

TERM SHEET

Predevelopment and Environmental Remediation Management Agreement for the Former Cal-Compact Landfill Site

April 27, 2017

WHEREAS, the Carson Reclamation Authority (the "Authority") is the owner of that certain real property located in the City of Carson, California, consisting of approximately 157 gross acres, commonly referred to as the former Cal Compact Landfill Site, and more particularly described in Exhibits A, attached hereto (the "Property");

WHEREAS, the Property is the subject of the Consent Decree Resolving Claims Against BKK Corporation entered February 4, 2004 (the "Consent Decree"), that certain Final Remedial Action Plan, Cal Compact Landfill (Upper Operable Unit) dated October 1995 (the "RAP"), as modified by the Explanation of Significant Differences from the Remedial Action Plan dated July 31, 2009 (the "ESD"), and that certain Compliance Framework Agreement dated September 28, 2006, as amended (the "CFD");

WHEREAS, on July 7, 2016, the Authority, the City of Carson, and CAM-CARSON, LLC, a Delaware limited liability company, entered into an Exclusive Negotiating Agreement to negotiate a purchase agreement and a long-term development agreement resulting in the conveyance of ownership of the Cell 2 Site to the Developer, and is negotiating similar Exclusive Negotiating Agreements with one or more other third party developers (the "ENA's") whereby, if the City of Carson's Specific Plan for the Boulevards at South Bay project ("SPA") is approved and negotiations between the Authority and the applicable developers are successfully concluded, the Authority would be obligated to convey improved portions of the Property to the respective third-party developers;

WHEREAS, in July 2016 the Authority issued a Request for Qualifications and Conceptual Proposals for Master Development of the Former Cal Compact Landfill Site (the "RFQ"), to which RES responded with a Statement of Qualifications dated August 25, 2016, and in March 2017, the Authority notified RES of its desire to negotiate with RES to be the Horizontal Master Developer on the Property; and

WHEREAS, this Term Sheet is submitted consistent with RES' selection pursuant to the RFQ.

1. Agreement. RES and the Authority intend to enter into a Predevelopment and Environmental Remediation Management Agreement for the Property whereby RES would perform the Site Management/O&M Services, Predevelopment Services and the Approved Remediation Services in return for the Environmental Liability Fee, Monthly Fee, Services Fee and Cost Reduction Fee, each as more particularly set forth in this Term Sheet (the "Predevelopment Agreement"). **[Note: This Term Sheet includes additional provisions regarding proposed "Development Services." These provisions are provided for informational purposes at this time, as consistent with RES' selection via the RFQ process, and RES acknowledges that they are expressly contingent on the Authority's future review**

EXHIBIT NO. 1
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and approval of such provisions if, and only if, the Authority has completed its CEQA review of the SPA and entered into conveyance agreements pursuant to the ENA's.]

2. Parties.

- a. Authority. The Carson Reclamation Authority, as the "Owner"; and
- b. RES. RE | Solutions, LLC, a Colorado limited liability company, or its designated affiliate, as the "Manager."

3. Services. During the term of the Agreement, RES would perform the following Site Management/O&M Services, Predevelopment Services and Remediation Services, each as further described below (collectively, the "Services"):

3.1 Site Management/O&M Services. Oversee the proper implementation of the following site management and operation and maintenance ("O&M") services (the "Site Management/O&M Services"):

(a) Budget. Perform a value engineering review of the currently required site management and O&M activities at the Property and the third-party costs associated therewith, and based upon such review, recommend changes to the current site management and O&M activities that are intended to result in an aggregate, net potential savings and (upon Authority approval of the same) oversee/implement the pursuit of any third-party approvals required for the implementation of such changes.

[Development Services Note: If the SPA is approved (with corresponding CEQA review/certification) and the Authority elects to proceed with the conveyance of one or more cells to the third-party developers, RES would expand its value engineering review to recommend changes to the post-remedy O&M activities to be funded by the applicable Community Facilities District.]

(b) Site Management:

(i) Oversee the general maintenance and upkeep of the Property, including, without limitation, required on-site security, fencing and signage;

(ii) Act as the primary point of contact for Property issues and coordinate access to the Property;

(iii) Process claims under and administer the non-environmental insurance programs applicable to the Property and serve as the Authority's primary point of contact with respect thereto.

(b) Operation and Maintenance:

(i) Management of the current ongoing operation and maintenance activities at the Property conducted by SCS under its current contract with the Authority; and

(ii) Upon the expiration of the SCS contract, retain and coordinate the performance of the necessary third-party service providers to perform the services previously provided by SCS.

(c) Term. The Site Management/O&M Services would commence upon the execution of the Agreement and terminate upon the completion of the environmental remedy.

(d) Environmental Liability. RES acknowledges that it would be subject to certain environmental liability with respect to the Property as a result of its assumption of oversight and implementation of the O&M activities and other activities undertaken under the Agreement. The Agreement would acknowledge that RES would not be required to assume any additional liability (vis a vis the Authority, regulatory agencies or third parties) with respect to the existing environmental conditions at the Property and RES' indemnity in favor of the Authority related to environmental matters would be limited to the implementation by RES of the environmental remedy (subject to the satisfaction of the applicable conditions precedent).

3.2 Predevelopment Services. RES will, as applicable, implement or oversee the following predevelopment services (the "Predevelopment Services"):

(a) Oversee Environmental Science Associates' ("ESA") timely performance of its obligations under its contract with the Authority to prepare the project description, initial study and applicable CEQA review document for the proposed amendment to the SPA;

(b) Develop and (upon receipt of Authority approval) implement a public outreach program to solicit community/stakeholder input and involvement in the CEQA review of the SPA;

(c) Oversee the timely performance of professional consultants currently retained by City or the Authority related to the SPA and related predevelopment design and engineering services; and

(d) Assist the Authority in performing any predevelopment activities required under the ENA's and with Property/project information in furtherance of the Authority's negotiations under the ENA's.

The Predevelopment Services would commence upon the execution of the Agreement and terminate upon the earlier to occur of (a) the City's final approval of the SPA and (b) the date the Agreement is otherwise terminated pursuant to Item 5 below.

[Development Services Note: If the SPA is approved (with corresponding CEQA review/certification) and the Authority elects to proceed with the conveyance of one or

more cells to the third-party developers, RES would expand the Predevelopment Services to include the following development services – the retention and management of the applicable design, remediation and construction professionals necessary to perform the Authority’s obligations under the applicable conveyance agreements; coordination of the permits necessary to perform the Authority’s obligations under the applicable conveyance agreements; retention and management of the applicable contactors necessary to perform such obligations; and budgeting and accounting services with respect to the foregoing.]

3.3 Approved Environmental Remediation. The parties acknowledge that the Authority has previously received certain approvals necessary to implement an environmental remedy at the Property in response to the Consent Decree and RAP. While the Authority desires to implement such remedy in conjunction with the development of the Property, the Authority has determined that such remedy should be implemented within the next four (4) years whether or not development proceeds at the Property. Therefore, if the Authority has not completed the matters set forth in Item 3.3(a) within four (4) years after the effective date of the Agreement, RES shall be entitled to develop the final plans for the environmental remedy based on the existing approvals and implement the same pursuant to Item 3.3(b) below for the Property (or the applicable portion of the same).

(a) Conditions to implementation of the environmental remedy in conjunction with the development of the Property:

(i) Received approval for the SPA and all other required project land use and regulatory approvals;

(ii) Entered into a binding conveyance agreements with third-party developers for the entirety of the Property; and

(iii) Received the information and plans necessary to incorporate the proposed development of the Property into the final plans for the environmental remedy (final grading plan, street and utility designs and foundation locations and designs (including any pile supports)).

Note: If the Authority timely enters into conveyance agreements and obtains the required design information for a portion of the Property, RES’ right to implement the “non-development” environmental remedy would be limited to the portion of the Property not included within such agreements/information.

(b) Implementation of environmental remedy:

(i) In conjunction with TRC, develop a design budget for the Authority’s review and approval;

(ii) Coordinate TRC’s design of the improvements necessary to implement the required environmental remedy for approval by the Authority and applicable governmental and regulatory agencies (as approved, the “Approved Remediation Plans”);

(iii) Prepare a budget for the implementation of the Approved Remediation Plans;

(iv) Coordinate the selection of a general contractor for the implementation of the Approved Remediation Plans;

(v) Oversee the general contractor's implementation of the Approved Remediation Plans;

(vi) Obtain all required governmental approvals of the completed environmental remedy; and

(vii) Finalize and obtain DTSC approval of any required Land Use Covenants for the Property, including an Institutional Control Plan, Environmental Covenant, and Covenants, Conditions and Restrictions (CC&Rs).

The Agreement would provide that RES' receipt of approval of Remedial Action Completion Report(s) from DTSC would be conclusive evidence of the completion of the environmental remedy.

3.4 Miscellaneous Provisions Related to the Services.

(a) The Services would be performed to the designated standard of care.

(b) In addition to the Fees and applicable reimbursements payable to RES, the Authority would be responsible for paying all third-party costs incurred in the performance of the Services that are consistent with the Authority's prior approval and other limitations included in the Predevelopment Agreement. Subject to the parties subsequent agreement on RES's maintenance of a cash flow credit facility to facilitate third-party payments from the Authority under the Agreement, (i) RES would not be required to advance any third-party costs in the implementation of the Services and (ii) the Authority would deposit funds necessary to pay the costs to be incurred pursuant to any approved budget into a secured escrow account for benefit of the Authority and RES prior to RES entering into any applicable third party contracts.

(c) With the exception of any existing CEQA contracts, and the SCS and MBI contracts currently in full force and effect with the Authority, and any amendments thereto, , RES will hold all the contracts with third parties necessary to perform the Services. Such contracts would be procured pursuant to a bidding process in accordance with applicable legal requirements, if any, and require the third-party consultants and contractors to (i) indemnify and name the Authority as an additional insured and waive subrogation to the same extent as RES, (ii) consent to the assignment of any warranties and guarantees to the Authority or its designee, (iii) when applicable, pay prevailing wages for construction work. The parties acknowledge that the identification of TRC during the RFQ process and the Authority's selection of RES pursuant to the same satisfies the applicable competitive bid procedures related to RES's retention of TRC with respect to the Environmental Services.

(d) The Authority would cause RES to be named as an additional insured on all of the insurance policies set forth in Exhibit B, attached hereto.

4. Fees. In return for RES' performance of the Services, the Authority would pay the Environmental Liability Fee, Minimum Monthly Fee, Services Fee and Cost Reduction Fee, each as further defined herein (collectively, the "Fees"):

4.1 Environmental Liability Fee. In acknowledgement of the assumption of environmental liability set forth in Item 3.1(d) above and the indemnification provided to the Authority by RES, RES would be paid a fee equal to \$2,400,000 (the "Environmental Liability Fee"), which fee shall be payable as follows:

- (a) \$600,000 upon the execution of the Predevelopment Agreement;
 - (b) \$300,000 upon RES's execution of an agreement with TRC for the Environmental Services;
 - (c) \$300,000 upon RES' execution of an agreement with a civil engineer to be selected through a bid process for design services related to the Approved Environmental Plans;
 - (d) \$400,000 upon the completion of the environmental remedy for Cell 1;
 - (e) \$400,000 upon the completion of the environmental remedy for Cell 2;
- and
- (f) \$400,000 upon the completion of the environmental remedy for Cells 3, 4 and 5.

4.2 Minimum Monthly Fee. Commencing upon the effective date of the Agreement and thereafter through the term of the Predevelopment Agreement, a minimum monthly fee of \$33,333.34, payable in advance, on or before the fifth (5th) calendar day of the month during the term of the Agreement (the "Minimum Monthly Fee").

4.3 Services Fee. A fee equal to five percent (5%) of the third-party costs incurred in the performance of the Site Management/O&M Services and Predevelopment Services (the "Services Fees"). The Services Fee would be credited against the Minimum Monthly Fee during the first twelve (12) months of the Agreement.

4.4 Cost Reduction Fee. A fee equal to the aggregate of the following (the "Cost Reduction Fee"):

(a) an amount equal to ten percent (10%) of the reduction in annual third-party site management and O&M costs between the effective date and the completion of the environmental remedy, as determined vis a vis the Authority's site management and O&M costs for calendar year 2017 (adjusted annually for inflation), which are currently anticipated to be approximately \$4,500,000. As used herein, the term "reduction in annual third-party site management and O&M costs" means, for the term of the Agreement, the difference between (i) the currently anticipated annual O&M costs (\$4,500,000) and (ii) the actual annual O&M costs.

(b) an amount equal to five percent (5%) of the present value of the "Reduction in the Post-Remedy O&M Costs" projected to be incurred in the first thirty (30) years after the completion of the environmental remedy. As used herein, the term "Reduction in the Post-Remedy O&M Costs" means the difference between (i) the currently projected annual post-remedy "environmental" O&M costs as reported to DTSC (\$2,100,930) and (ii) the actual

contracted post-remedy O&M costs for the first year after the completion of the environmental remedy.

The portion of the Cost Reduction Fee calculated pursuant to Item 4.4(a) shall be prorated for any partial year and paid in annual installments within one hundred twenty (120) days after the end of any calendar year within the term of the Agreement. The portion of the Cost Reduction Fee calculated pursuant to Item 4.4(b) shall be paid within sixty (60) days after the execution of the contract necessary to perform the initial year of post-remedy O&M services after the completion of the environmental remedy.

4.5 Reimbursement of Third Party Costs. RES would be entitled to a reimbursement of approved third-party costs in conjunction with the performance of the Services.

4.5 Office Space. RES would be entitled to maintain, without cost, an office at the Property. Such office would initially be located in the existing construction trailers and, when applicable, thereafter be located on the Property in the Landfill Operations Center, development construction trailer, or other mutually acceptable location.

5. Termination. The Predevelopment Agreement will include terms and conditions under which RES and the Authority may terminate the Agreement, including (a) the completion of the Services and payment of all Fees, (b) entering into a Development Services Agreement, and (c) default provisions.

6. Non-Binding Term Sheet. This Term Sheet sets forth a general summary of some of the material terms to be negotiated and memorialized in a definitive Agreement. Until the time that the Parties have negotiated such an Agreement, (a) neither party shall have any obligation to the other party with respect to the Property, (b) neither the expenditure of funds nor the taking of any actions by any party to implement any of the terms and conditions of this submission or any related correspondence shall be regarded as part performance or otherwise effectuate any agreement prior to the full execution and delivery of the formal agreement and (c) either party may terminate negotiations at any time for any or no reason.