

GRANT OF OPTION AGREEMENT

THIS GRANT OF OPTION AGREEMENT (this "Agreement") is made and entered into this ___ day of December 2015 (the "Effective Date"), by and between the City of Fresno ("City"), a municipal corporation, and Amber Kinetics, Inc., a California corporation ("Amber Kinetics"). City and Amber Kinetics are sometimes collectively referred to in this Agreement as the "Parties" or singularly as a "Party" or by their individual names.

RECITALS

A. City is the owner of that certain real property located in the County of Fresno, State of California, referred to for convenience as approximately twenty-five (25) acres on the northeast portion of that certain real property identified by assessor's parcel number ___ - ___ - ___ (the "Property"), a depiction of which is attached hereto as **Exhibit "A"** and incorporated herein by this reference.

B. The Property is currently leased until December 31, 2016.

C. Amber Kinetics desires to obtain long-term site control of the Property for the purpose of developing a kinetic energy storage project on the site which will provide energy storage to PG&E under an Energy Storage Agreement.

D. City agrees to provide Amber Kinetics an option to lease the Property, pursuant to the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement and in these Recitals, which are hereby incorporated by this reference, City and Amber Kinetics hereby agree as follows:

1. Parcel 1 Option and Lease

(a) Parcel 1 Option. The City hereby grants to Amber Kinetics the exclusive option and right to lease ten (10) acres of the Property ("Parcel 1"), as approximately identified in the attached "**Exhibit B**" (the "Parcel 1 Option"). The Parcel 1 Option will commence on the Effective Date and expire July 31, 2016 (the "Parcel 1 Option Term"). Amber Kinetics shall pay to the City a one-time, nonrefundable payment in the amount of Two Thousand Four Hundred Dollars (\$2,400) for the Parcel 1 Option. Amber Kinetics may exercise the Parcel 1 Option at any time during the Parcel 1 Option Term with a notice in writing to City.

(b) Parcel 1 Lease. If Amber Kinetics exercises the Parcel 1 Option, the "Parcel 1 Lease" shall be for an initial term of twenty-five (25) years (the "Parcel 1 Lease Term"). The Parcel 1 Lease Term shall begin on the later of January 1, 2017 or the date that the City provides Amber Kinetics with possession of Parcel 1. Amber Kinetics shall pay the City, in equal monthly installments, an initial rent of Two Thousand Dollars (\$2,000) per acre, per year (the "Parcel 1 Lease Payments"). The Parcel 1 Lease Payments shall increase annually by three percent (3%).

(c) Maintenance of Property. Following the date that Amber Kinetics obtains possession of Parcel 1 from the City after commencement of the Parcel 1

Lease, Amber Kinetics shall be responsible for maintaining Parcel 1 in a manner that does not create a public nuisance and shall provide dust control, mowing, and weed control on Parcel 1 as is necessary to keep Parcel 1 in a reasonably satisfactory state of repair. If City determines to provide possession of Parcel 2 (as described below) to Amber Kinetics prior to the date that Amber Kinetics exercises its option to commence the Parcel 2 Lease, Amber Kinetics shall assume the responsibility to maintain Parcel 2, subject to the same standards mentioned above, from the date that the City provides possession. The City is not, however, required to provide possession of Parcel 2 to Amber Kinetics prior to the commencement of the Parcel 2 Lease.

2. Parcel 2 Option and Lease

(a) Parcel 2 Option. The City hereby grants to Amber Kinetics the exclusive option and right to lease all or any portion of the remaining fifteen (15) acres of the Property ("Parcel 2"), as approximately identified in the attached "**Exhibit C**" (the "Parcel 2 Option"). The Parcel 2 Option will commence on the Effective Date and, unless terminated as provided herein, and shall expire on July 31, 2019 (the "Parcel 2 Option Term"). Amber Kinetics shall make Option Payments to the City as follows: An initial non-refundable Two Thousand Seven Hundred Dollars (\$2,700) for the first six (6) months, and payment of Four Hundred Fifty Dollars (\$450) each month thereafter while the Parcel 2 Option is in effect (the "Parcel 2 Option Payments"). If Amber Kinetics exercises the Parcel 2 Option prior to the end of the Parcel 2 Option Term, a prorated portion of the Parcel 2 Option Payments actually made by Amber Kinetics shall be applied to the Parcel 2 lease payments. Amber Kinetics may exercise the Parcel 2 Option at any time during the Parcel 2 Option Term with a notice in writing no less than ninety (90) days prior to the start date of the Parcel 2 Lease. Amber Kinetics may also cancel the Parcel 2 Option with ninety (90) days' notice of cancelation. Amber Kinetics will be relieved of any further obligation to make Parcel 2 Option Payments or to maintain Parcel 2 on the ninety-first (91st) day following its notice of cancelation.

(b) Parcel 2 Lease. IF Amber Kinetics exercises the Parcel 2 Option, the "Parcel 2 Lease" shall be for an initial term of twenty-five (25) years (the "Parcel 2 Lease Term"). The Parcel 2 Lease Term shall begin on the date (no later than January 1, 2020) that Amber Kinetics specifies in its notice of exercise of its Parcel 2 Option or the date that the City provides possession of Parcel 2 to Amber Kinetics, whichever is later. Amber Kinetics shall continue to pay monthly Parcel 2 Option Payments to the City until the commencement of the Parcel 2 Lease. Following commencement of the Parcel 2 Lease, Amber Kinetics shall pay rent to the City in equal monthly installments and shall be calculated based on the same per acre rent Amber Kinetics pays for the Parcel 1 Lease (the "Parcel 2 Lease Payments"). The Parcel 1 and Parcel 2 Lease Payments shall escalate at the same rate so the per acre rent payments shall be consistent for the entire Property.

3. Right to Inspect

(a) In March and April of 2016, during the Parcel 1 Option Term, City shall provide Amber Kinetics, and Amber Kinetics' agents, employees, and representatives (collectively, "Amber Kinetics' Agents") with reasonable access to the Property, and each portion thereof, to allow Amber Kinetics and Amber Kinetics' Agents