

You must show the jury duty or witness summons to your supervisor as soon as possible so that arrangements can be made to cover your absence. Of course, you are expected to report for work whenever the court schedule permits. If you are called for jury duty during a particularly busy time, we may ask you to request the court to postpone the mandatory jury duty to a more convenient time for us. You retain all fees paid for appearing, plus transportation reimbursements received, if any.

### **Military Leave**

If you wish to serve in the military and take military leave you should contact the Human Resources Manager for information about your rights before and after such leave. You are entitled to reinstatement upon completion of military service provided you return or apply for reinstatement within the time allowed by law.

### **Pregnancy Disability Leave**

#### **Eligibility and Terms of Leave**

Female employees are entitled to an unpaid Pregnancy Disability Leave (PDL) during the time they are disabled due to pregnancy, childbirth, or related medical conditions. This leave will be for the period of disability, up to four months or 17 1/3 workweeks. You are "disabled by pregnancy" if you are unable because of pregnancy to work at all, are unable to perform the essential functions of your job, or to perform these functions without undue risk to successful completion of your pregnancy, or to other persons.

Leave may be taken intermittently or on a reduced work schedule when medically advisable, as determined by your medical care provider. Medical certification is required, and the length of Pregnancy Disability Leave will depend on the medical necessity for the leave. If you need intermittent leave or leave on a reduced schedule, MBCP may require you to transfer, during the period of the intermittent or reduced schedule leave, to an available alternative position for which you are qualified and which better accommodates your recurring periods of leave. Transfer to an alternative position may include altering an existing job to better accommodate your need for intermittent leave or a reduced work schedule.

### **Applying For Leave**

If possible, you should give at least 30 days notice requesting a pregnancy-related leave. This notice must provide and include the expected date on which the leave will begin, written certification from your medical care provider stating the anticipated delivery date and the duration of the leave.

### **Return to Work**

Before returning to work, you must provide a release from your medical care provider certifying that you are able to safely perform all of the essential functions of your position with or without reasonable accommodation. MBCP will reinstate you to your position unless:

1. Your job has ceased to exist for legitimate business reasons;
2. Your job could not be kept open or filled by a temporary employee without substantially undermining MBCP's ability to operate safely and efficiently;
3. You have directly or indirectly indicated your intention not to return;
4. You are no longer able to perform the essential functions of the job with or without reasonable accommodation;
5. You have exceeded the length of the approved leave; or 6. You are no longer qualified for the job.

If MBCP cannot reinstate you to the position you held before the pregnancy disability leave began, MBCP will offer you a comparable position, provided that a comparable position exists and is available, and provided that filling the available position would not substantially undermine MBCP's ability to operate safely and efficiently.

### **Integration With Other Benefits**

A pregnancy disability leave is unpaid, but you are required to use your accrued sick leave during the leave. In addition, you may elect to use accrued PTO during the leave. Sick leave and PTO will supplement any State Disability Insurance benefits. MBCP will maintain group medical benefits during a pregnancy disability leave as required by law. No additional PTO, sick leave or holiday pay will accrue during the leave. You may also, however, be eligible for short term disability benefits.

### **Continuation of Medical Benefits**

For the duration of your PDL leave of absence, health and life insurance benefits ordinarily provided by MBCP, and for which you are otherwise eligible, will be continued for the duration of your pregnancy disability leave. During this time, you will be required to contribute your portion of the premium on the same basis as you would have been required during your normal working relationship, including payment of any premium for the

dependent coverage you have elected. If you wish to continue these benefits you may do so by electing to continue the benefit through the Cal-COBRA provisions, and by paying the applicable premiums.

### **School Appearance Leave**

If you are the parent or guardian of a child who has been suspended from school and you receive a notice from your child's school requesting that you attend a portion of a school day in the child's classroom, you may take unpaid time to appear at the school, unless you use accrued PTO. Before your planned absence, you must give reasonable notice to your supervisor that you have been requested to appear by your child's school.

### **Time Off for Victims of a Violent or Serious Crime**

Under certain circumstances, employees who are victims of serious crimes may take time off work to participate in judicial proceedings. Qualified family members of such crime victims may also be eligible to take time off from work to participate in judicial proceedings. The law defines a serious crime to include violent or serious felonies, such as felonies involving theft or embezzlement, crimes involving vehicular manslaughter while intoxicated, child abuse, physical abuse of an elder or dependent adult, stalking, solicitation for murder, hit-and-run causing death or injury, driving under the influence causing injury, and sexual assault. When possible, you must provide us with advance notice of the need for the time off. Your privacy will be protected to the greatest extent possible. Time away from work for non-exempt employees will be without pay, unless you wish to use your accrued PTO or sick leave to cover the period of absence.

### **Time Off To Vote**

If you do not have sufficient time outside of working hours to vote in a statewide election, you may, without loss of pay, take off up to two hours of working time to vote. Such time must be at the beginning or end of the regular working shift, whichever allows the most free time for voting and the least time off from working, unless otherwise mutually agreed. You must notify us at least two working days in advance to arrange a voting time.

### **Volunteer Emergency Duty Leave**

MBCP will allow unpaid time off to employees who perform emergency duty as a volunteer firefighter, reserve peace officer, emergency rescue personnel, an officer, employee, or member of a disaster medical response entity sponsored or requested by the state. If you are a volunteer firefighter, or perform other emergency personnel duties, please alert your supervisor so that he or she may be aware of the fact that you may have to take time off for emergency duty. When possible, you must provide us with advance notice of the need for the time off. Time away from work will be without pay, unless you wish to use your accrued PTO or sick leave to cover the period of absence.

### **Workers' Compensation**

We, in accordance with state law, provide insurance coverage for employees in case of a work related injury. To ensure that you receive any workers' compensation benefits to which you may be entitled, you will need to:

1. Immediately report any work-related injury to your supervisor.
2. Seek medical treatment and follow-up care if required.
3. Complete a written Employee's Claim Form (DWC Form 1) and return it to your supervisor.

Provide us with certification from your health care provider regarding the need for workers' compensation disability leave and your ability to return to work from the leave.

### **Return to Work Policy**

MBCP is committed to returning injured employees to modified or alternative work as soon after a work related injury as possible. Temporarily modifying your job or providing you with an alternative position will do this. Your medical condition along with any limitations or restrictions given by the attending physician will be considered as a priority when identifying the modified/alternative position.

The program is intended to provide our employees with an opportunity to continue as valuable members of our team while recovering from a work related injury. We want to minimize any adverse effects of an ongoing disability on our employees. This program is intended to promote speedy recovery, while keeping the employees' work patterns and income consistent. At the same time, we benefit from having our employees providing a service and contributing to the overall productivity of our business.

### **Receipt and Acknowledgment of MBCP Employee Handbook**

I have received my copy of MBCP's employee handbook. I understand and agree that it is my responsibility to read and familiarize myself with the policies and procedures contained in the handbook.

### **At-Will Employment**

I further understand that my employment is at-will, and neither MBCP nor I have entered into a contract regarding the duration of my employment. I am free to terminate my employment with MBCP at any time, with or without cause. Likewise, MBCP has the right to terminate my employment with or without cause, at the discretion of MBCP. No employee of MBCP can enter into an employment contract for a specified period of time, or make any agreement contrary to this policy without the written approval from the CEO.

### **Future Revisions**

We reserve the right to revise, modify, delete or add to any and all policies, procedures, work rules or benefits stated in this employee handbook or in any other document, except for the policy of at-will employment. Any written changes to this employee handbook will be distributed to all employees so that you will be aware of the new policies or procedures. No oral statements or representations can in any way change or alter the provisions of this employee handbook.

### **Illness and Injury Prevention Plan**

I acknowledge that I have read and understand the MBCP's Illness & Injury Prevention Plan and that I agree to abide by these policies.

### **Drug and Alcohol Abuse Policy**

I certify that I have read MBCP's Drug and Alcohol Abuse Policy and agree to abide fully by its terms. I understand that as a condition of my employment, I must notify MBCP of any conviction for a drug violation that occurs within five days after such a conviction. I understand that any violation of the policy may result in serious disciplinary action, including immediate termination.

Employee's Printed Name\_\_\_\_\_

Position\_\_\_\_\_

Employee's Signature\_\_\_\_\_

Date\_\_\_\_\_

**Receipt and Acknowledgement of MBCP Handouts**

***Sexual Harassment Prevention Handout***

I acknowledge that I have read and understand the enclosed pamphlet on sexual harassment prevention in the workplace and reporting procedures in the event that harassment occurs.

***State Disability Insurance, Paid Family Leave and Unemployment Handouts***

I acknowledge that I have received the enclosed pamphlets on state disability insurance, paid family leave and unemployment insurance as provided by the Employment Development Department.

***Workers' Compensation Handout***

I acknowledge that I have received the enclosed pamphlet on workers' compensation benefits as provided by the California Chamber of Commerce.

Employee's Printed Name\_\_\_\_\_

Position\_\_\_\_\_

Employee's Signature\_\_\_\_\_

Date\_\_\_\_\_



## Staff Report Item 11

**TO:** MBCP Operations Board of Directors

**FROM:** Tom Habashi, Chief Executive Officer

**SUBJECT:** MBCP Procurement Plan and Power Supply Mix

**DATE:** September 6, 2017

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### **Summary of Recommendations**

In consideration of recent feedback provided by MBCP's Operations and Policy Boards, available market information, the ongoing implementation of Assembly Bill 1110 (which addresses the retail-level reporting of greenhouse gas emissions intensity by California electricity sellers, including MBCP), and pertinent operational considerations affecting CCAs, staff recommends that MBCP, for the next three calendar years, pursue an electric energy supply portfolio that would be comprised of 70 to 100% renewable and carbon-free sources. This metric would be determined on an annual basis in consideration of MBCP's total procured quantity of renewable and carbon-free electricity supply (as measured in megawatt hours, or "MWh") divided by MBCP's total retail sales (also measured in MWh).

To achieve the aforementioned portfolio composition, staff further recommends that MBCP issue a short-term request for offers ("Short-Term RFO") as well as a Long-Term RFO, addressing certain portions of MBCP's longer-term clean-energy requirements (meaning, such requirements that occur over the upcoming 10- to 20-year planning horizon), particularly long-term renewable energy contracting requirements reflected within California's Renewables Portfolio Standard ("RPS") program.

### **Background**

The conventional approach to power supply acquisition is to plan for the least cost and most diverse power portfolio (term, technology, providers, etc.). In California, retail electricity sellers, including CCAs, are required to procure renewable energy resources (exclusive of hydroelectric generators in excess of 30 MW) to serve a portion of their respective annual retail sales. In particular, California's RPS program requires retail sellers to procure increasing amounts of "RPS-eligible" renewable energy over time. Currently effective legislation, namely Senate Bill 350 (de Leon, 2015), mandates that 50% of all retail electricity sales be served by RPS-eligible

renewable energy resources by 2030, including a requirement which specifies that a minimum of 65% (by 2021) of such supply be procured under long-term contracts with durations of 10 years or more.

Under the RPS program, the legislatures described RPS-eligible renewable energy through the use of three distinct products; 1) Portfolio Content Category 1 (“PCC 1” or “Bucket 1”) – renewable energy produced by resources located within or connected directly to the state of California (or resources located outside of California, which schedule electricity deliveries to defined areas within California); 2) Portfolio Content Category 2 (“PCC 2” or “Bucket 2”) – renewable energy produced by resources located outside California which “bundle” related renewable energy certificates (“RECs”) with other sources of regionally produced electricity; and 3) Portfolio Content Category 3 (“PCC 3” or “Bucket 3”) – RECs that are produced by an RPS-eligible renewable generator but sold separately from such electricity.

To encourage development of renewable resources in California, the legislature mandated that a minimum 75% of each retail seller’s RPS procurement obligation must be met by PCC 1 products; retail sellers may also use a maximum 10% of PCC 3 products; any residual RPS procurement obligations may be sourced from PCC 2 products or additional PCC 1 purchases. Note that there are no limitations with regard to the use of PCC 1 products when demonstrating compliance with California’s RPS procurement mandate.

For certain retail sellers, including MBCP and many other CCAs, pursuing planning and procurement strategies that rely heavily on carbon-free power supply is highly important. To achieve such portfolio characteristics, retail sellers are generally limited to procuring specified quantities of renewable energy or hydroelectricity. Such resource options can vary widely in terms of cost and delivery characteristics, making portfolio composition an exercise in tradeoffs for cost-sensitive retail sellers.

### **Analysis**

Similar to many other California CCAs, MBCP’s founding municipalities have determined that the organization should strive to acquire a proportion of renewable energy resources in excess of statewide procurement mandates as well as supply percentages reported by the incumbent utility. Due to the costs associated with this planning objective, which are expected to exceed typical market prices associated with conventional supply sources, MBCP must evaluate the rate-related impacts associated with such procurement decisions, moderating renewable energy purchases, as necessary, to ensure that customer rates remain competitive over time. MBCP anticipates that effectively balancing these competing objectives will positively influence customer retention rates, meaning that opt-out rates are expected to remain relatively low to the extent that MBCP’s retail generation rates generally remain aligned with similar rates charged by the incumbent utility.

The following analysis assumes that MBCP will match PG&E’s generation rates exactly and will source renewable resources to meet California’s RPS requirement at the lowest possible cost. This should result in a healthy net revenue during MBCP’s first few years of operation, which can be used to increase the proportion of renewable and carbon-free resources in MBCP’s power supply portfolio over time.

Staff examined 6 portfolio options, each focused on a different composition of renewable energy resources:

- Maximize the use of local (Monterey Bay region) renewable resources, namely solar;
- Maximize the use of PCC 1 products;
- Maximize the use of PCC 2 products;
- Maximize the use of PCC 3 products;
- Maximize the use of carbon-free resources (mainly regionally produced hydroelectricity); and
- A mix of PCC 1 and regionally produced hydroelectricity – this represents staff's recommended options.

While maximizing the use of PCC 3 products is the most economical approach to increasing renewable energy use, there has been considerable resistance from certain stakeholders as well as potential adverse emissions accounting impacts (related to AB 1110 implementation) from such procurement strategies. Typical criticisms of such strategies tend to focus on issues related to “additionality” (meaning, the impact of PCC 3 procurement on new renewable resource development) and portfolio “green-washing” (meaning that the unbundled nature of such products somehow decreases the environmental value associated with PCC 3 procurement – this is a viewpoint which has been repeatedly noted by certain stakeholder groups).

For supply portfolios that are heavily reliant on PCC 2 products, current implementation proposals related to AB 1110 seem to reflect elements that would reduce, if not eliminate, the favorable emissions profile typically associated with PCC 2 products. In particular, staff of the California Energy Commission (“CEC”) have proposed that PCC 2 products assume an emissions factor that is not directly related to the underlying renewable energy resources, which would substantially reduce the benefits of procuring PCC 2 products (as a result of attributing emissions factors typically associated with conventional generating resources to such products). While the rulemaking for AB 1110 is not yet underway, the aforementioned CEC staff proposal raises concerns about the planning viability of PCC 2 products following the implementation of AB 1110 emissions reporting (which commences in 2020 for all power purchases made on/after January 1, 2019).

Therefore, over the short-term (1-3 years), staff recommends that MBCP assemble a renewable energy portfolio that is comprised entirely of PCC 1 products with the balance of MBCP’s carbon-free resource requirements sourced from regionally produced hydroelectricity. While this combination of resources will likely result in somewhat higher costs (relative to the composition of a renewable energy portfolio utilizing PCC 2 and/or PCC 3 products), it is likely to be the least controversial while also promoting methodological consistencies with AB 1110 emissions accounting for carbon-free resources. Stated somewhat differently, this portfolio planning approach should optimize MBCP’s opportunities for retail-level GHG emission reductions.

MBCP is also required to fulfill the long-term renewable contracting requirements of California’s RPS program, which necessitate the execution of power purchase agreements with durations of 10 years or more. To accommodate these requirements, staff recommends that MBCP begin identifying suitable long-term contracting options as soon as practical. Such an

approach is prudent in consideration of project development lead times typically required for newer renewable energy resources and will ensure that MBCP identifies suitable renewable energy contract options that will begin producing electricity in advance of 2021 (the date by which MBCP must begin meeting the long-term contracting requirements of SB 350). In pursuing such contracting opportunities, MBCP may choose to join other CCAs, which may reduce concerns regarding MBCP’s limited credit history while providing pricing efficiencies typically offered by larger renewable energy projects.

The following tables provide additional information, which contributed to staff’s analysis.

**Projected MBCP Pro Forma Operating Projections**

	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue (\$M)	173	241	242	249	257	264	272	281
Operating Expenses (\$M)	9	13	13	14	14	14	15	15
Power Cost (\$M)	110	163	175	184	191	198	205	212
Residual (\$M)	54	64	53	51	52	52	53	54

**RPS Plus Maximum Local Renewable Resource Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add Local PV in Renewable %	40%	32%	26%	25%	25%	26%	26%	26%
Carbon-based %	33%	39%	42%	42%	40%	39%	37%	35%
Residual Funds (\$M)	-	-	-	-	-	-	-	-

**RPS Plus Additional PCC 1 Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add PCC 1 in Renewable %	73%	71%	69%	67%	66%	64%	62%	61%
Carbon-based %	Trace							
Residual Funds (\$M)	26	24	14	13	14	15	16	18

**RPS Plus Additional PCC 2 Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add PCC2 in Renewable %	73%	71%	69%	67%	66%	64%	62%	61%
Carbon-based %	Trace							
Residual Funds (\$M)	43	48	38	36	37	38	38	39

**RPS Plus Additional PCC 3 Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add PCC3 in Renewable %	73%	71%	69%	67%	66%	64%	62%	61%
Carbon-based %	Trace							
Residual Funds (\$M)	51	60	50	47	48	49	49	50

**RPS Plus Additional Large Hydro Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add Hydro in %	73%	71%	69%	67%	66%	64%	62%	61%
Carbon-based %	Trace							
Residual Funds (\$M)	49	58	47	45	45	46	47	48

**Staff Recommended Portfolio Composition: PCC 1 Plus Large Hydro Utilization**

	2018	2019	2020	2021	2022	2023	2024	2025
Minimum Renewable %	27%	29%	31%	33%	34%	36%	38%	39%
Add Hydro in %	73%	71%	69%	67%	66%	64%	62%	61%
Carbon-based %	Trace							
Residual Funds (\$M)	48	55	44	41	41	42	42	42

**Recommended Revenue and Expense Projections with Staff Recommended Portfolio**

	2018	2019	2020	2021	2022	2023	2024	2025
Total Revenue (\$M)	173	241	242	249	257	264	272	281
Operating Expenses (\$M)	9	13	13	14	14	14	15	15
Power Cost (\$M)	116	173	184	194	201	208	216	224

Residual (\$M)	48	55	44	41	41	42	42	42
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**Conclusion**

Staff recommends that MBCP issue a Short-Term RFO as well as a Long-Term RFO to facilitate MBCP’s achievement of a 70 to 100% carbon-free resource mix during its initial three years of program operations through the exclusive use of PCC 1 and regionally produced hydroelectricity. Such an approach is expected to contribute to an environmentally responsible portfolio mix, competitive electric rates, and healthy financial reserves. Administration of these solicitations will also contribute to MBCP’s compliance with California’s RPS procurement mandates as well as pertinent long-term renewable contracting requirements reflected under this program.