

GROUND LEASE

THIS GROUND LEASE ("Lease") is made and executed as of August 25, 1998, by and between the City of Santa Clara, a chartered California municipal corporation ("City") and SANTA CLARA POLICE ACTIVITIES LEAGUE, a California non-profit corporation ("PAL"), with its principal place of business in Santa Clara, California. City and PAL may be referred to individually as a "Party" or collectively as the "Parties" to this Lease. The City Manager shall serve as Contract Administrator for this Lease on behalf of the City.

WITNESSETH

WHEREAS, PAL wishes to develop a bicycle motocross ("BMX") track for youth activities in Santa Clara; and

WHEREAS, the City wishes to enter into a lease agreement allowing for the limited use of a portion of closed landfill property owned by the City to provide an area for development of a BMX track for the Santa Clara community.

NOW, THEREFORE, the Parties agree as follows.

1. Property. PAL shall lease from City and City shall lease to PAL the "Property" consisting of all of the real property situated in the County of Santa Clara, State of California, as more particularly described in Exhibit "A" hereto. The lease of the Property is subject to the Permitted Use recited in Section 4 of this Lease. PAL acknowledges the site is a closed landfill, with landfill gas collection system appurtenances, which is governed and permitted by state regulations. PAL promises and covenants that the landfill cover and subsurface shall not be disturbed by PAL's development and construction.
2. Lease Term. The term of this Lease ("Initial Term") shall commence on the date of execution of this Lease by all of the Parties (the "Lease Commencement Date") and shall continue for a period expiring December 31, 2013 (the "Lease Expiration Date"), unless sooner terminated in accordance with the provisions hereof.
 - 2.1 Option to Extend. PAL shall have an option to extend the Initial Term for two additional five (5) year terms commencing on the Lease Expiration Date. PAL may exercise this option to extend by giving written notice to the City at least six (6) months prior to the Lease Expiration Date. If PAL gives such notice, the Initial Term shall be extended to December 31, 2018 on all of the terms of this Lease. If PAL gives such notice six (6) months prior to the expiration of the First Extended Term, the Initial Term shall be extended to December 31, 2023.

3. Early Termination Option. PAL shall have the option, at any time during the Initial Term or any Extended Term, upon at least six (6) months prior written notice to City (the "Early Termination Notice") to terminate this Lease and surrender the Property to City in accordance with the provisions of Section 10. If PAL properly exercises said option, this Lease shall expire at midnight on the date set forth in PAL's Early Termination Notice.

4. Use of Property by PAL.
 - 4.1 Permitted Use. PAL shall use the Property solely for the purposes of the development of a BMX track at no cost to the City. PAL shall make the BMX track available for Santa Clara community use, and shall offer the BMX track as an enhancement for youth sports in the City. The Property shall not be used for any other use or purpose.

 - 4.2 Operational Responsibilities. PAL shall operate, at PAL's sole cost and expense, the Property in a manner which is appropriate for the operation of a BMX track for use by youth.

 - 4.3 Security Responsibility. PAL shall provide, at PAL's sole cost and expense security sufficient to provide for the safe use of the Property. The security shall be sufficient to address safety issues raised by the permitted uses recited in Section 4.1. PAL shall also provide a 6' height chain link fence with gates around the riding facility. This fence shall be installed prior to opening for use, unless written permission is granted by City.

 - 4.4 Responsibility for Compliance with Laws. In the use and occupation of the Property, the maintenance and operation of the Improvements, and the conduct of PAL's business on or about the Property, PAL, at its sole cost, shall promptly comply with all present and future laws, ordinances, orders, rules, regulations, licenses, permits, approvals and requirements of any federal, state and municipal governments, courts, departments, commissions, boards and officers having jurisdiction over the Property or the Improvements which may be applicable to the Property or to the use or manner of use of the Property or to the owners, lessees or occupants thereof, including, without limitation, (a) the Americans with Disabilities Act, (b) all environmental laws, including, without limitation, all federal, state or local laws, ordinances or regulations relating to environmental conditions on, under or about the Property (including, without limitation, soil, landfill, landfill gas and groundwater conditions), and the use, generation, manufacture, production, storage or disposal on, under or about the Property or transportation to or from the Property of any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government, and (c) all laws relating to land use, zoning, building, and occupancy.

 - 4.5 Responsibility for Dust Control. The ± 3 acres of the leased property used for

accessed parking as more particularly described in Exhibit B must have a surface treatment suitable to the City Engineer to contain dust at all times. The parking lot shall be treated as soon as practicable, but in no event later than one hundred twenty (120) days from execution of this Lease.

4.6 Responsibility for Use of Motor Vehicles.

4.6.1 PAL shall not allow motorized vehicles, other than those required for the maintenance and operation of the site, outside of the parking area. PAL shall secure the parking area so that motorized vehicles cannot access the non-parking areas on the site. Access to the area outside the parking lot shall be blocked by bollards or similar devices.

4.6.2 PAL shall not allow motorized activities on the site. The motorized activities prohibited on the site and which PAL shall prevent include but are not limited to motorcycle motocross, go-carts, and off-road vehicles.

4.7 Responsibility for Site Development. PAL shall develop the site and shall perform construction activities in a manner which does not disturb the existing landfill cover and site drainage. No construction, excavation, movement of soil or use of machinery activities are permitted without prior approval of the City. Final detailed construction and development plans shall be submitted to the City for review and approval prior to submission to required regulatory agencies, including the California Integrated Waste Management Board, Regional Water Quality Control Board-San Francisco Bay Region, Bay Area Air Quality Management District, County of Santa Clara Environmental Health Department (Local Enforcement Agent for Site), for approvals.

Activities and cost of planning, design, permit approvals, construction and maintenance activities associated with this Lease shall be borne by PAL. PAL shall ensure that City receives copies of all submitted permit applications, correspondence, notices and approvals.

PAL shall ensure for itself, its agents and its contractors that all of the environmental control facilities and appurtenances at the property have been inspected and confirmed. PAL shall take appropriate measures to protect these facilities. Any damages shall be reported immediately to the City at (408) 984-3080.

PAL shall conduct all activities to minimize or eliminate any impact upon the landfill. PAL acknowledges that the Property is a former landfill and that uses and operations on the landfill are limited by law, regulatory agencies, and by the closure plan. PAL agrees to limit or eliminate any and all of their activities in the event that PAL's activities in any way violate the closure plan or the regulatory agency requirements. PAL shall allow City and/or Pacific Energy access to the

site at any time if access is necessary to facilitate landfill closure or maintenance requirements.

- 4.8 Responsibility for Priority Use and Protection of Landfill Gas Collection Systems and Appurtenances. PAL's leaseholder interest to their interest in the property is subordinate to the leaseholder in favor of Pacific Energy ("Pacific Energy") by the City in a lease dated June 27, 1984, or subsequent amendments entitled "Lease and Operating Agreement for Landfill Gas Conversion Systems" (see partial lease attached as Exhibit B). PAL is to be aware of Pacific Energy's rights granted under this Lease and that PAL is to adjust its construction and activities to reasonably accommodate Pacific Energy's activities.

PAL shall not develop, construct, or operate in any manner which could damage or compromise landfill gas collection systems and appurtenances. PAL shall take all appropriate measures to protect Pacific Energy's landfill gas collection system from damage. PAL shall field verify along with a Pacific Energy representative, the location of Pacific Energy's pipelines, wells, and appurtenances prior to any construction or repair activities.

All damage to wells and lines shall be reported to City and to Pacific Energy immediately. PAL acknowledges that failure to do so may result in hazardous conditions including without limitation plant shutdown. A damage report noting the damage incurred, time of damage, duration of outage, signatures of responsible parties, etc. will be filed immediately by PAL with Pacific Energy. Verbal notification shall be made by calling the facility at (408) 970-0875 or by paging plant personnel at (408) 751-4223, or (408) 751-4147.

Any damage caused by PAL, its officers, members, guests, employees, agents and contractors to Pacific Energy's property shall be repaired by Pacific Energy. Such physical damage to Pacific Energy property that does not cause the facility to suspend operations will be compensated at actual cost of labor, outside services and materials. In the event that PAL's actions cause Pacific Energy's facility to cease operation PAL shall pay Pacific Energy for all damages at cost and in addition, shall pay for all consequential damages resulting from such action.

PAL shall temporarily suspend BMX activities if requested by Pacific Energy in order for them to make necessary repairs and perform required maintenance on the landfill gas collection system. City shall request that Pacific Energy endeavor to provide at least fifteen (15) days notice of planned maintenance activities.

- 4.9 Access Easement. City shall grant PAL an access easement to the Property.

- 5a. Rent. PAL shall pay City annual rent in the amount of one thousand two hundred dollars (\$1,200.00) per year. The initial rental payment will be prorated from the effective date of the Lease through the end of the calendar year 1998. Commencing on January 1, 1999,

and every year thereafter, PAL shall pay City the rental amount of one thousand two hundred dollars (\$1,200.00), plus an annual three percent (3%) increase. The increase shall be compounded. For example, the rental amount on January 1, 1999, shall be one thousand two hundred thirty-six dollars (\$1,236.00) and on January 1, 2000, the rental amount shall be one thousand two hundred seventy-three dollars (\$1,273.00).

The term "Rent" as used in this Lease shall include the annual rent described above and any other amounts due and payable by PAL to City under this Lease.

5b. Development Fees. City shall waive all off site development fees and building permit fees.

6. Taxes, Assessments and Other Charges.

6.1 Payment of Taxes. PAL covenants and agrees to pay, prior to delinquency, all real and personal property and other taxes, general and special assessments, and other charges of every description ("taxes") levied or assessed against PAL's property, the Improvements, the Property or the real property of which the Property is a part. If City delivers notice to PAL that any such taxes or other charges are due and payable, PAL shall pay the full amount of such taxes or other charges to City within ten (10) days after receipt of such notice from City.

6.2 Utility and Other Charges. PAL shall pay, prior to delinquency, all charges incurred with respect to the Property, including without limitation all charges for gas, electricity, water, heat, sewage, refuse and other utilities and services furnished to the Property during the Initial Term.

7. Maintenance and Repair of the Property. PAL agrees, throughout the Initial Term, without cost to City, to maintain the Property and the Improvements and to keep the same in good order, condition, and repair. PAL shall maintain the property in the same or similar condition as that found at the start of the Lease. City may impose additional maintenance standards as circumstances require. PAL shall maintain weed control pursuant to timing as directed by the Fire Marshal. Weed control shall be maintained by mowing, in order to avoid disturbing possible burrowing owl sites. Other alternative methods of weed control may be used only following written approval by City. PAL shall not allow any litter, garbage and refuse to accumulate, and shall not store anything outside of the structures which compromise the Improvements. PAL also agrees that PAL shall, at PAL's cost, promptly make all necessary repairs, upgrades and replacements, exterior and interior, structural and non-structural, ordinary as well as extraordinary, foreseen as well as unforeseen, to keep the Property and the Improvements in a safe, clean and sanitary condition and in compliance with all laws. City shall have no obligation to repair, upgrade, replace or maintain any portion of the Property or any Improvements thereon or to provide any utilities or access to the Property. If, however, PAL fails to perform its obligations under this Section 7, City may, but need not, perform such obligations, and PAL shall pay, on demand to City the cost thereof, including a

percentage of the cost thereof sufficient to reimburse City for all overhead, general conditions, fees and other costs or expenses arising from City's performance of obligations.

8. Entry by City. City, and its agents, employees and independent contractors, shall have the right, at all times during the Initial Term and any Extended Term, to enter into or upon the Property or any Improvements thereon for any purpose whatsoever, including, without limitation, for purposes of conducting inspections.

9. Assignment and Subletting. PAL may not sublet, or assign, or subordinate this Lease or any interest herein, or otherwise sell, transfer or convey any right, title or interest PAL may have in the Property, without first obtaining the written consent of City, which consent may be given at City's sole and absolute discretion. Any change in PAL's status as a non-profit corporation or in the rights of its members and any merger or consolidation of PAL with any other entity, (whether in one transaction or as a result of a series of transactions) shall constitute an assignment by PAL of this Lease for the purposes of this Section 9.
 - 9.1 Consent to Assignment or Subletting. The following information and assurances shall be provided to City as part of PAL's request for consent: (a) the name and address of the proposed assignee or sublessee; (b) a description of the portion of the Property to be transferred; (c) financial information regarding the proposed assignee or sublessee including a copy of its most recent audited balance sheet and income statement; (d) the identity, background and experience of all directors, all officers and/or all general partners or other principals or owners of the proposed assignee or sublessee, and the senior operational officer, agent or employee in charge of the Property; and (e) such other information as City may reasonably require.

 - 9.2 Additional Terms. City's approval of or consent to any proposed assignment or subletting shall not be a waiver of any right to object to further or future assignments or sublets. Before any proposed assignment or subletting can be effective for any purpose under this Lease, the proposed assignee or sublessee must assume in writing the performance of all of the terms, covenants and conditions on the part of PAL to be performed hereunder from and after the date of such assignment or subletting. City may require at its sole discretion future conditions for assignment. No such assignment or subletting shall relieve PAL from its obligations under this Lease.

10. Surrender. Notwithstanding anything to the contrary contained in this Lease, upon the expiration or earlier termination of this Lease, PAL shall remove any above ground improvements, including removal of the BMX track and earthwork and restore the Property to a grade and condition compatible with improved conditions and surrender the Property in good condition and repair. City may at its sole discretion identify specific Improvements, with all fixtures, equipment and appurtenances thereto, which may remain

in place. Any remaining Lessee Improvements and the fixtures, equipment and appurtenances thereto shall automatically become the property of City from and after the expiration of the Initial Term, free and clear of all claims to or against them by PAL or third parties, and PAL waives all claims for compensation for such Lessee Improvements or the fixtures, equipment and appurtenances thereto and PAL shall hold harmless and defend and indemnify, for City against all claims or liability, arising in connection with the Lessee Improvements or from City's exercise of its rights under this Section 10.

11. Default and Remedies.

11.1 Default. The occurrence of any of the following shall constitute a material default and breach of this Lease by PAL (an "Event of Default"):

11.1.1 Any failure by PAL to pay any Rent or to make any other payment required to be made by PAL hereunder, where such failure continues for five (5) days after written notice thereof by City to PAL.

11.1.2 Abandonment or vacation of the Property at any time during the Lease Term.

11.1.3 A failure by PAL to observe and perform any other provision of this Lease to be observed or performed by PAL, where such failure continues for ten (10) days after written notice thereof by City to PAL; provided, however, that if the nature of such default is such that the same cannot reasonably be cured within such 10-day period, PAL shall not be deemed to be in default if PAL shall, within such period, commence such cure and thereafter diligently prosecute the same to completion.

11.1.4 The making by PAL of any general assignment for the benefit of creditors; the filing by or against PAL of a petition to have PAL adjudged bankrupt or of a petition for reorganization or arrangement under any law relating to bankruptcy (unless, in the case of a petition filed against PAL, the same is dismissed within sixty (60) days); the appointment of a trustee or receiver to take possession of substantially all of PAL's assets located at the Property or of PAL's leasehold estate, where possession is not restored to PAL within sixty (60) days; or the attachment, execution or other judicial seizure of substantially all of PAL's assets located at the Property or of PAL's leasehold estate where such seizure is not discharged within sixty (60) days.

11.1.5 A failure by PAL to accomplish the uses recited in paragraph 4.1, Permitted Use.

11.1.6 A failure by PAL to meet its responsibilities recited in paragraph 4 (4.2-4.8).

11.2 City's Remedies. Upon the occurrence of any Event of Default hereunder, City shall have the right, in addition to any other rights or remedies City may have, at City's option, without further notice or demand of any kind, to terminate this Lease for cause, terminate PAL's right to possession of the Property, re-enter the Property, and take possession thereof; and PAL shall have no further right to possession of the Property. Should City elect to so terminate this Lease, City may recover as damages from PAL for the following:

11.2.1 The worth at the time of the award of any unpaid Rent which had been earned at the time of termination; plus

11.2.2 Any other amount necessary to compensate City for all detriment proximately caused by PAL's failure to perform its obligations under this Lease as allowed by applicable law.

"The worth at the time of the award" as used in subsections 11.2.1 above is to be computed by allowing interest at the rate of ten percent (10%) per annum.

11.3 City shall have the remedy described in California Civil Code Section 1951.4 (Lessor may continue lease in effect after PAL's breach and abandonment and recover rent as it becomes due, if PAL has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if City does not elect to terminate this Lease on account of any default by PAL, City may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all Rent as it becomes due.

11.4 No Waiver. No waiver by City of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provision, and covenants herein contained. Forbearance by City in enforcement of one or more of the rights or remedies available to City upon a default shall not be deemed or construed to constitute a waiver of such default. The acceptance of any Rent hereunder by City following the occurrence of any default, whether or not known to City, shall not be deemed a waiver of any such default, except only a default in the payment of the Rent so accepted.

12. Limitation of Liability, Indemnity and Waiver of Claims.

12.1 Limitation on City's Liability. City shall not be liable to PAL for the satisfaction of any judgment or other award against City related to this Lease to the extent such judgment or award, together with any such prior judgments or awards, exceeds the fair market value of City's interest in Improvements on the Property at the time of the entering of such judgment or award.

12.2 PAL's Indemnity and Waiver. PAL, as a material part of the consideration to be

rendered to City, waives any and all claims against City, its Council, officers, Commissions, agents and employees for damages by reason of any death of or injury to any person or persons, including without limitation, PAL, PAL's members, officers, agents, servants, and employees, contractors, guests or third persons in or about the Property or any injury to property of any kind whatsoever and to whomsoever belonging, including without limitation, property of PAL, arising at any time and from any cause other than by reason of the gross negligence or willful misconduct of City, its employees or agents. PAL further expressly agrees to indemnify, defend and hold City, its Council, officers, Commissions, agents and employees, harmless from and against any and all claims and liabilities (including, without limitation, reasonable attorneys' fees, court costs, and investigation costs) connected in any way with the condition, use or misuse of the Property, PAL's property located thereon or the Improvements or any appurtenances thereto, arising at any time (except to the extent caused by the gross negligence or willful misconduct of City, its employees or agents while in, upon or in any way connected with the Property).

12.3 PAL agrees to indemnify defend and hold City, its Council, officers, Commissions, agents and employees harmless from and against any and all claims and liabilities (including without limitation reasonable attorneys' fees, court costs, and interest costs) due to PAL's negligent conduct which has a detrimental effect upon Pacific Energy.

12.4 City's Indemnity. City agrees to indemnify, defend and hold PAL harmless from and against any and all claims and liabilities, (including, without limitation, reasonable attorneys' fees, court costs, and investigation costs) to the extent caused by the gross negligence or willful misconduct of City, its employees or agents, while in, upon, or in any way connected with the Property.

13. Insurance Requirements.

Throughout the term of this Lease, PAL, at its sole cost, shall maintain in full force and effect insurance policies with such coverage as set forth in Exhibit C, attached hereto and incorporated herein by reference.

14. Damage or Destruction.

14.1. PAL's Obligation to Restore. In case of damage to or destruction of the Improvements, or any part thereof, by fire or other cause, PAL, at PAL's sole cost and expense shall restore the same as nearly as reasonably possible to their value, condition and character immediately prior to such damage or destruction. Such restoration shall be commenced and prosecuted with due diligence and in good faith. In case of damage to or destruction of the Improvements by fire or other cause, PAL shall immediately give written notice thereof to City.

14.2 Application of Insurance Proceeds. All insurance money paid as provided herein on account of any damage or destruction shall be applied to the payment of the costs of restoration, repairs, replacement, rebuilding or alterations, including without limitation the costs of the demolition, temporary repairs and for the protection of the Property pending completion of permanent restoration, repairs, replacement, rebuilding or alterations (collectively, the "Restoration"). All such insurance proceeds shall be used for the Restoration until such Restoration is complete. If the insurance money, less the actual costs, fees and expenses, if any, incurred by City or PAL in connection with the adjustment of the loss (the "Net Insurance Proceeds"), shall be insufficient, as shown by contractors' bids, to pay or secure payment of the entire cost of such Restoration, PAL shall arrange to pay or secure payment of the deficiency prior to commencement or continuation of construction by cash, performance or surety bond, letter of credit, loan commitment or other means; provided, however, that such other means shall be to City's reasonable satisfaction. Additionally, if the estimated cost of such Restoration exceeds the Net Insurance Proceeds by either five percent (5%) of the then market value of the Improvements at the time of such Restoration, City may require PAL, at PAL's sole cost and expense, to furnish City with a performance bond and surety bond or other assurances of completion as shall be satisfactory to City. Upon the completion and payment in full of the Restoration and expiration of all applicable lien periods, and so long as there is no default under the terms, conditions, covenants and agreements of this Lease, any balance of the insurance proceeds remaining to be paid shall be paid to PAL.

14.3 No Release of PAL's Obligations. No destruction of, or damage to the Property or any part thereof by fire or any other cause shall relieve PAL from its obligations to pay the full Rent payable under this Lease or from any of its other obligations under this Lease, and PAL waives any rights now or hereafter conferred upon it by statute or otherwise with respect to any suspension, diminution, abatement or reduction of Rent or PAL's obligations under this Lease on account of any such destruction or damage.

15. Condemnation.

15.1 Permanent Taking. If, during the Initial Term, there shall be a permanent taking or condemnation of all or any part of the Property under the power of eminent domain, or if City shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation, then PAL's leasehold estate in the event of a total taking, or the portion thereof taken in the event of a partial taking, shall cease and terminate as of the date of taking. If PAL's leasehold estate is so terminated in whole or in part, all Rent and other charges payable by PAL to City hereunder attributable to the Property, or portion thereof taken, shall be paid by PAL up to and prorated through the date of the taking. All compensation and damages awarded in connection with any taking of the Property shall be paid to City. In the event of a partial taking, this Lease shall continue in full force and effect

notwithstanding such partial taking. PAL shall be paid the value of its improvements in the event of a permanent taking.

15.2 Temporary Taking. If all or any portion of the Property shall be taken by any competent authority for temporary use or occupancy (a "Temporary Taking"), this Lease shall continue in full force and effect without reduction or abatement of Rent, notwithstanding any other provision of this Lease, statute or rule of law to the contrary. City shall, in such event, be entitled to any award made as a result of such Temporary Taking with the exception of any award attributable to PAL's improvements.

16. Alterations.

16.1 City's Consent to Alterations Required. Notwithstanding anything to the contrary contained in this Lease, PAL may not make any improvements, alterations, additions or changes to the Property, including, without limitation, grading, moving soil, storing soil, building any new building, structure or improvement of any kind on or about the Property, without the prior written consent of City to any Alterations, which consent may be withheld in City's sole discretion. At any time PAL proposes to make Alterations which require the consent of City pursuant to this Section 16, PAL's request for consent to the proposed Alterations shall include all of the plans and specifications for the Alterations, and City shall approve or disapprove of the same within a reasonable time period. This clause is not intended to address the City's normal land use, permitting, and entitlement process.

16.2 Manner of Construction. As a condition of its consent to any Alterations or repairs to the Property or the Improvements, City may impose such requirements as City in its sole discretion may deem desirable, including, but not limited to: (a) the requirement that upon City's request, PAL shall, at PAL's expense, remove such Alterations upon the expiration or any early termination of the Initial Term; (b) the requirement that PAL utilize for such purposes only contractors, materials, mechanics and materialmen approved by City (which approval shall not be unreasonably withheld); and/or (c) the requirement that PAL provide to the City a bond for the faithful performance of the Alterations. PAL shall construct such Alterations and perform such repairs in conformance with any and all applicable rules and regulations of any federal, state, county or municipal code or ordinance and pursuant to a valid building permit. City's approval of the plans, specifications and working drawings for PAL's Alterations shall create no responsibility or liability on the part of City for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion. Upon completion of any Alterations, PAL agrees to cause a Notice of Completion to be

recorded in the office of the Recorder of the County of Santa Clara in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and PAL shall deliver to City a reproducible copy of the "as built" drawings of the Alterations.

- 16.3 Payment for Alterations. Upon completion of such work, PAL shall deliver to City, evidence of payment, contractors' affidavits and full and final waivers of all liens for labor, services or materials. PAL shall pay to City a percentage of the cost of such work sufficient to compensate City for all overhead, general conditions, fees and other costs and expenses arising from City's involvement with such work. This payment shall be in addition to any permit and fees required by the City's normal land use, permit and entitlement process. PAL shall indemnify, defend and hold City harmless from any claims or liability in any manner relating to the installation, placement, removal or financing of any such Alterations, improvements, fixtures and/or equipment in, on or about the Property.
17. Quiet Enjoyment. As long as PAL observes all of the terms and conditions of this Lease, it shall peaceably hold and enjoy the Property, and any and all other rights granted by this Lease for the Initial Term and any Extended Term without hindrance or interruption by City or any other person or persons claiming by, through or under City except as provided in this Lease.
18. Estoppel Certificate. PAL shall at any time and from time to time upon not less than ten (10) days' prior written notice from City, execute, acknowledge and deliver to City a statement (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease, as so modified, is in full force and effect) and the dates to which the rental and other charges are paid in advance, if any; and (b) acknowledging that there are not, to PAL's knowledge, any uncured defaults on the part of City, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion of the Property or the real property of which the Property are a part. PAL's failure to deliver such statement to City as required above shall be deemed to constitute PAL's agreement (i) that this Lease is in full force and effect, without modification except as may be represented by City and (ii) that there are no uncured defaults in City's performance.

19. Holding Over. PAL shall not hold over on the Property after the expiration or sooner termination of the Initial Term or any Extended Term. In the event PAL shall not immediately surrender the Property on the date of expiration or sooner termination of the Initial Term, in addition to any other rights and remedies of City hereunder or at law or in equity, PAL shall pay to City for each month or portion thereof during which PAL holds over on the Property a sum equal to the prorated Rent for the Property, as determined pursuant to the Section 5 hereof, in addition to all other Rent due under this Lease. If any tenancy is created by PAL's holding over in the Property, the tenancy shall be on all the terms and conditions of this Lease, except that rental and the tenancy shall be a month-to-month tenancy, terminable on thirty (30) days' notice by either party to the other. Nothing in this Section 18 shall be deemed to permit PAL to retain possession of the Property after the expiration or sooner termination of the Initial Term or any Extended Term.

20. Notice.

20.1 Writing. All notices must be in writing.

20.2 Delivery. Notice is considered given either (a) when delivered in person to the recipient named below, or (b) if sent by telex or telecopy, when sent, or (c) three (3) business days after deposit in the United States mail in a sealed envelope or container, postage and postal charges prepaid, addressed by name and addressed to the party or person intended as follows:

Notice to City:

City of Santa Clara
Office of the Clerk
Attention Deputy Director of Public Works
1500 Warburton Avenue
Santa Clara, CA 95050

Notice to PAL:

President
SANTA CLARA POLICE ACTIVITIES LEAGUE
1541 Civic Center Drive
Santa Clara, CA 95050

20.3 Change of Recipient or Address. Either party may, by notice given at any time or from time to time, require subsequent notices to be given to another individual person, whether a party or an officer or representative, or to a different address, or both. Notices given before actual receipt of notice of change shall not be invalidated by the change.

21. Burrowing Owls. City is unable to specify at this time the nature, extent or conditions of Burrowing Owl mitigation, but it may be anticipated that the area immediately adjacent to the Property may be utilized for Burrowing Owl mitigation.
22. Interest. If PAL shall fail to pay, within thirty (30) days after due and payable, any Rent or other amounts or charges which PAL is obligated to pay under the terms of this Lease, provided that PAL has been notified in writing that such charges (other than Rent) are due, such unpaid amounts shall bear interest at the rate equal to ten percent (10%) per annum.
23. Further Assurance. The parties hereto shall at all times hereafter execute any documents, provide information reasonably requested and do any further acts which may be necessary or desirable to carry out the purposes of this Lease and to give full force and effect to each and all of the provisions thereof. The parties shall deal fairly with each other and shall conduct their activities hereunder in good faith.
24. Unused Slope Area. PAL acknowledges that there will be unused slope area included in the Property for the purpose of fencing and other topographic needs. PAL agrees to maintain this area by mowing or other appropriate weed control as approved by the City in writing. PAL shall maintain this area as directed by the Deputy Director of Public Works. PAL shall not use the slope area around the facility for any purpose.
25. Severability. If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be determined by judicial order or decision to be invalid or unenforceable, the remainder of this Lease or the application of such term or provision to persons or circumstances other than those as to which it is held to be invalid or unenforceable shall not be affected thereby, and each term and provision of this Lease shall be valid and shall be enforced to the fullest extent permitted by law.
26. Governing Law. This Lease shall be governed by and construed in accordance with the laws of the State of California and all court actions filed in the state court in Santa Clara County.
27. Article and Paragraph Headings. The paragraph headings herein are inserted only for convenience of reference and shall in no way define, limit or describe the scope or intent of any provision of this Lease.
28. Entire Agreement. This Lease shall constitute the entire agreement between the parties and supersedes all other prior writings and understandings. This Agreement shall not be modified or amended in any way except by an instrument signed by PAL and City.
29. Effect of Termination. Notwithstanding any other provision of this Lease to the contrary, any termination of this Lease pursuant to the terms hereof shall not relieve either party from any liabilities, obligations or indemnities arising prior to the effective date of such termination.

30. Time of Essence. Time is of the essence for the performance of each provision of this Lease.
31. No Waiver. No waiver by either party of any provision of this Lease shall be deemed to be a waiver of any other provision hereof or of any subsequent breach by the other party.
32. Duplicate Originals. This Lease may be executed in any number of duplicate originals, each of which shall be deemed an original when fully executed by the parties hereto.
33. Authority. The signatories hereto warrant that each has the Authority to execute this Lease on behalf of City and PAL, respectively.

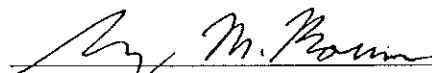
[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

34. Successors and Assigns. This Lease shall be binding upon and shall inure to the benefit of the successors and assigns of City and PAL.

THE PARTIES hereby indicate their acknowledgment and acceptance of the terms and conditions stated in this Lease by the following signatures of their duly authorized representatives. It is the intent of the Parties that this Lease shall be effective as of the day and year first indicated above.


CITY OF SANTA CLARA, CALIFORNIA
a chartered California municipal corporation

APPROVED AS TO FORM:


GARY M. BAUM
Assistant City Attorney


JENNIFER SPARACINO
City Manager


ATTEST:


for J. E. BOCCIGNONE
City Clerk

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 984-3100
Facsimile: (408) 241-6771

“CITY”

SANTA CLARA POLICE ACTIVITIES LEAGUE

By 
ROSANN LaCOURSIERE
President, PAL Board of Directors
1541 Civic Center Drive
Santa Clara, CA 95050
Telephone: (408) 236-3987
Facsimile: (408) 246-5961

“PAL”

I:\DATA\WP\GARY\PALS-8-25-98 10:00 a.m.

**GROUND LEASE
BETWEEN THE CITY OF SANTA CLARA
AND
SANTA CLARA POLICE ACTIVITIES LEAGUE**

EXHIBIT "A"

Description of Property:

that certain real property owned by the City and located in the City of Santa Clara, consisting of ± 12 acres more or less of closed landfill as shown in the attached drawing. Following completion of the BMX bicycle track facility, the City Engineer shall cause the site to be surveyed and that meter and bounds survey shall replace that presently attached hereto.

[for purposes of this draft please see the Exhibit A from the Memorandum of Understanding by and between the City of Santa Clara, California and the Santa Clara Police Activities League, attached]

EXHIBIT "A"

LEGAL DESCRIPTION

(PAL/BMX SITE)

A portion of Parcel 1 and Parcel 2 as described in that Grant Deed filed for record in Book 9092 of Official Records, at Page 80, Santa Clara County Records, being more particularly described as follows;

Beginning at a point in the easterly line of Lafayette Street as shown on that Record of Survey filed for record in Book 339 of Maps, at Pages 6 through 9, said County Records, said point being the southerly terminus of that 600 foot radius curve as shown on said Record of Survey;

Thence, from said Point of Beginning, along said easterly line, from a tangent bearing of North $28^{\circ} 24' 33''$ West, northerly along the arc of a curve to the right, having a radius of 600 feet, through a central angle of $21^{\circ} 47' 07''$, and an arc length of 228.13 feet;

Thence, continuing along said easterly line, North $6^{\circ} 37' 26''$ West, 288.55 feet;

Thence, leaving said easterly line, North $61^{\circ} 41' 37''$ East, 386.08 feet;

Thence, South $28^{\circ} 08' 00''$ East, 377.82 feet;

Thence, South $60^{\circ} 54' 14''$ East, 343.75 feet;

Thence, South $28^{\circ} 54' 19''$ East, 338.47 feet;

Thence, South $36^{\circ} 20' 51''$ West, 205.42 feet;

Thence, South $87^{\circ} 25' 49''$ West, 169.69 feet;

Thence, North $49^{\circ} 22' 53''$ West, 152.50 feet;

Thence, North $70^{\circ} 25' 39''$ West, 92.82 feet;

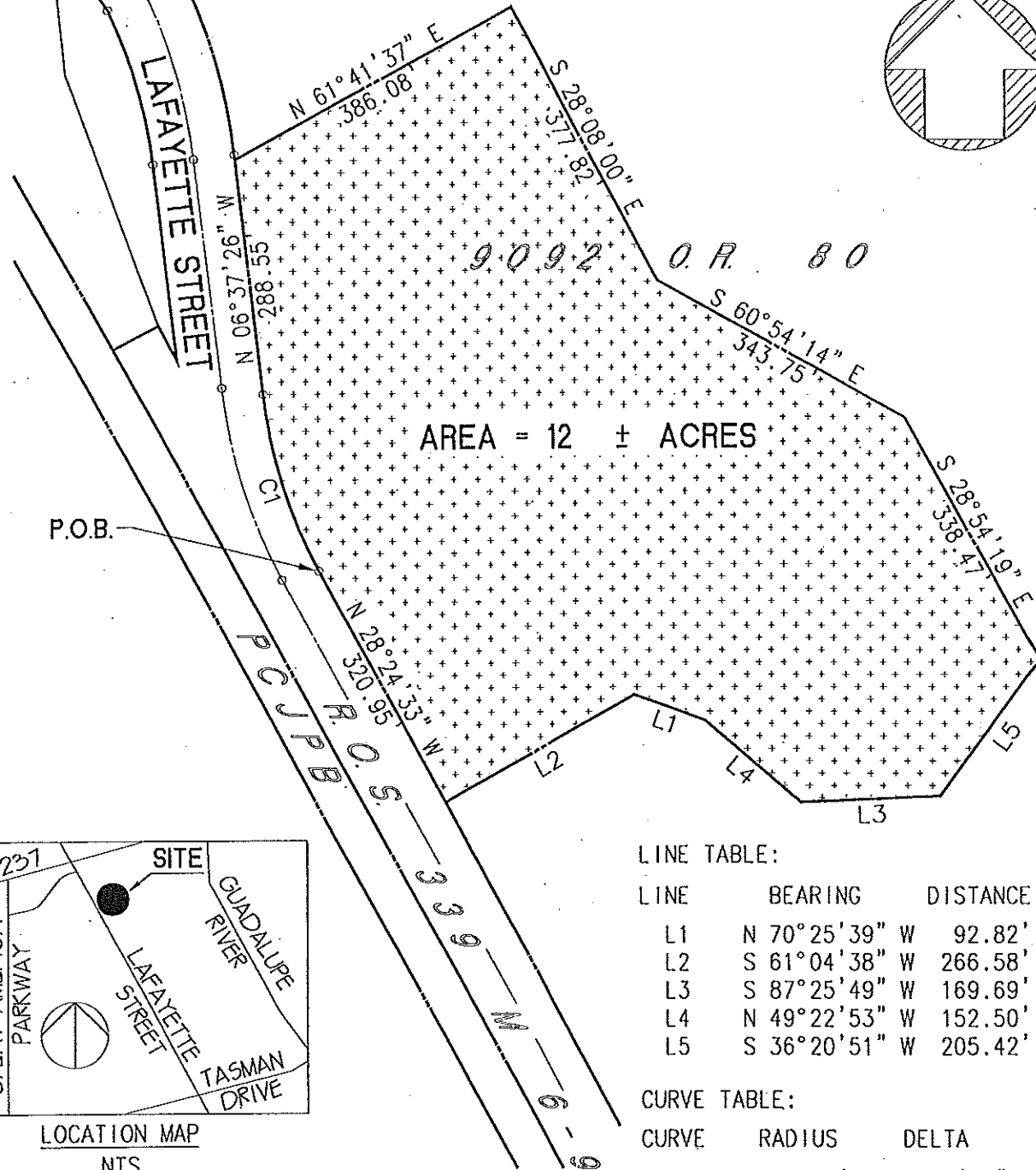
Thence, South $61^{\circ} 04' 38''$ West, 266.58 feet to said easterly line of Lafayette Street;

Thence, along said easterly line, North $28^{\circ} 24' 33''$ West, 320.95 feet to the Point of Beginning; and,

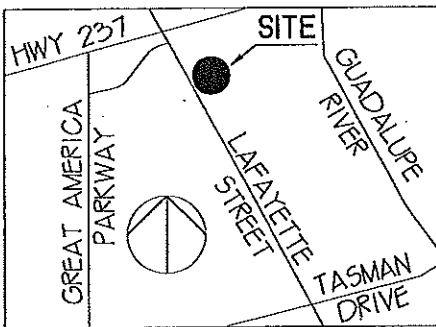
Containing an area of 12 acres, more or less.

EXHIBIT "A"

HIGHWAY 237



AREA = 12 ± ACRES



LOCATION MAP
NTS

LINE TABLE:

LINE	BEARING	DISTANCE
L1	N 70°25'39" W	92.82'
L2	S 61°04'38" W	266.58'
L3	S 87°25'49" W	169.69'
L4	N 49°22'53" W	152.50'
L5	S 36°20'51" W	205.42'

CURVE TABLE:

CURVE	RADIUS	DELTA	LENGTH
C1	600.00'	21°47'07"	228.13'

I:\ENGINEER\DRAWING\CAD\LPD\NELSON\plat of bmx site.DWG

Revised		
Drawn By	ND	8-25-98
Checked By		
Approved By		Date
BRUCE C. AUGASON DPW/CITY ENGINEER		

CITY OF SANTA CLARA

PLAT TO ACCOMPANY LEGAL DESCRIPTION.

(PAL/BMX SITE)

E/O LAFAYETTE, S/O YERBA BUENA WAY

Scale 1"=200'

Ref.

Tracing No.
10,806-A

10,806-A

EXHIBIT "B"

FIRST AMENDMENT TO:

LEASE AND OPERATING AGREEMENT
FOR LANDFILL GAS CONVERSION SYSTEMS
[Santa Clara Landfill]

THIS FIRST AMENDMENT TO LEASE AND OPERATING AGREEMENT FOR LANDFILL GAS CONVERSION SYSTEMS (the "Amendment") is made on this 8 day of March, 1988 by and among the City of Santa Clara, a municipal corporation ("Lessor"); Santa Clara Reclamation Corporation, a California nonprofit corporation ("Santa Clara Reclamation"); Santa Clara Land Fill Corporation, a California nonprofit corporation ("Santa Clara Land Fill"); All Purpose Landfill Company, a California partnership (the "Operator"); and Pacific Energy (formerly Pacific Lighting Energy Systems), a California corporation ("Lessee"), with reference to the following facts:

A. Lessor, Santa Clara Reclamation, Santa Clara Land Fill, Operator [hereinafter sometimes collectively referred to as "Site Operators"] and Cambrian Energy Systems (Lessee's predecessor in interest) previously entered into that certain Lease and Operating Agreement for Landfill Gas Conversion Systems dated June 27, 1984 (the "Original Lease").

B. Initially capitalized terms used in this Amendment have the meaning assigned in the Original Lease unless separately defined herein.

C. Because of numerous minor operating shutdowns which have the existing Conversion System operating approximately eighty-five percent (85%) of the time, Lessor now desires to have Lessee design,

procure, construct, operate, and maintain a Flare System at the Premises in order to avoid fines and repeated variance applications to the Bay Area Air Quality Management District ["BAAQMD"].

D. Under the Original Lease, Lessee had no obligation to design, procure, construct, operate, and maintain a Flare System at the Premises, but Lessee is willing to do so provided that the Lessor reimburses Lessee for Lessee's cost of design, procurement, construction, operation, and maintenance of the Flare System and indemnifies Lessee for such design, procurement, construction, operation, and maintenance.

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree that the Original Lease is hereby amended in the following respects:

1. As used in this Amendment, the following terms shall have the meaning set forth below:

1.1 Lessee's Cost means those costs described in Exhibit A.

1.2 Flare System means the flare or flares, including any temporary flares, installed by Lessee to burn landfill gas operated in conjunction with the Project, including any necessary blowers, piping, valves, control systems, or other equipment necessary for the operation of the flares.

1.3 Services means all of the design, engineering, procurement, construction, installation, management, operating and maintenance services provided by Lessee for the benefit of the Lessor pursuant to this Amendment.

2. The Lessor has been directed by BAAQMD to have the Flare System fully operational by October 31, 1988 or sooner. Lessee shall endeavor with due diligence to comply with this construction schedule.

Lessee agrees to design, procure, and construct, or cause to be designed, procured, and constructed using the reasonable engineering judgment of Lessee or a qualified engineering firm retained by Lessee, a Flare System. The plans and specifications of the Flare System shall be submitted to and approved by the Lessor or its designated representative prior to the installation of the Flare System. The approval or disapproval of any such design submitted to Lessor by Lessee shall be communicated to Lessee within ten working days from the receipt thereof by Lessor. Lessee shall be paid an amount equal to the installed cost of the design and installation of such Flare System pursuant to section 4 below.

3. Following the installation of the Flare System, Lessee will operate the Flare System and may modify the Flare System in any manner determined to be necessary or advantageous by Lessee in order to integrate the Lessor's Flare System or any portion thereof with the Project previously installed by Lessee. Lessee shall have full authority to repair, maintain, operate, relocate, and replace the Flare System as reasonably deemed necessary for the safe and continuous operation of the Project and Flare System. Lessee shall be paid an amount equal to Lessee's Cost for such operation, maintenance, repair, relocation, and replacement pursuant to section 4 below.

4. Lessee shall provide to Lessor, invoices or other satisfactory accounting evidence of Lessee's Costs of the design, procurement, construction, operation, and maintenance of the Flare System. Lessor, through its authorized employees, representatives, or agents, shall have the right, at any and all reasonable times, to audit the books and records of Lessee for the purpose of verifying any and all charges made by Lessee in connection with the charges pertaining to the Flare System. Lessee shall maintain sufficient books and records in accordance with standard California accounting practices to establish the correctness of all charges submitted to Lessor.

Lessee shall be paid Lessee's Costs through a deduction from, or offset against, all royalties which would otherwise be payable to Lessor under the terms of the Original Lease and if such monthly royalties are insufficient to pay Lessee's Cost for that month (as is likely to be the case during design, procurement, and construction), then Lessee will bill and Lessor shall pay the amount not paid through deduction from, or offset against, royalties. Amounts not paid within thirty (30) days of billing will incur interest at a rate of ten percent (10%) per annum.

In no event shall the amount payable to Lessee from Lessor exceed \$150,000.00 for expenses associated with the design and construction of the Flare System without Lessee requesting Lessor for written authority to expend more than \$150,000.00 for such design and construction.

5. It is agreed by the Parties that the duties undertaken

under this Agreement by Lessee are undertaken as an accommodation to Lessor and shall not in any way create a liability for Lessee for air emissions or migration of landfill gas. Such liability shall remain with Lessor. Lessor hereby agrees to defend, indemnify and hold Lessee harmless for any such liability for or related to said air emissions or migration of landfill gas and operation and maintenance of the Flare System.

6. The provisions of Section 8.2 [entitled "Liability Insurance"] of the Original Lease are expressly applicable to the Flare System. Any extra cost associated with inclusion of coverage of the Flare System shall be paid by Lessor pursuant to section 4 above.

7. Under no circumstances shall Lessee have the authority or power to pledge the credit of Site Operators or incur any obligation in the name of Site Operators, or any one of them.

8. The Flare System shall become the property of Lessor after full payment has been made to Lessee for design and construction costs. The provisions pertaining to the operation and maintenance of the Flare System are terminable by either Lessor or Lessee on thirty (30) day's written notice without cause or recourse. However, upon such termination, Lessor shall assume the responsibility for the operation and maintenance of the Flare System and said operation and maintenance shall not interfere with Lessee's operation and maintenance of the Collection System and Conversion System as provided in the Original Lease. It is further understood that upon such termination, Lessor shall have no right to utilize

any portion of Lessee's Project for the operation and maintenance of the Flare System without written permission by Lessee.

9. Except as amended hereby, all provisions of the Original Lease shall remain in full force and effect without impairment or modification.

10. This Amendment shall become effective on the date first written above upon the execution and delivery of this Amendment by the Parties.

LESSOR:

CITY OF SANTA CLARA

By: *Sharon V. Suss*
Title: Mayor

By: *Jennifer Sparacino*
Title: City Manager

APPROVED AS TO FORM:

By: *Michael Downey*
Title: Assistant City Attorney

By: *J. E. Bocyan*
Title: City Clerk

LESSEE:

PACIFIC ENERGY,
a California corporation

By: *[Signature]*
Title: Senior Vice President

SANTA CLARA LANDFILL:

SANTA CLARA LAND FILL CORPORATION

By: Bertram E. Martin

Title: Pres.

SANTA CLARA RECLAMATION:

SANTA CLARA RECLAMATION CORPORATION

By: Bertram E. Martin

Title: Pres.

OPERATOR:

ALL PURPOSE LANDFILL COMPANY.

By: John Skowron

Title: Mgr.

EXHIBIT A

Lessee's Cost shall include:

1. Wages and Salaries. The actual cost to Lessee of wages and salaries for such time as is devoted to the Services by employees of Lessee, other than executive officers of Lessee, including, but not limited to, field managers, administrators, accountants and tax advisors, supervisors, engineers, buyers, expediter, inspectors, technicians, mechanics, electricians, yardmen, laborers, secretaries, stenographers, clerks and others, for Services, plus an allowance of sixty-five percent (65%) for such wages and salaries as compensation to Lessee for the cost of payroll insurance and taxes (e.g., Worker's Compensation Insurance, FICA, SDI, SUI, and FUI), holidays, vacations, group medical and life insurance, salary continuation bonuses and other employee benefits and indirect overhead costs.

2. Direct Costs including:

(a) General Expenses. The actual cost of equipment, supplies and services necessary for performance of the Services including office furnishings (excluding those for home office use), equipment, materials and supplies, communication equipment and services, electric service, gas service, water service, postage and freight, utilities, building maintenance services, security, administrative vehicles and operating

expenses, independent consulting services, safety equipment and apparel, and all similar expenses.

(b) Flare System Design, Procurement and Construction Expenses. The actual cost of equipment, materials, supplies and services purchased by Lessee as required for the design, procurement and construction of the Flare System, including but not limited to engineering, fees, permits, material and equipment, testing; and any assignments, delegations or subcontracts necessary or appropriate for performance of the services.

(c) Flare System Operating Expenses. The actual cost of equipment, materials, supplies and services purchased and stored at the Premises by Lessee as required for the operation of the Flare System; including shop and yard equipment, special and small tools, test equipment, lubricants, chemicals and all consumables; and any assignments, delegations or subcontracts necessary or appropriate for performance of the Services.

(d) Flare System Maintenance Expenses. The actual cost of equipment, materials, supplies and services purchased by Lessee as required to carry out maintenance for the Flare System including spare parts; special capital tools; and

any assignments, delegation or subcontracts necessary or appropriate for performance of the Services.

(e) Communication Expenses. The actual cost of postage, long distance telephone, telecopy, leased lines, computer links and similar items necessary to performance of the Services.

(f) Rentals. The actual cost of all rentals necessary for the performance of the Services paid by Lessee (excluding those for home office use).

(g) Contract Services. The cost of contract services provided by persons other than Lessee, including without limitation, the cost of utilities, and use and services of vehicles, equipment and facilities furnished by Lessee necessary for the performance of the Services.

(h) Transportation, Travel and Relocation Expenses. The actual cost of transportation, travel and relocation expense for employees directly engaged in performance of the Services.

(i) Insurance. Net of any returns, refunds, or dividends, the actual cost of all premiums paid and expenses incurred for insurance covering the Flare Systems.

(j) Taxes. The actual cost of all taxes (except those measured by income) of every kind and nature assessed or levied upon or incurred in connection with the Services or on the Flare System.

(k) Regulatory Compliance. The actual cost of compliance with governmental regulatory acts, laws or executive orders, including the cost of monitoring and reporting imposed on the Flare System pursuant to such laws and the cost of any citation, penalty or liability that may be imposed as a result of any violation in connection with the Services or on the Flare System.

(l) Legal Expenses and Claims. The actual cost of all expenses of handling, investigating and settling litigation or claims arising by reason of the Services or necessary to protect or recover any property related to the Flare System, including, but not limited to, attorney's fees of retained counsel, court costs, costs of investigation and procuring evidence, and any judgments paid or amounts paid in settlement or satisfaction of any such litigation or claims.

(m) Other Costs. The actual cost of all other ordinary and reasonable direct costs incurred in connection with performance of the Services.



1" = 200'

100'

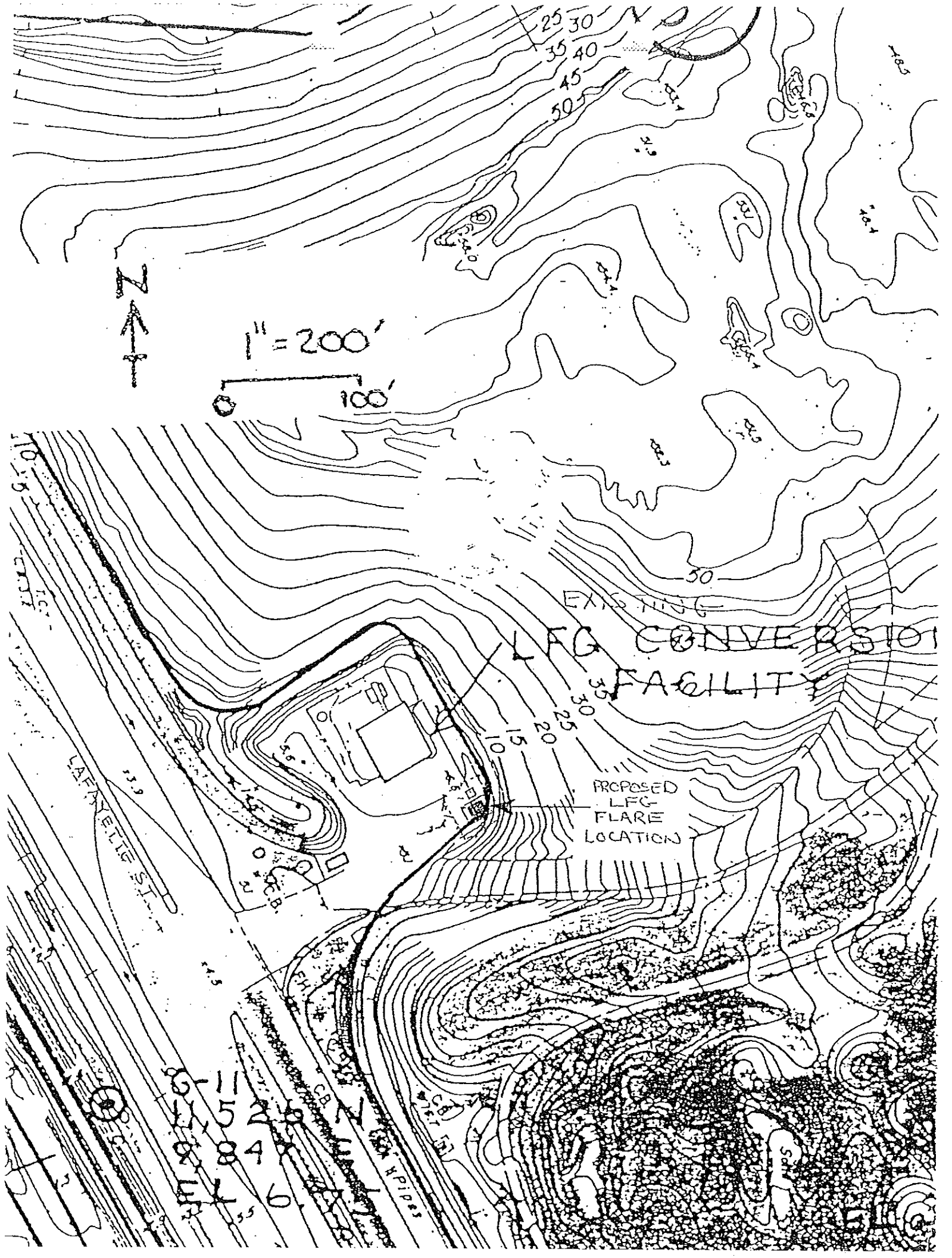
EXISTING
LFG CONVERSION
FACILITY

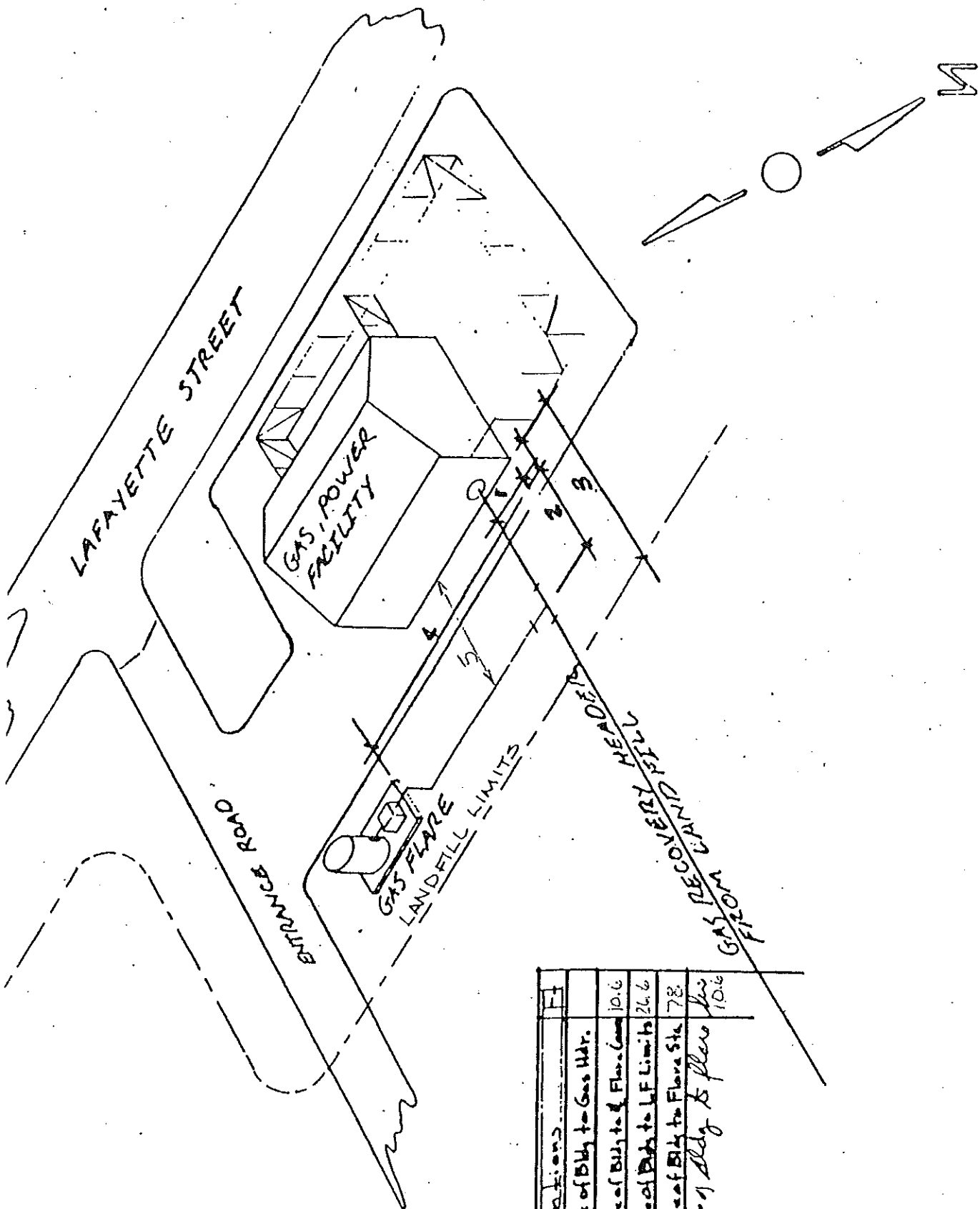
PROPOSED
LFG
FLARE
LOCATION

LAFAYETTE ST.

EXISTING
ROAD

EXISTING
ROAD





Dimensions	ft
1 Edge of Bldg to Gas Hdr.	
2 Edge of Bldg to Edge of Flare Case	10.6
3 Edge of Bldg to LF Limits	24.6
4 Edge of Bldg to Flare Sta	78
5 Edge of Bldg to Flare Sta	106

SANTA CLARA LANDFILL
 FLARE LOCATION

DWG NO.:

PACIFIC ENERGY
 601 East Washington Boulevard



BAY AREA AIR QUALITY MANAGEMENT DISTRICT

September 27, 1988

City of Santa Clara
Street Dept. City Hall
1500 Warburton Ave.
Santa Clara, CA. 95050
Attention: Richard J. Mauck

RECEIVED
OCT 3 1988
Street Dept.
City of Santa Clara

Application Number: 1345
Equipment Location:
Santa Clara Landfill
5401 Lafayette
Santa Clara, CA. 94054

Gentlemen:

This is your Authority to Construct the following:

- S-1 Landfill Gas Flare Manufactured by Custom Combustion Engineering, 40 x 10⁶ Btu./Hr.

Operation of this equipment will be subject to the following specific conditions:

- Under no circumstances shall landfill gas be vented to the atmosphere.
- This flare shall operate at all times when the engine/generator is down.
- The City of Santa Clara shall apply for a change in permit conditions if the flare is to be used on more than a standby basis.
- In the event the engine at this facility is removed and the flare is to be used full time, the City of Santa Clara shall first perform a source test to determine NO_x and CO emissions and provide the District with appropriate modelling data to verify compliance with ambient air standards.
- The City of Santa Clara shall apply for a change in permit conditions to the gas collection system if the number of wells are increased at this landfill in existing fill. An application for a modification to the gas collection system shall be made for increased number of wells in new fill.

Notification

Please notify the District by letter at least three days before the initial operation of the equipment is to take place so that we may observe the equipment in operation and verify conformance with the Authority to Construct. Operation includes any start-up of the source for testing or other purposes. Operation of equipment without prior written notification to the District or beyond the start-up period without a Permit to Operate may result in enforcement action.

939 ELLIS STREET • SAN FRANCISCO, CALIFORNIA 94109 • (415) 771-6000

Richard J. Mauck
City of Santa Clara
Application #1345
September 27, 1988

Start-Up Period

After receipt of the start-up letter required above, this Authority to Construct authorizes operation during the start-up period from the date of initial operation noted in your start-up letter until the Permit to Operate is issued, up to a maximum of 60 days. All conditions (specific or implied) of the Authority to Construct are in effect during the start-up period.

Fees

District Regulation 3 requires a fee for each new Permit to Operate. You will be invoiced upon receipt of your start-up letter. No permits will be issued until all outstanding fees are paid.

Implied Conditions

In the absence of specific permit conditions to the contrary, the throughputs, fuel, and material consumptions, capacities, and hours of operation described in your permit application will be considered maximum allowable limits. A new permit will be required before any increase in these parameters, or change in raw material handled, may be made.

Expiration

In accordance with Regulation 2-1-407, this Authority to Construct expires two years from the date of issuance unless substantial use of the authority has begun.

Correspondence

Please include your application number with any correspondence with District regarding this matter. If you have any questions on this matter, please call Craig S. Ullery, Air Quality Engineer at (415) 771-6000, extension 261.

Very truly yours,
Milton Feldstein
Air Pollution Control Officer

by *John P. Stevenson*
Permit Services Division

CSU:rrn

- ALAMEDA COUNTY
Edward R. Gambrell
Shirley J. Cambrell
(Secretary)
Chuck C. Circa
Frank H. Ogawa
- CONTRA COSTA COUNTY
Paul L. Coeber
Sunne Wright McPeak
- MARIN COUNTY
Al Adams
- NAPA COUNTY
Harold I. Nicholson
- SAN FRANCISCO COUNTY
Harry G. Brit
Jim Gonzalez
- SAN MATEO COUNTY
Ora J. Nicolobues
Anna Eshoo
- SANTA CLARA COUNTY
Rod Darden
Rajan P. Deetsen, Sr.
(Chairperson)
Robert H. Huchan
Suzanne Johnson
(Secretary-Treasurer)
- SOLANO COUNTY
Gert E. Day
- SONOMA COUNTY
Helen E. Rudee

THE CITY OF SANTA CLARA
CALIFORNIA

STREET DEPT.
CITY HALL
1500 WARBURTON AVE.
SANTA CLARA, CA. 95050
(408) 984-3151

August 15, 1988

Mr. Craig S. Ullery
Air Quality Engineer II
Permits Services Division
BAY AREA AIR QUALITY MANAGEMENT DISTRICT
939 Ellis Street
San Francisco, California 94109

Dear Craig:

This letter is in response to your letter of July 25, 1988 which concerns our application for Authority to Construct.

Item 1: I am aware the standby landfill gas flare is to be designed to process the landfill gas generated at our site. A more detailed analysis of our site is enclosed. In summary, I feel the design flow rate of 1,200 cfm used for the design of the flare is justified. The flare also was sized to handle at least the equivalent capacity of the LFG conversion facility.

Item 2: The process flow diagram indicates an anticipated landfill gas flow rate. The 10-inch leader pipe is the same size diameter as the landfill gas collection system pipeline leading from the collection field into the landfill gas recovery system facility. A 10-inch diameter pipe is sized adequately to handle the landfill gas flows rate from the site.

Item 3: The blower has been sized to accommodate the design capacity of the landfill gas flare. A blower of sufficient size shall be provided to handle the landfill gas flows rate to the flare facility.

Please remember this flare facility is a standby piece of equipment that in a typical 30-day period would operate less than 5% of the time.

Your timely response and issuance of an Authority to Construct will be greatly appreciated. Please accept my apology for the confusion and lack of sufficient back-up data.

Sincerely,

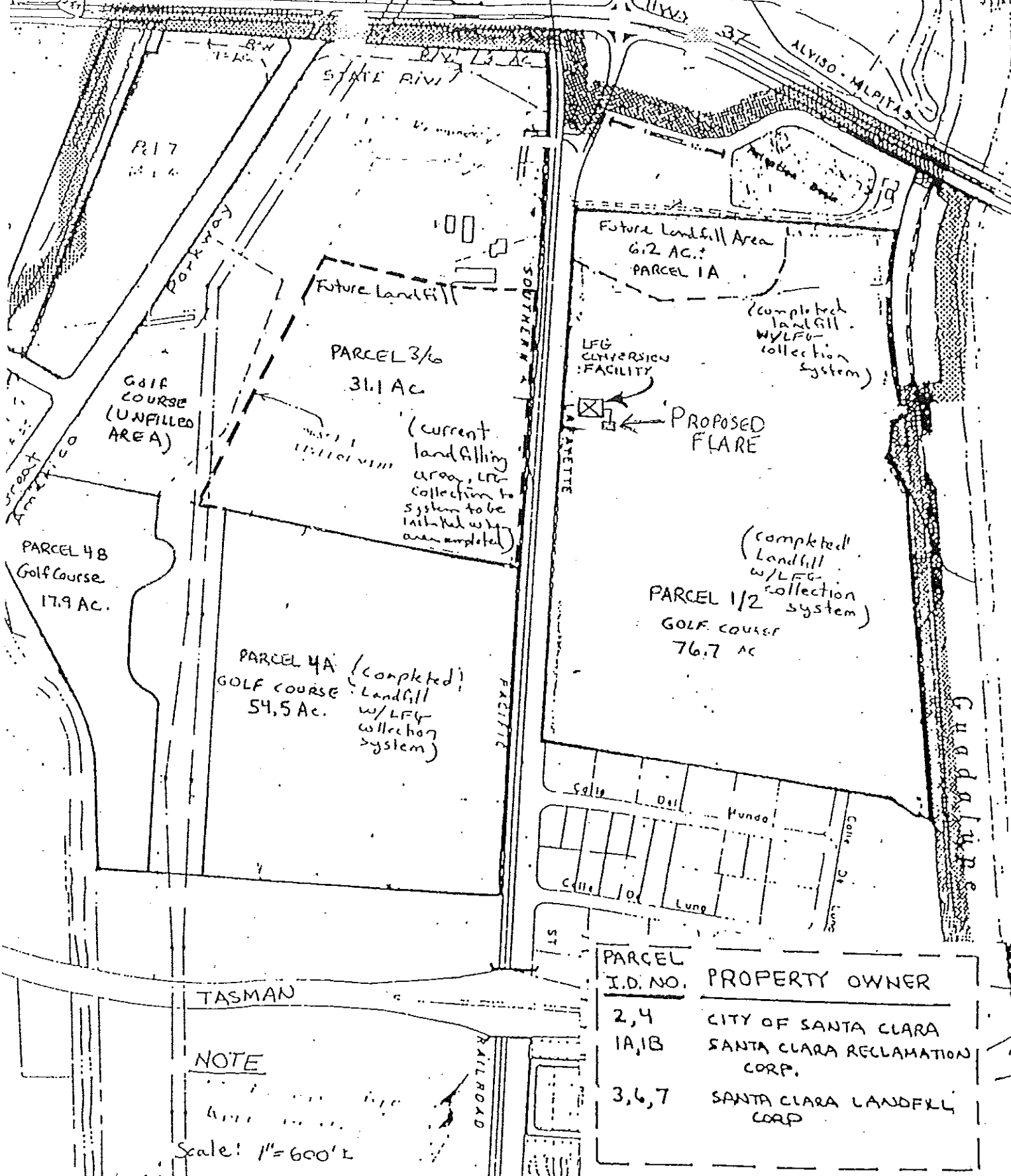


Richard J. Mauck
Deputy DPW/Street Superintendent

RJM:ly

Encl

cc: City Staff (DPW; Asst. City Atty.; St. Sani. Supv.)
Gary Rodriguez, PACIFIC ENERGY
Jim Dix; Lin Bjerken, LINKLATER CORP.



NOTE

Scale: 1" = 600'

PARCEL I.D. NO.	PROPERTY OWNER
2, 4	CITY OF SANTA CLARA
1A, 1B	SANTA CLARA RECLAMATION CORP.
3, 6, 7	SANTA CLARA LANDFILL CORP.

Landfill Gas Recovery Lease Area

LANDFILL GAS RECOVERY PROJECT AREA
ALL PURPOSE LANDFILL
PLATE 1

CITY OF SANTA CLARA
ALL PURPOSE LANDFILL
ESTIMATE OF LANDFILL GAS GENERATION FROM SITE
BASED ON IN-PLACE AND FUTURE VOLUMES OF REFUSE

A. VOLUMES OF REFUSE

(See PLATE I)

1. Parcel 4A (Fill commenced 1960's; complete 1974)
 $2,375,000 \text{ sf} \times 25' \text{ average depth fill} \div 27 \text{ cf/cy} = 2,199,000 \text{ cu. yds.}$
2. Parcel 4B (Fill commenced 1960's; complete 1970)
 $778,000 \text{ sf} \times 25' \text{ average depth fill} \div 27 \text{ cf/cy} = 720,000 \text{ cu. yds.}$
3. Parcels 1/2 (Fill commenced 1975; completed Sept. 1986)
 $3,342,000 \text{ sf} \times 50' \text{ average depth fill} \div 27 \text{ cf/cy} = 6,189,000 \text{ cu. yds.}$
4. Parcel 1B (Future)
 $272,000 \text{ sf} \times 25' \text{ average depth fill} \div 27 \text{ cf/cy} = 252,000 \text{ cu. yds.}$
5. Parcels 3/6 (Fill commenced Sept. 1986; operation ongoing, estimated date of completion 1990)
 $1,355,000 \text{ sf} \times 40' \text{ average depth fill} \div 27 \text{ cf/cy} = 2,007,000 \text{ cu. yds.}$

B. DENSITY OF REFUSE

Estimates of in-place refuse densities were made as fill was placed. Densities for refuse placed in early 1960's and 1970's were lower because of compaction equipment used, only rubbish and inert material placed in Parcel 4. Parcels 1/2 and 3/6 were municipal refuse and better methods and heavier compaction equipment provided.

<u>AREA</u>	<u>ESTIMATED IN-PLACE DENSITY</u>
- Parcels 4A and 4B:	800 lb. per cu. yd.
- Parcels 1/2:	1,000 lb. per cu. yd.
- Parcels 3/6:	1,100 lb. per cu. yd.
- Parcel 1B:	1,100 lb. per cu. yd.

C. SUMMARY OF TONNAGE IN-PLACE

TABLE C-1

<u>AREA</u>	<u>VOLUME (C.Y. x 10⁶)</u>	<u>DENSITY (PCY)</u>	<u>TONNAGE (TONS)</u>
Parcel 4A	2.199	800	879,600
Parcel 4B	0.720	800	288,000
Parcels 1/2	6.189	1,000	3,094,500
Parcels 3/6	2.007	1,100	1,103,850*
Parcel 1B	0.252	1,100	138,600*
T O T A L			5,504,550

NOTE

* Approx. 700,000 tons future capacity (i.e., unfilled capacity)

D. ESTIMATE OF LANDFILL GAS (LFG) GENERATION

A rule of thumb factor of LFG generation of 0.1 cu. ft. per year per pound of refuse is typically used for ballpark estimates. What has been found is the age, type of material landfilled, depth, and cover/liner quality have a great impact on the LFG generation rate. (Reference: Methane Generation and Recovery from Landfills, EMCON Assoc., 1982.)

Actual tests of the wells at the All Purpose Landfill site indicate different LFG generation factors for certain areas. Specifically Parcels 4A and 4B have low LFG generation rates because the refuse placed was mostly inerts and rubbish.

TABLE D-1

<u>AREA</u>	<u>DATES FILLED</u>	<u>LFG GENERATION FACTOR (CF/YR/LB)</u>			
		<u>1988</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>
Parcels 4A & 4B	1960-1974	0.04	0.04	0.03	0.03
Parcels 1/2	1975-1986	0.10	0.10	0.08	0.06
Parcels 3/6 & 1B	1986-1992	0.01	0.03	0.07	0.10

TABLE D-2

<u>AREA</u>	<u>TONNAGE IN-PLACE (10⁶)</u>	<u>LFG FLOW RATE (CFM)</u>			
		<u>1988</u>	<u>1990</u>	<u>1995</u>	<u>2000</u>
Parcels 4A & 4B	1.168	222	222	178	133
Parcels 1/2	3.094	1,177	1,177	942	706
Parcels 3/6 & 1B	1.243	47	142	331	473
T O T A L	5.505	1,446	1,541	1,451	1,312 cfm

E. SUMMARY OF LFG GENERATION

As estimated in TABLE D-2, the total site LFG generation is on the order of 1,400 to 1,500 cfm. Because of the imperfect nature of the landfill material in-place (refuse and cover) to hope that 100% of the estimated LFG generated can be recovered and collected using the current best available collection recovery technology is unrealistic. A anticipated flow point of 1,200 cfm (80-86%) was noted but the flare facility and appurtenances were still designed to accommodate the theoretical higher flows (flare designed to handle 1,500 cfm, with maximum excursions to 1,700 cfm).

I N T E R O F F I C E M E M O R A N D U M ^{Mauck}

CITY OF SANTA CLARA

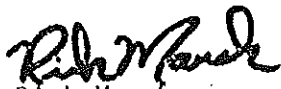
DATE: October 17, 1985
TO: Dave Pasquinelli, Building Plans Engineer
FROM: Rick Mauck, Street Superintendent (X-3151)
SUBJECT: Approval of Property (City) to Construct
Landfill Gas Conversion Facility at
5401 Lafayette Street

INFO ONLY
 PLEASE REPLY
 CONFIDENTIAL

On June 27, 1984, the City of Santa Clara and the Santa Clara Reclamation Corporation, as owners of the subject property where the subject facility is to be placed, entered into a lease agreement with Cambrian Energy Systems to develop a landfill gas conversion system. Cambrian Energy Systems assigned the lease to Pacific Lighting Energy Systems and any of their such subsidiary or controlled entity. See enclosed portion of documents.

Modular Products, Inc., a subsidiary of Pacific Lighting Energy Systems, is responsible for the construction of the landfill gas conversion system facility portion of the project development. The Lease and Operations Agreement with the City calls for them to construct and operate the subject facility at the subject site in the proposed form.

Therefore, the original Agreement of June 27, 1984, grants approval to the lessee (Modular Products Inc., a Subsidiary of Pacific Lighting Energy Systems) to do the subject work at the subject location.


Rick Mauck
Street Superintendent

RJM:ly

Encl

cc: Dir. of Public Works/C.E.
Brian Kramer, Modular Products, Inc.

CITY OF SANTA CLARA

Instructions for Obtaining Permits by Lessees

JOB ADDRESS 5401 LAFAYETTE

Note the following excerpt from "The Contractors License Law", (Sec. 7031.5):

"Each county or city which requires the issuance of a permit as a condition precedent to the construction, alterations, improvement, demolition or repair of any building or structure shall also require that each applicant for such a permit file as a condition to the issuance of a permit a statement which he has prepared and signed stating that the applicant is licensed under the provisions of this chapter, giving the number of the license and stating that it is in full force and effect, or, if the applicant is exempt from the provisions of this chapter, the basis for the alleged exemption."

1. Describe work to be done, and furnish plans, drawings, diagrams, etc. where required by Inspection Division. Reference (Sec. 302 - Uniform Administrative Code.

ONE 12 CYLINDER RECIPROCATING GAS ENGINE & Controls for
Switchgear, gas compressor, & Substation & Building
for electrical generation

2. Owner's signature of approval for lessee to do above described work (or other verification of approval):

* see attached memorandum from R. Mauck St. Supt
dated Oct. 17, 1985 verifying Owner's approval to do above described work

3. Applicant to provide a statement or complete in the following space provided, the basis for exemption from the Contractors License Law - Sec. 7031.5.

Personal Property (Sec. 7046)

Other - Explain owner acting as general contractor.
all contractors on site are licensed.

Date: 16 Oct 85

Erion Kraam
 Signature of Lessee

LEASE AND OPERATING AGREEMENT
FOR
LANDFILL GAS CONVERSION SYSTEMS

AMENDMENT NO. 1 TO ORIGINAL AGREEMENT
DATED JUNE 27, 1984, AND ASSIGNMENT OF
LEASE AGREEMENT DATED JULY 24, 1984.

THIS AGREEMENT made and entered into this 23rd day of July, 1985,
by and between the CITY OF SANTA CLARA, a municipal corporation (hereinafter "Lessor"),
Santa Clara Reclamation Corporation, a California nonprofit corporation (hereinafter
"Santa Clara Reclamation"), Santa Clara Land Fill Corporation, a California nonprofit
corporation (hereinafter "Santa Clara Land Fill") All Purpose Landfill Company, a
California partnership (hereinafter the "Operator"), and Pacific Lighting Energy Systems,
a California corporation (hereinafter "Lessee").

NOW, THEREFORE, the parties hereto agree as follows:

A. WHEREAS, the parties hereto have previously entered into an agreement dated
June 27, 1984 (sometimes referred to as "Original Agreement"), and assignment of agree-
ment to Pacific Lighting Energy Systems, July 24, 1984 (hereinafter referred to as
"Assignment of Lease"), herein collectively referred to as "Agreement";

B. WHEREAS, Lessor and Lessee entered into Agreement for the purpose of having
the Lessee install and operate landfill gas collection and conversion systems;

C. WHEREAS, it is the desire of all parties involved to amend Agreement.

NOW, THEREFORE, it is hereby further agreed as follows:

1. LEASE PREMISES

The Lease Premises as defined in Section 1.18 (and referred to in Section 2.1)
of the Original Agreement (said Lease Premises are described and depicted in EXHIBITS 1
and 2 attached to the Original Agreement) are amended to include all the property and
lands described in the attached EXHIBIT 1 and depicted on the attached EXHIBIT 2 [the
Lease Premises as amended herein adds Parcel C (approximately 78.12 acres) and expands
Parcel 3/6, Phase 1 (now approximately 45.506 acres)]. The EXHIBIT 1 and EXHIBIT 2
attached to this Amendment No. 1 to the Original Agreement are incorporated by this
reference.

2. EFFECT OF MODIFICATION

Except as expressly modified by this Amendment No. 1, all terms and conditions of Agreement (Original Agreement and Assignment of Lease) shall remain in full force and effect, unchanged.

APPROVED AS TO FORM:

Michael R. Pouny
Assistant City Attorney

ATTEST:

J. E. Baccaro
City Clerk

LESSOR:
CITY OF SANTA CLARA
a municipal corporation

By: W. A. Fessler
Mayor

By: A. R. W. Raulfield
City Manager

LESSEE:
PACIFIC LIGHTING ENERGY SYSTEMS
a California corporation

By: M. R. Farmer
Exec. V.P.

OPERATOR:
ALL PURPOSE LANDFILL COMPANY
a California partnership

By: Mark [Signature]

SANTA CLARA LAND FILL CORPORATION

By: Bertram S. Martin
President

SANTA CLARA RECLAMATION CORPORATION

By: Bertram S. Martin
President

EXHIBIT 1

Amendment NO. 1

Amendment to Section 1.18 of
the Original Agreement (6/27/84)
and Assignment of Lease (7/24/84).

LEGAL DESCRIPTION OF LANDFILL GAS RECOVERY PROJECT

All that certain real property situate in the City of Santa Clara, County of Santa Clara, State of California, described as follows:

PARCEL 1

Beginning at the point of intersection of the easterly line of Lafayette Street (90 feet in width) with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, Santa Clara County Records;

Thence, from said Point of Beginning, along said route of the pipeline the following four (4) courses:

North 67° 23' East, 980.95 feet;

North 40° 03' East, 419.10 feet;

North 9° 17' East, 114.40 feet;

North 39° 23' 30" East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the Santa Clara County Flood Control and Water District by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, North 35° 33' 54" West 538.55 feet;

Thence, South 50° 34' 18" West, 1,001.02 feet;

Thence, along the arc of a curve, concave to the North, having a radius of 160 feet, through a central angle of 45° 00' 00", an arc length of 125.66 feet;

Thence, North 84° 25' 42" West, 358.95 feet to said easterly line of Lafayette Street;

Thence, from a tangent bearing South 9° 40' 42" East, along said easterly line, on the arc of a curve, concave to the east, having a radius of 600 feet, through a central angle of 18° 34' 18", an arc length of 194.48 feet;

Thence, tangent to last said curve, continuing along said easterly line, South 28° 15' 00" East, 548.47 feet to the Point of Beginning,

and containing an Area of 21.66 Acres, more or less.

EXHIBIT 1 (cont.)

PARCEL 2

Beginning at a point in the easterly line of Lafayette Street (90 feet in width), said point being the most easterly point in the boundary of that parcel of real property conveyed from the SANTA CLARA RECLAMATION CORPORATION to the City of Santa Clara by that Grant Deed recorded in Book 9246 of Official Records at page 588, Santa Clara County Records;

Thence, from said Point of Beginning along the easterly line of said parcel and easterly line of Lafayette Street; North $28^{\circ} 15'$ West; 1528.69 feet, more or less, to intersection with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, said County Records;

Thence, along said route of the pipeline the following four (4) courses;

North $67^{\circ} 23'$ East, 980.95 feet;
North $40^{\circ} 03'$ East, 419.10 feet;
North $9^{\circ} 17'$ East, 114.40 feet;
North $39^{\circ} 23' 30''$ East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, South $35^{\circ} 33' 54''$ East, 48.19 feet, more or less, to a point in the easterly boundary line of Parcel Two of that real property conveyed to the SANTA CLARA RECLAMATION CORPORATION by that Grant Deed filed for record October 19, 1970 in Book 9092 of Official Records at page 80, said County Records;

Thence, along said boundary line of Parcel Two, the following three (3) courses,

South $37^{\circ} 57' 30''$ West, 2.93 feet;
South $23^{\circ} 02' 30''$ East, 158.40 feet;
South $55^{\circ} 32' 30''$ East, 108.86 feet, more or less, to the northwesterly corner of Parcel 2 of said real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT;

Thence, along the westerly line of said Parcel 2, South $35^{\circ} 33' 54''$ East, 1678.64 feet, more or less, to a point in the southerly boundary line of said Parcel Two of the real property conveyed to the SANTA CLARA RECLAMATION CORPORATION;

Thence, along said southerly boundary line the following four (4) courses;

North $84^{\circ} 10' 30''$ West, 48.71 feet;
South $23^{\circ} 53'$ East, 7.40 feet;
North $85^{\circ} 15'$ West, 139.92 feet;
South $67^{\circ} 45'$ West, 443.50 feet, to the most easterly point in the boundary of Parcel Three of last said Grant Deed;

Thence, along the southerly line of said Parcel Three, South $67^{\circ} 45'$ West, 1,159.83 feet, to the Point of Beginning,

And, containing 59.73 Acres, more or less.

EXHIBIT 1 (cont.)

DESCRIPTION OF Pcl. 3/6 PHASE 1 LANDFILL (REVISED)

That portion of those lands situate in the City of Santa Clara, County of Santa Clara, State of California, conveyed to the Santa Clara Landfill Corporation by that deed filed for record August 30, 1967 in Book 7840 of Official Records at page 199, Santa Clara County Records, and being more particularly described as follows:

Beginning at a point in a line parallel with and 50 feet northerly of, measured at right angles to, the southerly line of Parcels No. 2 and No. 3 of said deed recorded in Book 7840, distant thereon westerly 1,425 feet, from the intersection thereof with the westerly line of that 50 foot wide easement to the South Pacific Coast Railroad Company by that indenture recorded in Book 42 of Deeds at page 127, said County Records;

Thence, from said Point of Beginning, along said parallel line North 69° , 56 minutes, 26 seconds East, 1,425.00 feet;

Thence, along said westerly line, North 28° , 16 minutes, 16 seconds West, 1,856.00 feet;

Thence, South 61° , 43 minutes, 44 seconds West, 815.00 feet;

Thence, South 8° , 27 minutes, 25 seconds East, 1,756.46 feet, to the Point of Beginning, Containing 45.506 Acres.

PARCEL C — AMENDMENT NO. 1 LEASE AREA

Beginning at the point of intersection with the westerly line of the Southern Pacific Railroad right of way (50 feet wide) and the northerly line of TASMAN DRIVE as shown on that certain Record of Survey filed in the Office of the County Recorder, Santa Clara County, California, in Book 345 of Maps at pages 1 through 8 therein;

Thence, along the said westerly line of the Southern Pacific Railroad right of way North $28^{\circ} 16' 16''$ West 406.32 feet to the TRUE POINT OF BEGINNING;

Thence, from the TRUE POINT OF BEGINNING and continuing along last said line North $28^{\circ} 16' 16''$ West 1578.53 feet to the point of intersection with the northerly line of that certain parcel of land conveyed to Santa Clara Municipal Refuse Disposal Corporation by deed recorded in Book 6644 of Official Records at page 143, Santa Clara County records;

Thence, along last said northerly line South $69^{\circ} 56' 26''$ West 2240.76 feet to the point of intersection with the easterly line of Great America Parkway (125 feet wide) as shown on said Record of Survey;

Thence, along said easterly line of Great America Parkway South $1^{\circ} 05' 37''$ West 340.82 feet to the point of intersection with the northeasterly line of San Tomas Aquino Channel (230 feet wide) as described in the deed to Santa Clara County Water District recorded in Book B498 of Official Records at page 28 therein;

Thence, along last said line South $57^{\circ} 47' 44''$ East 950.15 feet to the POINT OF TANGENCY with a 686.10 feet radius curve to the right;

Thence, along said curve through the central angle of $26^{\circ} 15' 54''$ for an arc length of 314.52 feet to the POINT OF TANGENCY on the easterly line of the San Tomas Aquino Channel (230 feet wide);

Thence, along last said line South $31^{\circ} 31' 50''$ East 317.58 feet;

Thence, leaving last said line North $63^{\circ} 03' 14''$ East 742.23 feet;

Thence, at right angles to last said line South $26^{\circ} 56' 46''$ East 116.69 feet;

Thence, at right angles to last said line North $63^{\circ} 03' 14''$ East 1071.64 feet to the TRUE POINT OF BEGINNING,

And, containing 78.12 Acres, more or less.

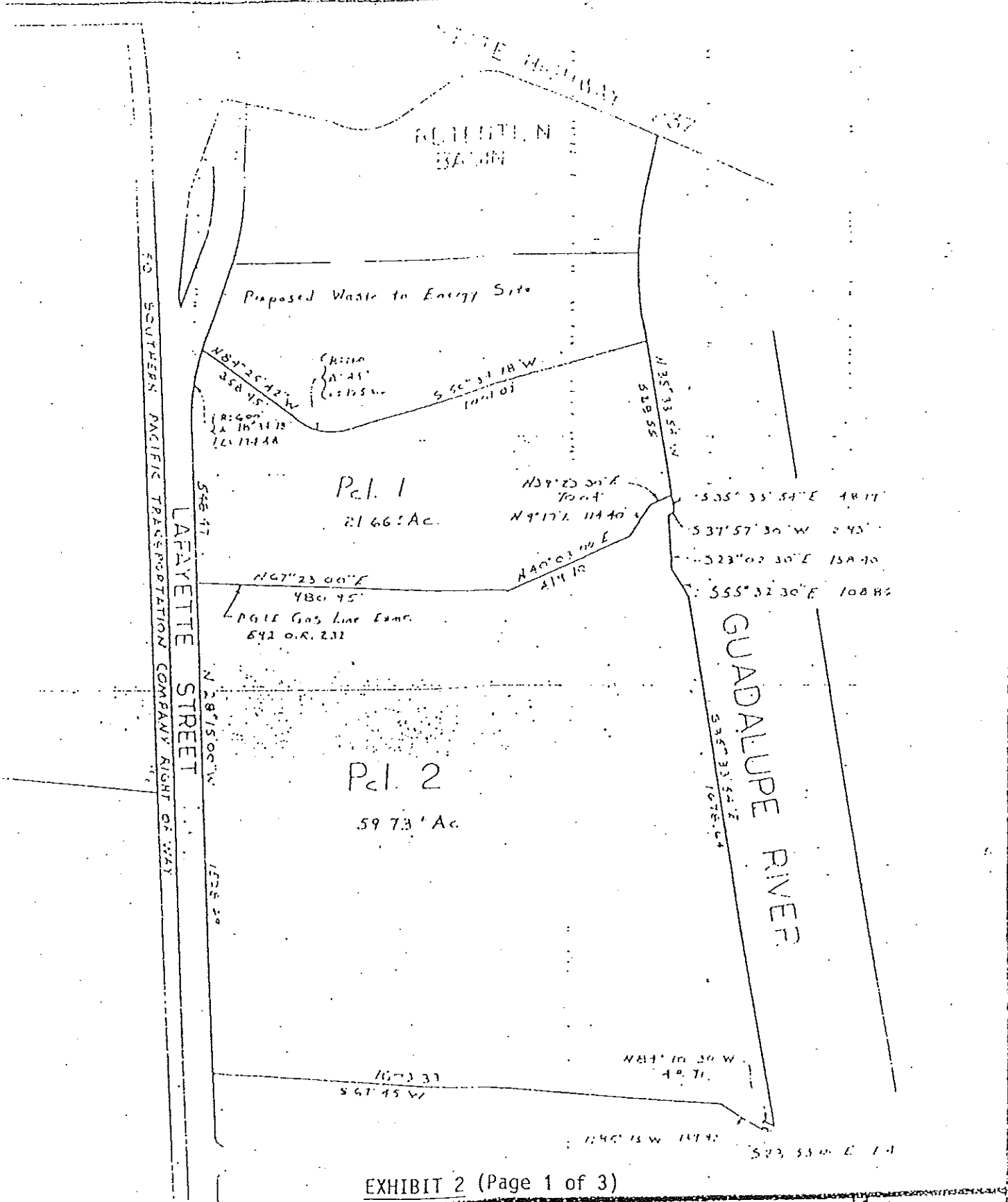
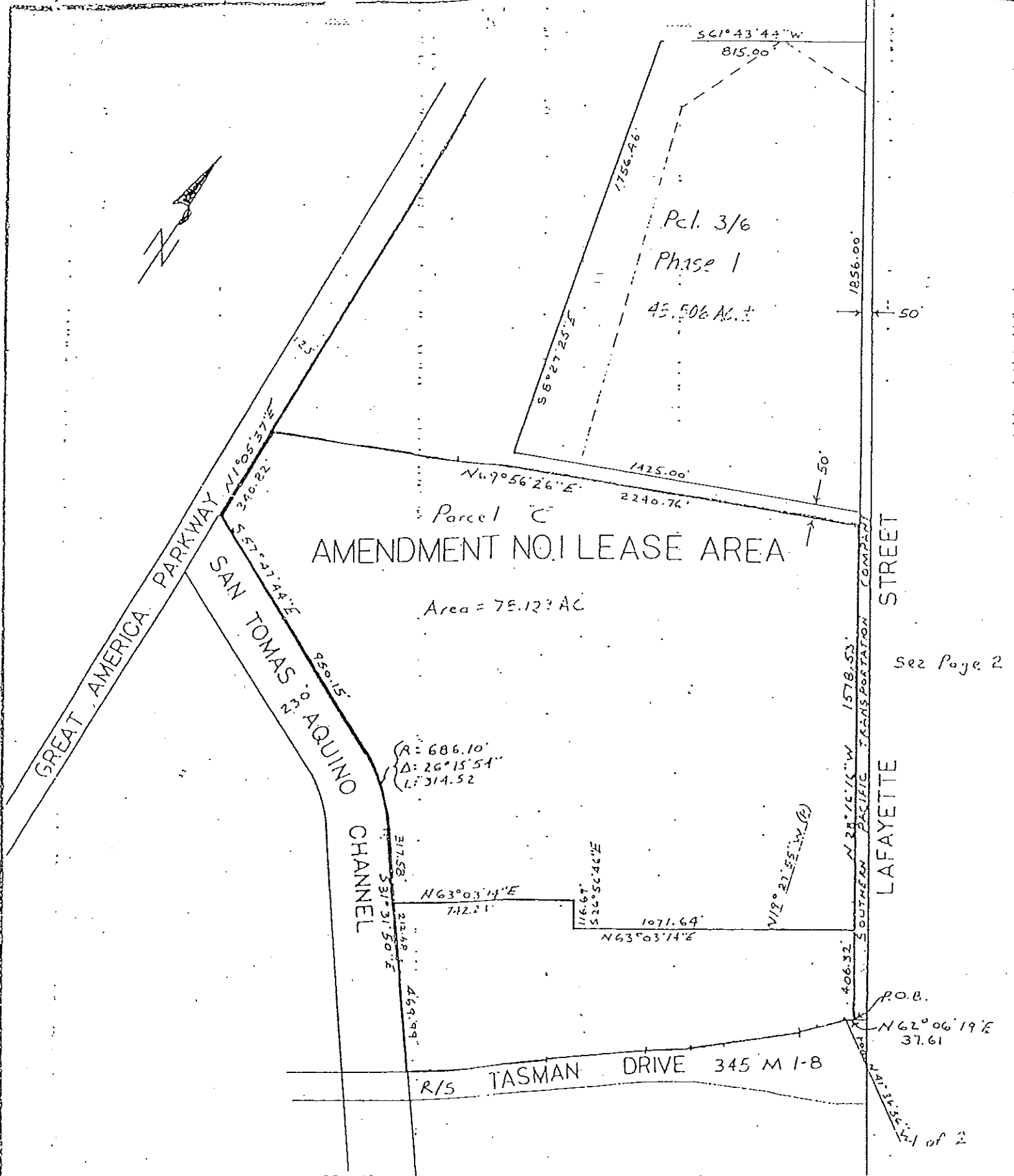


EXHIBIT 2 (Page 1 of 3)

Revised		CITY OF SANTA CLARA LANDFILL GAS RECOVERY PROJECT	Scale 1" = 40'	
Drawn By	GW		Date 10-6-83	Rel.
Checked By				Tracing No. 8755 A
Approved	S.M. CRISTOFANO Director of Public Works/City Engineer			

0735-A



see Page 2

EXHIBIT 2 (PAGE 3 OF 3)

	GW	7-23-85
	GW	4-11-85
Revised	GW	2-28-85
Drawn By	GW	1-23-85
Checked By	J.J.	4-12-85
Approved	<i>[Signature]</i>	Date 4-12-85
	S. M. CRISTOFANO	

CITY OF SANTA CLARA
 AMENDMENT NO. 1 LEASE AREA
 CITY GOLF COURSE LAND

Scale	1" = 500'
Ref.	SC15,350
Tracing No.	9079-A

LEASE AND OPERATING AGREEMENT
FOR LANDFILL GAS CONVERSION SYSTEMS

THIS LEASE AND OPERATING AGREEMENT, is made and entered into this 27th day of June, 1984, by and among the City of Santa Clara, a municipal corporation (hereinafter "Lessor"), Santa Clara Reclamation Corporation, a California nonprofit corporation ("Santa Clara Reclamation"), Santa Clara Landfill Corporation, a California nonprofit corporation ("Santa Clara Landfill"), All Purpose Landfill Company, a California partnership (the "Operator") and Cambrian Energy Systems, a California limited partnership (hereinafter "Lessee").

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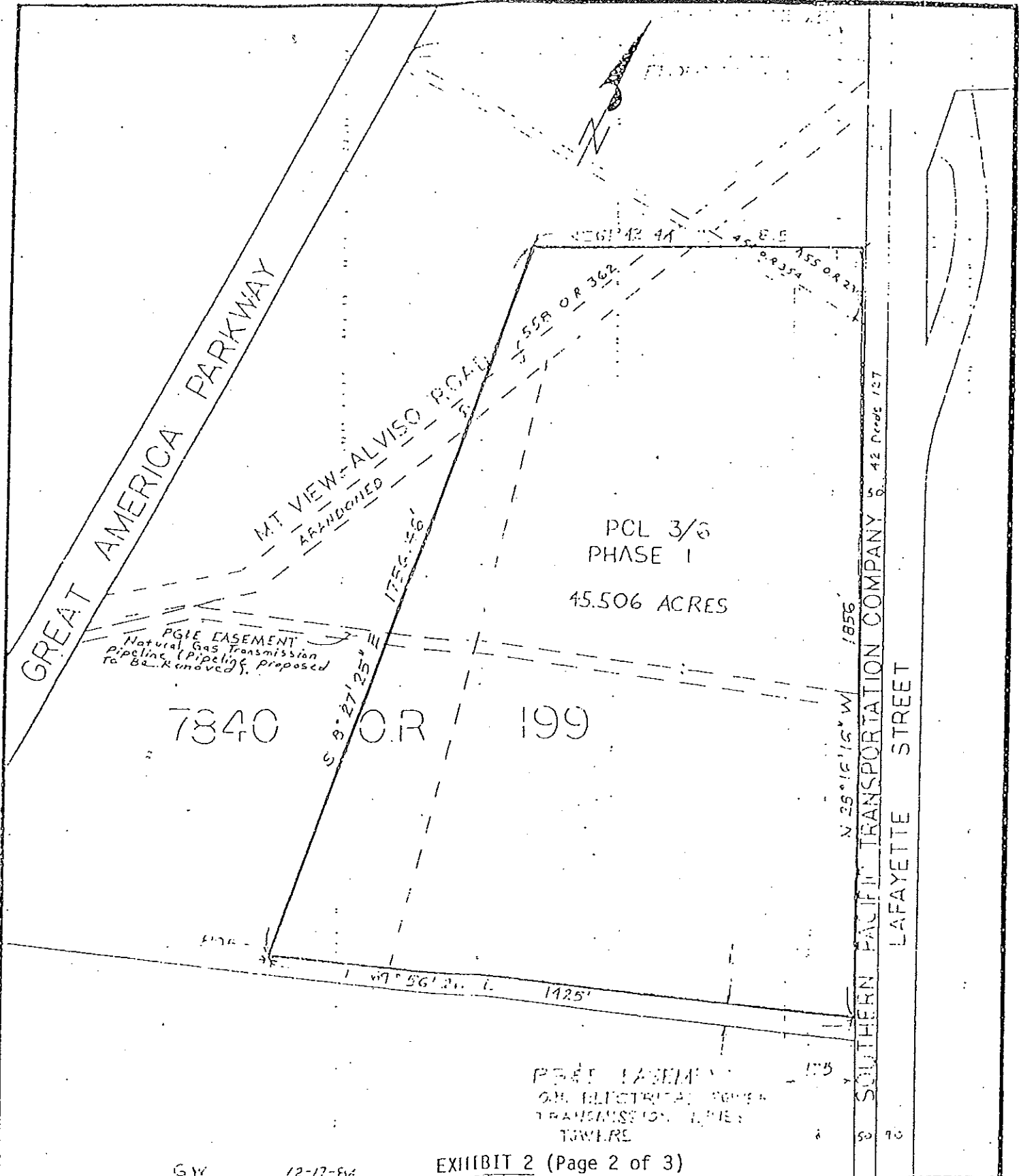


EXHIBIT 2 (Page 2 of 3)

Revised	R.G.S.	12-24-81
Drawn By	G.W.	1-23-81
Checked By		
Approved	S.M. CRISTOFANO	Date
Director of Public Works/City Engineer		

CITY OF SANTA CLARA

PARCELS 3/6
PHASE 1

Scale	1" = 300'
Roll No.	8350
Tracing No.	8774-4

ARTICLE I
DEFINITIONS

1.1. Collection System - A network of gas collection wells, interconnecting pipes, valves, monitoring equipment, any necessary flare/blower stations, vacuum pumps and any additional gas extraction equipment installed on the Premises and used for the purpose of the extraction of Landfill Gas..

1.2. Conversion System - All of the equipment determined by Lessee to be necessary to convert Paying Quantities of Landfill Gas into electric power. Such Conversion System will normally include a compressor (gas or electrically driven), a fuel pretreatment system (if required), a skid-mounted industrial gas turbine and generator set, a recuperator, switch gear, paralleling control gear, a water treatment facility (if required), a concrete pad and an outdoor enclosure. The electric power generation portion of the Conversion System proposed to be used by Lessee will utilize an industrial gas turbine and generator set having an electrical output in the range of 700 to 1400 kilowatts per hour per unit. However, Lessee may elect to use industrial gas turbines or internal combustion engines coupled with generator sets of either a larger or smaller output if, in its sole judgment, such equipment would be better suited for the application. Where the context requires, "Conversion System" shall also mean any new or different technologies installed by Lessee on the Site to produce commercial revenues from the conversion or sale of the Landfill Gas.

1.3. Conversion System Site ("Site") - A location having an approximate size of one-half (.50) acre within the Premises on ground which is level, or capable of being leveled by grading upon which the Conversion System shall be located. The Site shall be on ground which is firm and not susceptible to

settlement (e.g. does not contain refuse from landfilling operations) following the pouring of a concrete slab and the installation of the Conversion System and certain parts of the Utility Interface. However, the Lessor shall only be obligated to provide ground which to the best of its knowledge meets the foregoing conditions. Determining the soil condition shall be the responsibility of Lessee. The Site and any expansion or alteration thereof shall be mutually agreed upon by the parties taking into account both the convenience to the Collection System, the convenience and proximity to the Utility Interface, and aesthetic and environmental considerations. If the parties are unable to mutually agree on the location of the Site, said location shall be determined by Lessor's Director of Public Works prior to construction of the Conversion System.

1.4. Date of Initial Commercial Operation - The date on which the Project begins producing and delivering electrical energy.

1.5. Governmental Approvals - Such permits, licenses, entitlements to construct or use, variances and approvals as may be required by Federal, State or local agencies having jurisdiction thereof. If Lessee is required to obtain any consent or approvals to cross over, under or through with a pipeline or other means any right of way owned by Southern Pacific Transportation Company, Lessee shall obtain any such consent or approval at its own expense.

1.6. Gross Revenues - The gross receipts in any Lease Month received by Lessee after any wheeling charges from the sale of electricity or Landfill Gas or any constituent product from the Project less the amount of all taxes or fees, if any, which shall be paid on the production of electricity or Landfill Gas or any constituent product from the Project pursuant to any federal, state or local law now or hereafter in effect; provided, however, that no capital stock tax, privilege tax, or franchise

tax, and no income or similar tax based upon profits as such, shall be deducted from Gross Revenues.

1.7. Landfill Gas - The gas generated from the anaerobic digestion by methanogenic bacteria of refuse and other solid wastes deposited in sanitary landfills. The composition of such gas varies, but usually contains methane in the range of 40% to 60% by volume, carbon dioxide in the range of 40% to 60% by volume, and small percentages of hydrogen sulfide, ammonia and other gaseous elements.

1.8. Lease Month - Calendar months commencing on the first month following the execution of this lease by Lessor.

1.9. Lease Year - Calendar years commencing on January the first of the calendar year in which occurs the Date of Initial Commercial Operation.

1.10. Leasehold Mortgage - The term "leasehold mortgage" means a mortgage of Lessee's leasehold interest under this lease, and includes a deed of trust conveying Lessee's leasehold interest under this lease as security for a construction loan or loans or "take-out" loans or loans to finance construction or purchase of the project to be erected on the premises.

1.11. Leasehold Mortgagee - The term "leasehold mortgagee" means the holder of the Leasehold Mortgage under this lease, and includes any beneficiary under a deed of trust conveying Lessee's leasehold interest under this lease as aforesaid.

1.12. Lessee - Cambrian Energy Systems, a California limited partnership. In the event of an assignment of this Lease by Cambrian Energy Systems, "Lessee" shall mean the assignee of Cambrian Energy Systems.

1.13. Lessor - The City of Santa Clara, a municipal corporation.

1.14. Operating Leases - The leases between the Lessor and the Operator dated January 15, 1977 and September 21, 1982 together with all amendments thereto granting to the Operator the right to conduct sanitary landfill operations at the Premises.

1.15. Operator - All Purpose Landfill Company, a California general partnership.

1.16. PGandE - Pacific Gas and Electric Company.

1.17. Paying Quantities - Such quantity of Landfill Gas as is capable of being recovered by the Collection System, having a heat value (expressed in BTU's) within the operating limits of a Conversion System, and recoverable at a flow rate (expressed in standard cubic feet per minute) which is both within reasonable safety margins to prevent interruption of anaerobic conditions in the Premises and sufficient to continuously operate a Conversion System without interruption during the Lease term, having supportable test data indicating in the judgment of Lessee the economic longevity of the Landfill Gas reservoir, and in the sole judgment of Lessee, providing a sufficient return upon the installation and operation of a Conversion System or Systems after the payment of all expenses related thereto, including the lease payments payable to the Lessor.

1.18. Premises - Whenever the term "land" or "premises" is used herein, it shall refer to the lease premises referred to in Section 2.1 of this lease and described and depicted in Exhibits 1 and 2 attached hereto.

1.19. Project - Landfill Gas recovery project for the purpose of generating electric power or other forms of energy, or both, and the subsequent sale thereof to Lessor, PGandE, or other purchaser; and comprised of the Collection System, the Conversion System and the Utility Interface at the Premises.

1.20. Santa Clara Landfill - Santa Clara Landfill Corporation, a California nonprofit corporation, which owns a portion of the Premises which is subject to a facility lease dated June 1, 1967 with Lessor.

1.21. Santa Clara Reclamation - Santa Clara Reclamation Corporation, a California nonprofit corporation, which owns a portion of the Premises which is subject to a facility lease dated August 1, 1970 with Lessor.

1.22. Utility Interface - The step-up transformer, metering facilities, protection circuitry, transmission lines, poles and any other equipment necessary to interconnect the Conversion System or Systems with the grid of any utility (including a utility owned or operated by Lessor) or any purchaser of the electrical energy produced by the Project.

ARTICLE II LEASE OF PREMISES

2.1. Lease of Premises for Landfill Gas Recovery System.

Lessor, Santa Clara Landfill and Santa Clara Reclamation, to the full extent of their respective interests in the Premises and for and in consideration of the rents, royalties, covenants and conditions herein contained to be kept, performed and observed by Lessee, hereby lease the Site exclusively to Lessee and lease all necessary portions of the Premises to Lessee, and Lessee hereby leases exclusively the Site and leases all necessary portions of the Premises from the Lessor, Santa Clara Landfill and Santa Clara Reclamation only for the purposes and the term, and subject to the covenants, conditions and provisions hereinafter set forth. The Premises are hereby leased for the purposes of drilling and testing

thereon for Landfill Gas, the installation and operation of a Collection System or Systems, the installation and operation of a Conversion System or Systems, and the installation and operation of all facilities and equipment necessary for either the transmission and sale of electric power or other energy generated by the Conversion System or for the commercial sale of any other energy product or products into which the Landfill Gas may be converted. In connection with such purposes, Lessee shall have, during the term hereof, except as may hereinafter be provided, the sole and exclusive right to explore, drill and develop upon the Premises for Landfill Gas, and the installation, maintenance, operation, relocation, replacement and removal of a Collection System or Systems, a Conversion System or Systems, and a Utility Interface, as well as the installation, operation, relocation, replacement and removal of such other technologies for the commercial use of Landfill Gas as may be determined by Lessee from time to time during the term of this Lease to be employed on the Premises, as economic conditions may dictate or change. Lessee shall also have the right to place and maintain on the Premises pipelines, power lines, and all other structures, works and improvements as may be necessary or convenient in Lessee's operations, with the right of removal of the same, either during or within a reasonable time after the term hereof, together with all other rights necessary or convenient for any and all of the purposes set forth in this Section, including, but not limited to, rights of way and easements over, upon and across the Premises. The Lessor shall have the right to the use of the surface of the Premises to such an extent as will not unreasonably interfere with the full and proper operations of the Collection System or Systems, the Conversion System or Systems, and the Utility Interface. Lessor expressly reserves the right to construct, operate and maintain golf course facilities on the Premises. The Lessor, Santa Clara Landfill and Santa Clara

Reclamation expressly reserves all rights of use, control and possession of the Premises, and all other rights therein of whatever character not herein expressly given exclusively to Lessee. The Operator hereby grants to Lessee all rights of ingress and egress to the Premises and all other rights which may be necessary or convenient to Lessee in order to implement the Project.

2.2. No Warranty.

Neither Lessor, Santa Clara Landfill nor Santa Clara Reclamation make any guarantee as to the quantity or quality of refuse or solid waste or Landfill Gas present in the Premises. Such determinations shall be made by Lessee in accordance with its testing and evaluation program as set forth in Section 6.2 of this lease.

2.3. Lessee Option.

During the term of this lease, and provided that Lessee is not in default under the terms of this lease at such time, Lessor agrees to provide Lessee with the right of first refusal to enter into a lease on the same or substantially similar terms and conditions as this lease with respect to any other landfills within the City limits of Santa Clara which the Lessor may own or lease during the term of this lease where the leasehold property interest does not exceed \$500.00 in value. Lessee reserves all rights to lease or purchase afforded to members of the general public under Section 714 of the Charter of the City of Santa Clara.

ARTICLE III
LEASE TERM

3.1. Commencement and Expiration Dates.

(a) The term of this lease shall commence on the date of approval of this lease by Lessor in compliance with Section 714 of Lessor's City Charter and unless sooner terminated as provided herein, shall be for twenty (20) years, and for so long thereafter as Landfill Gas is produced in Paying Quantities. In no event shall this lease extend beyond the applicable legal limitation pertaining to the term of an agreement of the nature set forth herein.

(b) Lessee shall have the right to terminate this lease, subject to the provisions of Article XII hereof, and to thereupon be relieved of any further obligations hereunder following the giving of at least thirty (30) days' written notice of termination should at any time, in the sole judgment of Lessee, the operation of the Collection System, Conversion System and the Utility Interface prove to be economically or technically infeasible or unsuccessful.

3.2. Holdover.

If Lessee shall holdover after the expiration of the term hereof or any extension thereof, such tenancy shall be from month to month on all the terms, covenants and conditions of this lease.

ARTICLE IV
LEASE PAYMENT

4.1. Minimum Rent.

For each Lease Month prior to the Date of Initial Commercial Operation, Lessee covenants and agrees to pay to Lessor, on or before the last day of each such Lease Month, the sum of One Hundred Dollars (\$100.00).

4.2. Royalty.

Lessee covenants and agrees to pay to Lessor, on or before the last day of each Lease Month, a royalty equal to the percentage set forth below of the Gross Revenues for the preceding Lease Month.

<u>Lease Years (Commencing with Date of Initial Commercial Operation)</u>	<u>Percentage of Gross Revenue</u>
1st through 6th	12.50%
7th and thereafter	16.67%

If, after the Date of Initial Commercial Operation, Lessee modifies the Conversion System by adding additional electric power generating equipment, cogenerating equipment, or equipment for the conversion of Landfill Gas to any non-energy product, Lessee shall pay to Lessor a royalty equal to twelve and one-half percent (12.50%) of the Gross Revenues produced by each such additional increment of equipment, for the first six (6) Lease Years following the Date of Initial Commercial Operation of the additional increment of equipment, and a royalty equal to sixteen and two thirds percent (16.67%) of the same additional incremental Gross Revenues thereafter.

If during any Lease Month a fuel other than Landfill Gas is used to operate the Conversion System or Systems (such as natural gas, propane or diesel fuel), the royalty otherwise payable by Lessee to the Lessor with respect to such Lease Month shall be reduced in the same proportion as the quantity (measured in BTUs or other comparable measure) of such other fuel used during such Lease Month bears to the quantity of Landfill Gas used in operating the Conversion System during such Lease Month. Provided, however, the royalty otherwise payable by Lessee to Lessor shall not be reduced due to the use of such other fuels by more than twenty-five percent (25%) of the royalty which would be payable had the Conversion System been operating during such Lease Month solely on Landfill Gas.

4.3. Accounting.

Each quarterly royalty payment by Lessee shall be accompanied by a statement showing the computation of the royalty amount owing by Lessee to Lessor. Lessor or its authorized representative shall have the right to inspect during reasonable business hours on a quarterly basis the sales journal and any other pertinent books and records of Lessee relating to the Gross Revenues generated by each Conversion System located on the Premises. Such inspection rights shall be conducted during business hours and in such a manner so as not to unreasonably interfere with the ongoing business operations of Lessee.

4.4. Net Lease.

It is the intention hereof that the Lessor shall receive all lease payments free from charges, expenses, costs and deductions of every description except as heretofore described.

ARTICLE V
USE OF PREMISES

5.1. Actions by Third Parties and Lessor.

Neither Lessor nor Operator shall during the term of this Lease take any action, or omit to take any action, or allow any third party to take any action or omit to take any action with respect to any portion of the Premises not actually used by Lessee under this lease which would in any manner reduce the quantity or quality of the Landfill Gas or which would reduce the quantity of refuse and solid waste in place or the anaerobic conditions existing with respect thereto.

5.2. Signs.

Lessee shall have the right to erect and maintain upon the Premises only such signs as relate to the Project and any improvements constructed hereunder, and only in accordance with applicable zoning ordinances and building codes. No other signs, billboards, or other advertising may be erected upon the Premises without the prior written consent of Lessor.

5.3. Interference.

In drilling, equipping, operating and maintaining the Project, Lessee shall use reasonable care and diligence and shall perform all work in a proper and workmanlike manner and so as to prevent any unreasonable interference with any ongoing operations of Lessor or Operator on the Premises and any existing or future development by Lessor thereon. Lessor expressly reserves the right to construct, operate and maintain golf course facilities on the Premises.

5.4. Maximize Landfill Gas Recovery.

Lessee shall use its best efforts to maximize the recovery and production of Landfill Gas and constituent products. Lessee's best efforts shall include, but not be

limited to, the investment of sufficient capital on a continuing basis to maximize said recovery and production.

5.5. Minimize Landfill Gas Migration.

Lessee shall use its best efforts to design and operate its facilities for collecting, treating, processing and distributing the Landfill Gas and/or constituent products in such a manner so as to minimize gas migration. In addition, Lessee agrees to provide reasonable assistance to Lessor at its request in developing a gas migration control system to be put into effect either during the term of this lease or upon its termination; without Lessee thereby incurring any responsibility or liability for gas migration from the Premises.

5.6. Safety Procedures.

Lessor and Lessee acknowledge that Lessor intends to construct, operate and maintain golf course facilities at the Premises. Lessor and Lessee agree that they shall mutually agree upon reasonable safety procedures for Lessee's employees when performing any work on the Premises during operating hours of such proposed golf course facilities.

ARTICLE VI
CONSTRUCTION BY LESSEE

6.1. Lessee's Right to Build - General Conditions.

Lessee shall have the right, during the term of this lease, to erect, maintain, alter, remodel, reconstruct, rebuild, replace, and renew the Project on the Premises, provided, however, that such improvements shall be built in accordance with all applicable state laws and local zoning, building and electrical codes, and shall be constructed in a workmanlike manner in accordance with the requirements of all Governmental Approvals. All necessary Governmental Approvals for

such construction shall be obtained by Lessee at Lessee's sole expense.

6.2. Testing and Evaluation Program.

(a) Lessor and Operator hereby grant to Lessee the right to conduct a reasonable testing program on the Premises in order to determine whether the Landfill Gas and/or constituent products can be economically recovered from the Premises in Paying Quantities. Lessee, at its sole expense, will commence testing and evaluation of the Premises for Landfill Gas and/or Constituent Products and complete such testing and evaluation.

(b) Prior to commencing its testing and evaluation program, Lessee shall submit to Lessor in writing a general, non-proprietary description of the procedure, methods, and equipment to be used by Lessee that relate to its testing and evaluation activities upon the Premises. Lessor shall have fourteen (14) days after receipt of such description to object in writing to any specific procedure, method or location of equipment. Upon receipt of such objection, Lessee shall make reasonable efforts to change its procedures, methods or locations to overcome such objections consistent with the need of Lessee to obtain valid and accurate test data and results. In the event that no written objection by Lessor is received by Lessee during said fourteen (14) day period, the testing procedures, methods and equipment to be used by Lessee (including the location thereof) shall be deemed approved by Lessor.

(c) In the event that Lessee's testing and evaluation program establishes in its sole judgment that the Premises are not suitable for the economic recovery and purification of Landfill Gas and/or constituent products in Paying Quantities, all rights under this lease will revert to Lessor and this lease shall terminate upon receipt of written notice from Lessee to Lessor of the results of the testing and

evaluation program, without further liability, except as to Minimum Rent payable but not yet paid and except for liabilities to Lessor or others incurred to said date, on the part of either party to the other hereunder. A copy of the summary of the results of Lessee's testing and evaluation program shall be forwarded to Lessor together with Lessee's written notice. In addition to the aforementioned summary, upon request by Lessor, Lessee shall forward copies of all non-proprietary well data accumulated by Lessee during the testing and evaluation program conducted on the Premises. Lessor hereby releases Lessee from liability for errors contained in the aforementioned summary and well data; and Lessee may attach appropriate disclaimers to such materials of any warranty, covenant or representation, whether express or implied, by Lessee with respect to their accuracy or completeness.

(d) Should Lessee determine in its sole judgment that the results of the testing and evaluation program indicate that the Premises are suitable for the economic recovery and purification of Landfill Gas and/or Constituent Products in Paying Quantities, Lessee will give written notice to Lessor of its determination prior to the start of construction.

6.3. Prerequisites to the Start of Construction.

No construction shall be commenced on the Premises unless the following shall have first occurred:

(a) Lessee, at Lessee's expense, shall prepare and submit all required data and reports and shall have obtained all necessary Governmental Approvals or other permits necessary for the start of construction. Lessor shall make available copies of existing information, data, and reports, and environmental data in the possession of or reasonably obtainable by the Lessor to the Lessee in a timely manner.

(b) Lessee shall have furnished to Lessor comprehensive general liability and property damage insurance,

with contractual liability endorsement, if not otherwise covered by such insurance policy, with combined single limits of not less than Five Million Dollars (\$5,000,000) for any one accident or occurrence, the types of coverages, exclusions and general provisions in the contract or contracts of insurance providing such coverage to be subject to the reasonable approval of Lessor. The requirements set forth may be satisfied by Lessee arranging for Lessor to be named as an additional insured on policies of insurance to be purchased by Lessee, provided that the types of coverages, exclusions and general provisions included in any such policy or policies shall be subject to the reasonable approval of Lessor. Any policy of liability insurance furnished herein must insure Lessor against any liability it may incur to the public and/or its employees as a result of the use of the Premises by Lessee, for the operations thereon of any contractor or subcontractor working for Lessee. Any such insurance shall be primary and not contributing.

(c) Lessee shall have delivered to Lessor satisfactory proof that worker's compensation insurance has been procured to cover all persons employed in connection with the construction of the Project, or any portion thereof.

(d) Lessee shall have furnished to Lessor a written commitment by one or more banking corporations or other lending institutions by which the financing or the costs of construction of the Project improvements will be provided for, which commitment shall have been duly accepted by Lessee.

As an alternative, the evidence of funds available for financing and the construction or operation of Lessee's proposed Project contemplated above Lessee may present other evidence of available funds.

6.4. Due Diligence.

Lessee shall use its best efforts to prosecute the testing, evaluation, permit processing, design, financing, procurement, construction and startup of the Project improvements in accordance with the Project Schedule described in Appendix I subject, however, to unavoidable delays, i.e., delays due to strikes, acts of God, inability to obtain labor or materials, enemy action, civil commotion, fire, unavoidable casualty, or similar causes, or any other causes beyond the reasonable control of Lessee.

6.5. As-Built Drawings.

Lessee agrees to furnish to Lessor and from time to time update a complete set of "as-built drawings" for the Collection System constructed by, or for, Lessee on the Premises at no expense to Lessor.

6.6. Lessee's Ownership of Improvements and Fixtures.

Except as herein provided, it is expressly understood and agreed that any and all buildings, improvements, fixtures, machinery and equipment of whatsoever nature at any time constructed, placed or maintained upon any part of the Premises during the term of this lease shall be and remain the property of Lessee or its sublessees, as their interests may appear.

ARTICLE VII

TAXES-PAYMENT BY LESSEE

7.1. Lessee to Pay Taxes.

In addition to the lease payments described in Article IV hereof, Lessee shall pay all local, state, federal or other taxes or assessments levied on the Collection System, the Conversion System and, if owned by Lessee, the Utility Interface.

Additionally, Lessee shall pay any taxes which may be assessed or levied against the interest in or created by this Lease to the extent that the existence of this Lease results in any such taxes being levied by any governmental authority. To the extent applicable (i.e. should the Premises be conveyed by Lessor to a person or entity that is not exempt from taxation), the successor to the Lessor shall pay all other taxes and assessments on the Premises and on all other improvements and personal property thereon. The foregoing provisions shall not in any way diminish or relieve Operator from its obligations to pay taxes pursuant to the Operating Lease.

7.2. Notice of Possessory Interest; Payment of Taxes and Assessments on Value of Entire Premises.

In accordance with California Revenue and Taxation Code Section 107.6(a), Lessor states that by entering into this lease, a possessory interest subject to property taxes may be created. Lessee, or any other party in whom the possessory interest is vested, may be subject to the payment of property taxes levied on such interest.

7.3. Payment and Furnishing of Receipts.

Subject to Lessee's right to pay taxes in installments as provided below, all payments to be made by Lessee pursuant to the article shall be made not later than thirty (30) days before any fine, penalty, interest or costs may be added thereto for nonpayment. Lessee shall furnish Lessor's Finance Director within twenty (20) days after the date of payment, as provided in this article, with official receipts or photocopies thereof, evidencing that the tax has been paid.

7.4. Installment Payments.

If by any law any tax is payable or may at the option of the taxpayer be paid in installments, Lessee may pay the tax together with any accrued interest on the unpaid balance of the tax, in installments as they become due.

7.5. Proration for Time.

All such taxes and assessments for the first and, if the Lessee is not in default under this lease, the last year of this lease, shall be prorated between the Lessor and Lessee on the basis of a tax fiscal year commencing July 1 and ending June 30.

7.6. Contest - Surety Bond.

Lessee shall have the right to contest the amount or validity of any such imposition by appropriate legal proceedings, but this right shall not be deemed or construed in any way as relieving or modifying or extending Lessee's covenants to pay any such imposition at the time and in the manner as in this Article provided. Lessor shall, upon written request, join in any such proceedings if Lessee reasonably determines that it shall be necessary or convenient for Lessor to do so in order for Lessee to prosecute properly such proceedings, but Lessor shall not be subject to any liability for payment of any costs or expenses in connection with any such proceeding brought by Lessee. Lessee hereby covenants to indemnify and save Lessor harmless from any such costs and expenses. If such contest shall have the effect of staying or postponing the obligation to pay such tax Lessee, upon commencing such contest, shall deliver to Lessor a good and sufficient surety bond guaranteeing payment of any taxes, penalties and interest thereon, found due as a result of such contest. The right to contest such impositions granted herein shall not prevent Lessor from contesting any such impositions for which Lessor is responsible hereunder. If both parties are contesting any such impositions, Lessee and Lessor shall each coordinate their activities with the other.

7.7. Separate Assessment of Lessee's Personal Property.

During the Lease Term, Lessee shall cause all taxes, assessments and other charges levied upon or imposed upon

any improvement or personal property of Lessee's situated in, on, or about the Premises to be levied or assessed separately from the Premises and not as a lien thereon to the maximum extent allowable under the law of the State of California.

7.8. Indemnification of Lessor.

Lessee shall protect and hold harmless Lessor and the Premises and all improvements in, on, or about the same from any liability for any and all such taxes, assessments, and charges together with any interest, penalties or other sum thereby composed, and from any sale or other proceeding to enforce payment thereof.

ARTICLE VIII

INSURANCE TO BE MAINTAINED BY LESSEE

8.1. Hazard Insurance.

At all times, Lessee shall maintain or cause to be maintained the insurance below described for the mutual benefit of Lessor and Lessee against the following risk:

(a) Loss or damage by fire and such other risks as may be embraced within the standard form or its equivalent of "all risk" coverage insurance from time to time available, insuring the full replacement cost of the Project, together with any buildings and other improvements from time to time erected on the Premises. Lessee agrees that such coverage shall be in an amount no less than Four Million Dollars (\$4,000,000) and in any case not less than the value of all improvements.

(b) Such other insurance in such amounts as may from time to time be reasonably required by Lessor against other insurable hazards which at the time are commonly insured against in the case of premises situated with due regard to the

type of installation, its construction and its use and occupancy.

8.2. Liability Insurance.

Lessee shall also maintain at all times comprehensive general liability insurance, including contractual liability, for the mutual benefit of Lessor and Lessee against claims for personal injury or death or property damage in or about the Premises with such limits as may reasonably be requested by Lessor which shall be not less than combined single limits of Five Million Dollars (\$5,000,000) combined single limit and not greater than Fifteen Million Dollars (\$15,000,000) combined single limit without the consent of Lessee in the event of bodily injury or death of any number of persons in any one accident, and including broad form property damage coverage. The limits of said policy shall be increased from time to time to meet changed circumstances. If the parties are unable to agree on the amount by which such limits are to be increased, the controversy shall be resolved by arbitration under the procedure for arbitration set forth in Article XV hereof. Lessor may not request a change in the limits of the policy as above provided for more often than once in any five (5) year period. All such insurance shall be primary insurance and Lessor shall be named as additional insured.

8.3. Worker's Compensation Insurance.

Lessee shall also maintain worker's compensation insurance covering all persons employed by it in the conduct of its business on the Premises.

8.4. Deposit of Policies.

(a) All policies except the worker's compensation policy shall name Lessor as additional insured.

(b) All insurance shall be effected by valid and enforceable policies issued by insurers of responsibility, such responsibility to meet with the reasonable approval of Lessor. Certificates of insurance required under this Article

VIII, shall be delivered to Lessor. Prior to the expiration date of any policy, a certificate attesting to the issuance of a renewal policy shall be delivered by Lessee to Lessor. To the extent obtainable, all such policies shall contain agreements by the insurers that (i) such policy shall not be cancelled except upon thirty (30) days prior written notice to each named insured and loss payee, and (ii) the coverage afforded thereby shall not be affected by the performance of any work in or about the Premises.

8.5. Inclusion of Mortgagee as Insured.

The following provisions shall govern the policies described in Section 8.1 (Hazard Insurance) when a Leasehold Mortgagee has an insurable interest in Lessee's improvements at the Premises.

(a) Subject to the provisions hereinafter set forth in this section, the policies shall also provide, if required by either party hereto, for any loss to be payable to any Leasehold Mortgagee as the respective interest of such party may appear, pursuant to standard mortgagee clause or endorsement, provided, however, that such Leasehold Mortgagee must agree that any insurance proceeds received by such party shall be made available for restoration of the improvements, or equivalent improvements, to at least the condition of said improvements prior to the casualty giving rise to the payment of such proceeds to said lender. The loss shall be adjusted with the insurance companies by Lessee, except that in case of any particular casualty resulting in damage or destruction exceeding One Hundred Thousand Dollars (\$100,000) in the aggregate, no adjustment shall be made with the insurance companies unless the Leasehold Mortgagee shall have approved the amount of the adjustment.

(b) The loss shall be payable (i) in the case of any particular casualty resulting in a loss payment not exceeding One Hundred Thousand Dollars (\$100,000) to Lessee, or

(ii) in the case of any particular casualty resulting in a loss payment in excess of One Hundred Thousand Dollars (\$100,000) to the Leasehold Mortgagee, or if there be none, to bank or trust company or title insurance company providing construction disbursement services, as insurance trustee designated by Lessee, but subject to the approval of Lessor, which approval shall not be unreasonably withheld, in a notice given to the insurance companies and to Lessor promptly following the occurrence of the casualty, which bank or trust company or title insurance company shall be licensed to do business as an escrow holder in the State of California. All policies of the kind aforesaid shall expressly provide that loss thereunder shall be adjusted and paid as required by the terms hereof.

(c) Insurance proceeds on hazard insurance deposited with such trustee shall be disbursed as provided for in Article IX hereof.

8.6. Consent to Blanket Insurance Policy.

Nothing in this Article shall prevent Lessee from carrying insurance of the kind required of Lessee under a blanket insurance policy or policies which cover other properties owned or operated by Lessee as well as the premises herein demised. Lessee shall furnish Lessor and any Leasehold Mortgagee with copies of the Schedule or makeup of all property affected by any such policy of blanket insurance within thirty (30) days after the filing of such schedule or makeup with the Lessee's property insurance carrier.

8.7. Indemnification.

(a) Lessee agrees to investigate, defend, indemnify and hold Lessor, Operator, Santa Clara Landfill and Santa Clara Reclamation (the "Indemnified Parties") harmless from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expense (including attorney's fees) and causes of action of whatsoever character which the

Indemnified Parties may incur, sustain or be subjected to on account of Lessee's proposed use or Lessee's use of the Premises or on account of Lessee having entered into any contract, sublease, Leasehold Mortgagee or other agreement of whatsoever character having to do with or involving the Premises, or on account of loss or damage to property and loss of use thereof, or for bodily injury to or death of any persons (including, but not limited to employees, subcontractors, agents and invitees of each party hereto) arising out of or in any way connected with the work to be performed or occupancy, operation, maintenance, enjoyment or use of the Premises by Lessee under this lease.

(b) Lessor agrees to investigate, defend, indemnify and hold Lessee harmless from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expense (including attorney's fees) and causes of action of whatsoever character which Lessee may incur, sustain or be subjected to on account of Lessor's ownership, use or occupancy of the Premises or activity conducted at the Premises or on account of any condition which may exist on the Premises for which Lessee is not responsible, or on account of loss or damage to property and loss of use thereof, or for bodily injury to or death of any persons (including, but not limited to employees, subcontractors, agents and invitees of each party hereto) arising out of or in any way connected with the ownership, use or occupancy, operation, maintenance or enjoyment of Premises by Lessor or any employee, agent, contractor or invitee of Lessor. Lessor further agrees to indemnify, defend and hold Lessee harmless from and against any and all claims, liabilities, causes of action, demands, losses or expenses, including attorneys' fees, arising out of any claim from a third party as a result of any migration of Landfill Gas from the Premises.

(c) Operator agrees to investigate, defend, indemnify and hold Lessee harmless from and against any and all loss, damage, liability, claims, demands, detriments, costs, charges and expense (including attorney's fees) and causes of action of whatsoever character which Lessee may incur, sustain or be subjected to on account of Operator's use or occupancy of the Premises or activity conducted at the Premises or on account of any condition which may exist on the Premises for which Lessee is not responsible, or on account of loss or damage to property and loss of use thereof, or for bodily injury to or death of any persons (including, but not limited to employees, subcontractors, agents and invitees of each party hereto) arising out of or in any way connected with the use or occupancy, operation, maintenance or enjoyment of Premises by Operator or any employee, agent, contractor or invitee of Operator.

ARTICLE IX

DAMAGE OR DESTRUCTION OF IMPROVEMENTS

9.1. Lessee's Duty to Repair.

Lessor and Operator shall use their best efforts to prevent any employees of Lessor or Operator or any contractor or subcontractors of Lessor or Operator from operating any equipment or from conducting any activities on the Premises, whether or not related to the operation of a sanitary landfill, which will result in any damage to the Collection System or to the Conversion System or Utility Interface of Lessee. Any such damage resulting to the Collection System, Conversion System or Utility Interface resulting from the negligence or willful misconduct of employees, contractors or subcontractors of Lessor or Operator or in breach of Lessor's or Operator's covenants contained herein shall be the responsibility of Lessor and

Operator.

ARTICLE X
ASSIGNMENT, SUBLETTING AND MORTGAGING

10.1 Assignment.

If the estate of either party hereto is assigned or conveyed, the rights and obligations created hereby and the covenants hereof shall extend to and be binding upon such party's assigns or transferees. The party so assigning or transferring such interest shall thenceforth be released from all obligations hereunder to the extent of the interest so assigned or transferred, provided that at the time of such assignment or transfer the transferring party's assignee or transferee had the legal ability to perform such obligations. Lessee shall not assign its interest in this lease to any other party without the prior written consent of the Lessor, which written consent shall not be unreasonably withheld. No change of ownership in the Premises or in the royalties shall be recognized by Lessee until Lessee has been furnished with written notice of such transfer or assignment, together with a certified copy of the instruments of transfer or assignment.

10.2. Mortgage of Leasehold Interest.

(a) Lessee shall have the right, at any time and from time to time during the Lease Term, to encumber the leasehold estate created by this lease by a Leasehold Mortgage.

(b) If Lessee shall have granted any Leasehold Mortgage and if a Leasehold Mortgagee shall have given to Lessor a notice ("Leasehold Mortgagee's Notice") specifying the name and address of the Leasehold Mortgagee, Lessor shall give to the Leasehold Mortgagee a copy of any and all notices from time to time given to Lessee by Lessor (including, without

limitation, any notice of default) at the same time as and whenever any such notice shall thereafter be given by Lessor to Lessee, addressed to such Leasehold Mortgagee at the address last furnished to Lessor. No such notice of any kind by Lessor shall be deemed to have been given to Lessee unless and until a copy thereof shall have been so given to the Leasehold Mortgagee.

(c) In the case of any notice of default given by Lessor to Lessee, the Leasehold Mortgagee shall thereupon have the same concurrent grace periods as are given Lessee for remedying a default or causing it to be remedied, plus, in each case, an additional period of thirty (30) days after the expiration thereof or after Lessor has served such notice of default upon Leasehold Mortgagee, whichever is later. Provided that all monetary obligations of Lessee under this lease shall be duly performed, these grace periods shall be extended as set forth in the respective circumstances below.

(i) In those instances which reasonably require the Leasehold Mortgagee to be in possession of the Premises to cure any default by Lessee, the time therein allowed Leasehold Mortgagee to cure any default by Lessee shall be deemed extended to include the period of time required by said Leasehold Mortgagee to obtain such possession with due diligence; and

(ii) In those instances in which Leasehold Mortgagee is prohibited by any process or injunction issued by any court or by reason of any action by any court having jurisdiction of any bankruptcy or insolvency proceeding involving Lessee from commencing or prosecuting foreclosure or other appropriate proceedings in the nature thereof, the time herein allowed Leasehold Mortgagee to prosecute such foreclosure or other proceeding shall be extended for the period of such prohibition.

(d) Leasehold Mortgagee shall, without prejudice to its rights against Lessee, without payment of any penalty to Lessor and within a period and as otherwise provided herein, have the right, but not the obligation, to pay all of the rents due hereunder, to effect any insurance, to pay any taxes and assessments, to make any repairs and improvements, to do any other act or thing required of Lessee hereunder or which may be necessary and proper to be done in the performance and observance of the agreements, covenants and conditions hereof, to remedy any default of Lessee or cause the same to be remedied, to acquire Lessee's leasehold estate or to commence foreclosure or other appropriate proceedings. For such purposes Lessor and Lessee hereby authorize Leasehold Mortgagee to enter upon the Premises and to exercise any of Lessee's rights and powers under this lease, and, subject to the provisions of this lease, under the Leasehold Mortgage. Lessor will accept performance by the Leasehold Mortgagee of any covenant, condition or agreement on Lessee's part to be performed hereunder with the same force and effect as those performed by Lessee. Nothing contained in Section 10.2(c) to the contrary, provided that all monetary obligations of Lessee shall be duly performed, no default by Lessee shall be deemed to exist and this lease shall not be terminated by Lessor so long as the Leasehold Mortgagee shall, in good faith, have commenced to rectify any claimed default or to exercise its rights to acquire the leasehold interest of Lessee or commence foreclosure or other appropriate proceedings, and to prosecute the same to completion with diligence and continuity; provided, however, that the Leasehold Mortgagee shall not be required to continue such foreclosure proceedings if such default occurred.

(e) From and after receiving the Leasehold Mortgagee's Notice, neither Lessor nor Lessee shall cancel, terminate, surrender, modify or amend this lease in any respect

without the prior written consent of the Leasehold Mortgagee. No Leasehold Mortgagee shall become liable under the provisions of this lease, unless and until such time as it becomes, and then only for so long as it remains, the owner of the leasehold estate, and such liability shall be limited to the insurance required to be carried hereunder and to its interest in the Premises.

(f) Foreclosure of a Leasehold Mortgage, or any sale thereunder, whether by judicial proceedings or by virtue of any power contained in the Leasehold Mortgage, or any conveyance of the Leasehold estate created hereby from Lessee to Leasehold Mortgagee through, or in lieu of, foreclosure or other appropriate proceedings in the nature thereof, shall not require the consent of Lessor not shall it constitute a breach of any provision of or a default under this lease, and upon such foreclosure, sale or conveyance Lessor shall recognize Leasehold Mortgagee, or any other foreclosure sale purchaser, as Lessee hereunder.

(g) If a Leasehold Mortgagee shall acquire Lessee's interest in this lease as a result of a sale under said Leasehold Mortgage pursuant to a power of sale contained therein, pursuant to a judgment of foreclosure, through any transfer in lieu of foreclosure, or through settlement of or arising out of any pending or contemplated foreclosure action, or in the event Leasehold Mortgagee becomes Lessee under this lease or any new lease obtained pursuant to Section 10.1(h) below, such Leasehold Mortgagee's right thereafter to assign or transfer this lease or such new lease shall not be subject to any restriction. In the event Leasehold Mortgagee subsequently assigns or transfers its interest under this lease after acquiring the same by foreclosure or deed in lieu of foreclosure or subsequently assigns or transfers its interest under any new lease obtained pursuant to Section 10.2(h), and in connection with any such assignment or

transfer Leasehold Mortgagee takes back a mortgage or deed of trust encumbering such leasehold interest to secure a portion of the purchase price given to Leasehold Mortgagee for such assignment or transfer, then such mortgage or deed of trust shall be considered a Leasehold Mortgage as contemplated under this Section 10.2 and Leasehold Mortgagee shall be entitled to receive the benefit of the holder of a Leasehold Mortgage. Any purchaser at a foreclosure sale, other than Leasehold Mortgagee, must assume this lease and it shall have no right in respect to the Premises unless it so assumes and delivers an original of the assumption agreement (to be executed in form for recording) within ten (10) days after such purchaser acquires title to the Lessee's interest in this lease.

(h) In the event that this lease is terminated by Lessor on account of a default (and provided that an unsatisfied Leasehold Mortgage stands of record) or in the event Lessee's interest under this lease shall be sold, assigned or transferred pursuant to the exercise of any remedy of the Leasehold Mortgagee, or pursuant to judicial or other proceedings, Lessor shall, upon written request by Leasehold Mortgagee given within sixty (60) days after such termination, immediately execute and deliver a new lease of the Premises to Leasehold Mortgagee or its nominee, purchaser, assignee or transferee, upon written request by such person or entity given within sixty (60) days after such termination, sale, assignment, or transfer for the remainder of the Lease Term with the same agreements, covenants and conditions (except for any requirements which have been fulfilled by Lessee prior to termination) as are contained herein and with priority equal to that hereof; provided, however, that Leasehold Mortgagee shall promptly cure a default of Lessee susceptible to cure by Leasehold Mortgagee, and provided further that if more than one Leasehold Mortgagee requests such new lease, the Leasehold Mortgagee holding the most

senior Leasehold Mortgage shall prevail. Upon execution and delivery of such new lease, Lessor shall cooperate with the new lessee, at the expense of the said new lessee, in taking such action as may be necessary to cancel and discharge and remove Lessee named herein from the Premises. In such event the ownership of the improvements shall be deemed to have been transferred to such transferee of Lessee's interest in this lease and the provisions of section 12.2 hereof causing such improvements to become the property of Lessor in the event of termination of this lease shall be ineffective as applied to any such termination. Lessee shall, at no expense to Lessor, execute such deed or other instrument of conveyance as may be necessary for fee simple title to the improvements, but not the premises, to be insured in such transfer of Lessee's interest.

10.3. Notice of Arbitration; Right to Participate.

In any circumstance where arbitration is provided under this lease, Lessor agrees that Lessor will give a Leasehold Mortgagee, who shall have given Lessor a Leasehold Mortgagee's Notice, notice of demand by Lessor for any arbitration, and Lessor will recognize any such Leasehold Mortgagee, in the order of their priority if there is more than one, as a proper party to participate in the arbitration if Lessee fails to do so, whether such failure is in the matter of designating arbitrators or otherwise.

ARTICLE XI
DEFAULTS AND REMEDIES

11.1. Events of Default.

Each of the following events shall be a default by Lessee and a breach of this lease:

(a) Failure by Lessee to commence testing and evaluation program of the Premises for Landfill Gas and/or constituent products within thirty (30) days after the date of execution of this lease.

(b) Failure by Lessee to submit written determination to Lessor of suitability of Premises for the economic recovery and purification of Landfill Gas and/or constituent products in paying quantities and data required in paragraph 6.2(c) of Article VI within one hundred twenty (120) days after the date of execution of this lease.

(c) Failure by Lessee to construct the Project Collection System within twelve (12) months after the date of execution of this lease.

(d) Abandonment or surrender of the Premises or of the leasehold estate, or failure or refusal to pay to Lessor when due any installment of rent or any other sum when required by this lease to be paid to Lessor by Lessee, or to perform as required or conditioned by any other covenant or condition of this lease.

(e) The subjection of any right or interest of Lessee to attachment, execution, or other levy, or to seizure under legal process, if not released within thirty (30) days provided that the foreclosure of any Leasehold Mortgage permitted by provisions of this lease shall not be construed as a default within the meaning of this paragraph.

(f) The appointment of a receiver to take possession of the Premises or improvements or of Lessee's interest in the leasehold estate or of Lessee's operations on the Premises for any reason, including but not limited to assignment for the benefit of creditors or voluntary or involuntary bankruptcy proceedings, but not including receivership (i) pursuant to administration of the estate of any deceased or incompetent Lessee or of any deceased or incompetent individual member of any Lessee, or (ii) pursuant to any Leasehold Mortgage permitted by provisions of this lease relating to purchase or construction of improvements, or (iii) instituted by Lessor's instance but the event justifying the receivership, if any.

(g) An assignment by Lessee for the benefit of creditors or the filing of a voluntary or involuntary petition by or against Lessee under any law for the purpose of adjudicating Lessee a bankrupt; or for extending time for payment, adjustment or satisfaction of Lessee's liability; or for reorganization, dissolution, or arrangement on account of or to prevent bankruptcy or insolvency; unless the assignment or proceeding, and all consequent orders, adjudications, custodies and supervisions are dismissed, vacated or otherwise permanently stayed or terminated within ninety (90) days after the assignment, filing or other initial event.

(h) Failure to post any mechanic's or materialmen's lien release bond when required.

11.2. Notice as Precondition to Lessor's Remedies.

As a precondition to pursuing any remedy for an alleged default by Lessee, Lessor shall, before pursuing any remedy, give notice of default to Lessee and all qualifying subtenants and Leasehold Mortgagees whose names and addresses were previously given to Lessor in a notice or notices from Lessee or any Leasehold Mortgagees stating that the notice was for the purpose of notice under this provision or are otherwise

set forth in this lease. A qualifying subtenant is a subtenant in possession under an existing sublease which is proper under this lease. Each notice of default shall specify in detail the alleged event of default and the intended remedy.

11.3. Lessee's Right to Cure Defaults.

If the alleged default is nonpayment of rent, royalties, taxes, or other sums to be paid by Lessee as provided in Article IV on rent, or elsewhere in this lease directed to be paid as rent, Lessee shall have thirty (30) days after notice is given by Lessor to cure the default. Lessee shall promptly and diligently after the notice, commence curing any other default and diligently pursue the cure to completion.

11.4. Rights of Subtenants; Nondisturbance Clause.

Any subtenant of the entire Premises shall have the right, at its election, to cure a curable default of this lease or under any Leasehold Mortgage then existing under the provisions of this lease relating to purchase or construction of improvements, or under both. If any such subtenant cures all defaults then existing, or if any subtenant cures all defaults that are then curable, and other defaults are noncurable, or if all then existing defaults are noncurable, that subtenant's possession and use shall not be disturbed by Lessor or by any Leasehold Mortgagee as long as (i) the subtenant performs his sublease's provisions, (ii) the subtenant attorns to Lessor and Leasehold Mortgagee according to their respective interests, and (iii) subsequent defaults are cured as in the above provisions or are not curable.

11.5. Lessor's Remedy.

If any default by Lessee shall continue uncured, following notice of default as required by this lease, for the period applicable to the default under the lease, Lessor shall have the right to terminate this lease.

11.6. Notice of Lessor's Default; Lessee's Waiver

Lessor shall not be considered to be in default under this lease unless (i) Lessee has given notice specifying the default and (ii) Lessor has failed for thirty (30) days to cure the default, if it is curable, or to institute and diligently pursue reasonable corrective or ameliorative acts for noncurable defaults. Lessee shall have the right of termination for Lessor's default only after notice to and consent by all Leasehold Mortgagees under Leasehold Mortgages then existing under provisions of this lease relating to purchase or construction or improvements.

ARTICLE XII
SURRENDER AND REMOVAL

12.1. Surrender of Possession.

(a) Upon the expiration of the term of this lease or any earlier termination thereof, Lessee shall, subject to the provisions of Paragraph 12.2, surrender to Lessor possession of the Premises.

(b) Upon termination of this lease, Lessee shall remove or cause to be removed all furniture, furnishings and equipment installed on the Premises except as otherwise specified herein. Lessor may cause any of said personal property that is not removed from said Premises within ninety (90) days after the date of any termination of this lease to be removed from the Premises and stored at Lessee's expense, or at Lessor's election said personal property thereafter shall belong to Lessor without the payment of any consideration, subject to the rights of any person holding a perfected security interest therein.

12.2. Removal of Improvements.

Upon such expiration or termination, Lessor may, at Lessor's sole election given within thirty (30) days of such expiration or termination, require Lessee to salvage or demolish and remove any above ground improvements constructed upon the Premises, all at Lessee's sole expense. Should Lessee fail or refuse to so remove any above ground improvements constructed upon the Premises, Lessor may arrange for such demolition and removal at the expense of Lessee. Lessee covenants and agrees to pay any amount incurred by Lessor for such demolition and removal within ten (10) days of receipt of written demand therefor from Lessor. At termination, Lessee shall removal all above ground equipment and restore the Premises to a grade and condition compatible with improved conditions. Such removal shall include, but is not limited to, removal of all compressors, generators, turbines, fuel treatment system, water treatment system, foundations, recuperator, switchgear, control panel cabinets, and control cabinet foundations, fencing and structures. Lessee shall abandon and leave in place all of the Collection System or Systems for the Project and the existing above ground piping and equipment deemed necessary by Lessor to allow the Lessor to construct a landfill gas flaring facility for the Landfill Gas.

12.3. Lessee's Quitclaim.

Upon the expiration of the Lease Term or any sooner termination of this lease, Lessee agrees to execute, acknowledge and deliver to Lessor a proper instrument in recordable form, releasing and quitclaiming to Lessor all right, title and interest of Lessee in and to the Premises. If Lessee fails to deliver such instruments to Lessor within thirty (30) days after such termination and receipt of written notice requesting same by Lessor, Lessee shall pay to Lessor the sum of One Hundred Dollars (\$100) for each day which elapses from and after the expiration of said thirty (30) day period to and

including the date upon which Lessee delivers such instruments to Lessor. Lessee and Lessor hereby agree that this provision is a fair and reasonable estimate of the damages which Lessor might suffer from Lessee's failure to have delivered such instruments within said thirty (30) day period, and further agree that the actual damages which Lessor might suffer in such event are incapable of ascertainment or reliable estimate at this time. In addition, Lessor may institute proceedings to quiet its title and in that event, in addition to all other relief that may be granted to Lessor, Lessor shall be entitled to recover against Lessee all attorney's fees, investigation charges, Court costs, and other sums that Lessor has expended in quieting its title.

ARTICLE XIII

LESSOR'S GENERAL PROTECTIVE PROVISIONS

13.1. Lessor's Right of Entry and Inspection.

Upon reasonable prior written notice to Lessee by Lessor (and without notice in the event of apparent or actual emergencies), Lessee shall permit Lessor or Lessor's agents, representatives or employees to enter upon the Site for the purposes of inspecting, posting of notices of nonresponsibility, determining whether agreements in this lease are being complied with, maintaining, repairing or altering the land for construction, operation, and maintenance of golf course facilities, for showing the Premises to prospective lessees, purchasers, mortgagees or beneficiaries under deeds of trust, extraction of minerals, road building necessary to support the above activities, and for all other uses to which the Premises may reasonably be put, provided that no such use shall unreasonably interfere with Lessee's activities carried out pursuant to this lease.

13.2. Lessor's Right to Cure Default.

In the event Lessee shall fail to pay and discharge or cause to be paid and discharged, when due and payable, any tax, assessment, or other charge as set forth herein, or any lien or claim for labor or material employed or used in, or any claim for damage arising out of, the construction, repair, restoration, replacement, maintenance and use of the Premises and the improvements thereon, or any judgment on any contested lien or claim thereof, or any insurance premium or expense in connection with the Premises and improvements thereon, or any claim, charge or demand which Lessee has agreed to pay or cause to be paid under the covenants and conditions of this lease, and if Lessee, after ten (10) days' written notice from Lessor so to do, shall fail to pay and discharge the same, then Lessor may, at its option, pay any such tax, assessment, insurance expense, lien, claim, charge, or demand or settle or discharge any action therefor, or judgment thereon, and all costs, expenses and other sums incurred or paid by Lessor in connection with any of the foregoing shall be paid by Lessee to Lessor as additional rent and upon demand, together with interest thereon at the rate of ten percent (10%) per annum from the date incurred or paid and any default in such payment shall constitute a breach of the covenants and conditions of this lease.

13.3 Accord and Satisfaction.

No payment by Lessee or receipt by Lessor of a lesser amount than the rental shall be deemed to be other than on account of the rental, nor shall any endorsement or statement on any check or any letter accompanying any check or statement as rent be deemed an accord and satisfaction, and Lessor may accept such check or payment without prejudice to Lessor's right to recover the balance of the rental or pursue other remedy provided for in this lease.

13.4. Transfer by Lessor - Release from Liability.

In the event Lessor shall sell or transfer the Premises or any part thereof, and as a part of such transaction shall assign its interest as Lessor in and to this lease, then from and after the effective date of such sale, assignment, or transfer, Lessor shall have no further liability under this lease to Lessee except as to matters of liability which shall have accrued and are unsatisfied as of such date, it being intended that the covenants and obligations contained in this lease on the part of Lessor shall be binding upon Lessor and its successors and assigns only during and in respect to their respective successive periods of ownership of the fee. As a condition thereto, however, any assignee or transferee of Lessor shall assume each and every obligation of Lessor hereunder as a direct obligation to Lessee pursuant to an assumption agreement in a form satisfactory to Lessee. Lessee shall, immediately upon written request from Lessor or any such assignee, execute and deliver to such assignee an instrument in proper form by which Lessee attorns to said assignee.

13.5. Reservation of Mineral Rights.

There is reserved to Lessor the title and exclusive right to all of the minerals and mineral ores of every kind and character now known to exist or hereafter discovered upon, within or underlying said Premises, or that may be produced therefrom, excluding Landfill Gas, but including, without limiting the generality of the foregoing, all petroleum, oil, natural gas and other hydrocarbon substances and products derived therefrom and all geothermal steam or brines which may be produced or derived therefrom, together with the exclusive and perpetual right to use the surface to extract the same provided that such use does not unreasonably interfere with Lessee's activities carried out pursuant to this Lease.

ARTICLE XIV
GENERAL PROVISIONS

14.1. Conditions and Covenants.

All of the provisions of this lease shall be deemed as running with the land, and construed to be "conditions" as well as "covenants" as though the words specifically expressing or imparting covenants and conditions were used in each separate provision.

14.2. Waiver of Breach.

No failure by either Lessor or Lessee to insist upon the strict performance by the other of any covenant, agreement, term or condition of this lease or to exercise any right or remedy consequent upon a breach thereof, shall constitute a waiver of any such breach or of such covenant, agreement, term or condition. No waiver of any breach shall affect or alter this lease, but each and every covenant, condition, agreement, and term of this lease shall continue in full force and effect with respect to other than existing or subsequent breach.

14.3. Time is of the Essence.

Time is of the essence of this lease, and of each provision thereof.

14.4. Computation of Time.

The time in which any act provided by this lease is to be done shall be computed by excluding the first day and including the last, unless the last day is a Saturday, Sunday or holiday, and then it is also excluded.

14.5. Unavoidable Delay - Force Majeure.

Notwithstanding anything in this lease contained to the contrary, it is expressly understood and agreed that the obligations imposed upon the affected party may be suspended so

long as and to the extent that the affected party is prevented from or delayed in performing such obligations by the elements, accidents, strikes, lock-outs, riots, delays in transportation, inability to secure fuel, materials, utilities or services in the open market, delays by suppliers of equipment, acts of war or conditions attributable to war or compliance with federal, state, county, municipal or other governmental agency or quasi-governmental agency regulations, rules or orders, fire or other acts of God, the act or omission of any governmental authority or of the other party, the order of any court, the interruption of the generation of Landfill Gas in Paying Quantities, or other causes beyond the reasonable control of the affected party, whether similar or dissimilar to the foregoing. This lease shall remain in full force and effect during any suspension of any of the affected party's obligations under any provisions of this Section and for a reasonable time thereafter, provided that, after the removal of the cause or causes preventing or hindering the performance of such obligations, the affected party diligently commences or resumes the performance of such obligation.

14.6. Successors in Interest.

Each and all of the covenants, conditions and restrictions in this Lease contained shall inure to the benefit of and shall be binding upon the successors in interest of Lessor, and, subject to the restriction of Article X, the authorized encumbrancers, assigns, transferees, subtenants, licensees and other successors in interest of Lessee.

14.7. Entire Agreement.

This lease contains the entire agreement of the parties with respect to the matters covered by this lease, and no other agreements, statement or promise made by any party, to any employee, officer, or agent of any party, which is not contained in this lease shall be binding or valid.

14.8. Partial Invalidity.

If any term, covenant, condition, or provision of this lease is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

14.9. Relationship of Parties.

Nothing contained in this lease shall be deemed or construed by the parties or by any third person or court to create the relationship of principal and agent or of partnership or of joint venture or of any association between Lessor and Lessee, and neither the method of computation of lease payment nor any other provisions contained in this lease nor any acts of the parties shall be deemed to create any relationship between Lessor and Lessee, other than the relationship of Lessor and Lessee.

14.10. Interpretation and Definition.

The language in all parts of this lease shall in all cases be simply construed according to its fair meaning and not strictly for or against Lessor or Lessee. Unless otherwise provided in this lease, or unless the context otherwise requires, the following definitions and rules of construction shall apply to this lease.

(a) Number and Gender : In this lease the neuter gender includes the feminine and masculine, and the singular number includes plural and the word "person" includes corporation, partnership, firm or association wherever the context so requires.

(b) Mandatory and Permissive : "shall," "will," and "agree" are mandatory; "may" is permissive.

(c) Captions : Captions of the articles sections and paragraphs of this lease are for convenience and reference only, and the words contained therein shall in no way

be held to explain, modify, amplify, or aid in the interpretation, construction or meaning of the provisions of this lease.

(d) Term Includes Extensions : A l l references to the term of this lease or the "Lease Term" shall include any extension of such term.

(e) Parties : Parties shall include the Lessor and Lessee names in this lease.

(f) Undertaking : Wherever reference is made in this lease to an engagement by Lessee to perform a certain undertaking it shall mean that as to that undertaking or engagement, that Lessee has covenanted for its performance, and the expression "Undertaking," "Undertakes," "Engages," or "Engagement" shall be so construed in each instance.

(g) Assignment : In any circumstance when an assignment of this lease is restricted by the terms of this lease, an assignment of this lease includes, but is not limited to, a transfer of fifty-one percent (51%) or more of the stock of the Lessee corporation if the holder of the Lessee's interest in this lease be a corporation, or a transfer of fifty-one percent (51%) or more of the interest in the Lessee partnership if the holder of the Lessee's interest in this lease be a partnership, but any such transfer consequent upon the death of a stockholder or partner or resulting from a gift by a stockholder or partner to the immediate members of his family shall not be deemed a transfer within the meaning of the foregoing. Provided, however, that a transfer of fifty-one percent (51%) or more of any interest in a Lessee partnership shall not constitute an assignment of this lease provided that a permitted assignee or any of its wholly-owned or majority-owned subsidiaries remains as a general partner or otherwise primarily responsible for the obligations of the Lessee under this lease.

14.11. Attorney's Fees.

In the event either Lessor or Lessee shall bring any action or proceeding against the other for damages for an alleged breach of any provision of this lease, to recover rents, or to enforce, protect, or establish an right or remedy of either party, the prevailing party shall be entitled to recover as a part of such action or proceeding reasonable attorney's fees and court costs.

14.12. Interest.

Any sum accruing to Lessor or Lessee under the provisions of this lease which shall not be paid when due shall bear interest at the rate of ten percent (10%) per annum from the date of written notice specifying such nonpayment is served on the defaulting party, until paid.

14.13. Modification.

This lease is not subject to modification except in writing signed by both parties hereto.

14.14. Payment of Rent.

All rents and other sums payable by Lessee to Lessor shall be in lawful money or by check payable to City of Santa Clara, delivered in person or mailed to Lessor at 1500 Warburton Avenue, Santa Clara, California 95050, Attention: Director of Public Works.

14.15. Notice.

(a) Notice to Lessor:

All notices, demands or requests from Lessee to Lessor shall be given to Lessor at:

City of Santa Clara
City Hall
1500 Warburton Avenue
Santa Clara, CA 95050

Attention: Director of Public Works

(b) Notice to Lessee:

All notices, demands or requests from Lessor to Lessee shall be given to Lessee at:

Cambrian Energy Systems
6055 East Washington Boulevard
Suite 830
Commerce, California 90040

(c) Change of Address:

Each party shall have the right, from time to time, to designate a different address by notice given in conformity with this Section.

(d) Multiple Parties:

If more than one Lessor or Lessee is named in this lease, service of any notice on any of the Lessees or Lessors will be deemed service on all the Lessees or Lessors, respectively.

ARTICLE XV
ARBITRATION

15.1. Code of Civil Procedure.

If any controversy shall arise between the parties with respect to any other matters set forth in this lease and such dispute shall not be resolved by the parties within thirty (30) days after either of the parties shall notify the other of its desire to arbitrate the dispute, the dispute shall be settled by arbitration in accordance with the provisions of Part 3, Title 9 of the Code of Civil Procedure of California, including the provisions of section 1283.05, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction. The arbitration shall be by a panel of three (3) arbitrators, one of whom must be an attorney at law actively engaged in the practice of his or her profession for at

least ten (10) years. The arbitrators shall have no power to modify any of the provisions hereof and their jurisdiction is limited accordingly. Each party hereby consents to the entry of judgment by any court having jurisdiction in accordance with the decision of the arbitration panel. No change in the rules of arbitration which would deprive a party of the right to be represented by counsel, to present evidence, or to cross-examine witnesses presented by the other party shall be effective in any arbitration proceeding arising out of this agreement. Any arbitration provided for herein shall be conducted in the County of Santa Clara. Notwithstanding anything set forth herein to the contrary, the parties agree that Lessor shall have the right to institute unlawful detainer proceedings as provided for in Chapter 4 (commencing with Section 1159) of Title 3 of Part 3 of the Code of Civil Procedure, in the event of the occurrence of any event of default listed in Section 13.1 hereof which is not cured, subject to the rights of any Leasehold Mortgagee contained in Article X.

ARTICLE XVI

REPRESENTATIONS AND WARRANTIES OF LESSEE AS TO EXPERIENCE

16.1. Representations and Warranties of Lessee as to Experience.

Lessee hereby represents and warrants to Lessor that the following facts as to Lessee's experience are true and correct:

(a) Lessee has designed, installed and operated a Landfill Gas Collection System.

(b) Lessee has negotiated and signed at least one contract for the purchase of power with Pacific Gas &

Electric or with another major utility in the State of California.

(c) Lessee is currently operating a Conversion System using Landfill Gas as a fuel which is producing electric power that is being purchased by a major utility in the State of California.

ARTICLE XVII

EXECUTION, RECORDING AND INCORPORATION BY REFERENCE

17.1. Recording.

Neither party shall record this lease without the written consent of the other party; however, upon the request of either party, the other party shall join in the execution of a memorandum or "short form" of this lease for the purpose of recordation. The memorandum of short form shall describe the parties, the Premises and the term of this lease and shall incorporate this lease by reference.

17.2. Execution.

This lease has been executed by the parties on June 29, 1984, at Santa Clara, California.

IN WITNESS WHEREOF, the parties have executed this agreement as of the date first above written.

APPROVED AS TO FORM:

Barry F. McCarthy
City Attorney

ATTEST:

J. E. Bouyer
City Clerk

LESSOR:
CITY OF SANTA CLARA

BY: W. A. Fisher
Mayor

BY: J. R. Van Langel
City Manager

LESSEE:

CAMBRIAN ENERGY SYSTEMS
a California limited partnership

By: CAMBRIAN MANAGEMENT, INC.
a California corporation,
as General Partner

By: *Evan G. Williams*
Evan G. Williams,
President

SANTA CLARA LANDFILL
CORPORATION

By: *Bertman S. Kurlin*
President

SANTA CLARA RECLAMATION
CORPORATION

By: *Bertman S. Kurlin*
President

ALL PURPOSE LANDFILL COMPANY

BY: *James P. Durvas*
General Partner
Receiver

APPENDIX I
PROJECT SCHEDULE

<u>TASKS</u>	<u>START DATE*</u>	<u>TOTAL PERIOD UNTIL COMPLETE DUE DATE</u>
<u>Testing and Evaluation Program</u>		
- Testing Procedure Description Report	6/25/84	Available
- Field Testing	7/9/84	4 Weeks
- Testing and Evaluation Program Report	8/20/84	2 Weeks
<u>Energy Sales Negotiating</u>	6/25/84	4 Months
<u>Permit Applications and Approvals**</u>	6/25/84	8 Weeks
<u>Project Engineering</u>		
- Landfill Gas Collection System	8/13/84	2 Months
- Conversion System	8/20/84	6 Weeks
- Detailed Plans, Bid	8/20/84	6 Weeks
- Documents and Cost Estimate	8/20/84	6 Weeks
<u>Procurement</u>	10/1/84	6 Weeks
<u>Installation of Equipment/Facilities</u>		
- Landfill Gas Collection System***	10/15/84	3 Months
- Conversion System	10/15/84	8 Months
<u>Start Up Testing</u>	6/15/85	1 Month
<u>Acceptance Test</u>	7/15/85	1 Week
<u>Initial Commercial Operation</u>	7/22/85	(20+ Years)

TOTAL 12-1/2 MONTHS

* Assumed Date of Execution of Lease June 19, 1984

** Assumes City will issue Conditional Use Permit and Negative Declarations issued by City within six (6) weeks.

*** This portion of the project could be accelerated, if required, and will be coordinated with golf course development.

EXHIBIT 1
LEGAL DESCRIPTION OF LANDFILL GAS RECOVERY PROJECT

All that certain real property situate in the City of Santa Clara, County of Santa Clara, State of California, described as follows:

PARCEL 1

Beginning at the point of intersection of the easterly line of Lafayette Street (90 feet in width) with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, Santa Clara County Records;

Thence, from said Point of Beginning, along said route of the pipeline the following four (4) courses:

North 67° 23' East, 980.95 feet;

North 40° 03' East, 419.10 feet;

North 9° 17' East, 114.40 feet;

North 39° 23' 30" East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the Santa Clara County Flood Control and Water District by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, North 35° 33' 54" West 538.55 feet;

Thence, South 50° 34' 18" West, 1,001.02 feet;

Thence, along the arc of a curve, concave to the North, having a radius of 160 feet, through a central angle of 45° 00' 00", an arc length of 125.66 feet;

Thence, North 84° 25' 42" West, 358.95 feet to said easterly line of Lafayette Street;

Thence, from a tangent bearing South 9° 40' 42" East, along said easterly line, on the arc of a curve, concave to the east, having a radius of 600 feet, through a central angle of 18° 34' 18", an arc length of 194.48 feet;

Thence, tangent to last said curve, continuing along said easterly line, South 28° 15' 00" East, 548.47 feet to the Point of Beginning,

and containing an Area of 21.66 Acres, more or less.

PARCEL 2

Beginning at a point in the easterly line of Lafayette Street (90 feet in width), said point being the most easterly point in the boundary of that parcel of real property conveyed from the SANTA CLARA RECLAMATION CORPORATION to the City of Santa Clara by that Grant Deed recorded in Book 9246 of Official Records at page 588, Santa Clara County Records;

Thence, from said Point of Beginning along the easterly line of said parcel and easterly line of Lafayette Street, North 28° 15' West, 1528.69 feet, more or less, to intersection with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, said County Records.

Thence, along said route of the pipeline the following four (4) courses;

North 67° 23' East, 980.95 feet;

North 40° 03' East, 419.10 feet;

North 9° 17' East, 114.40 feet;

North 39° 23' 30" East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, South 35° 33' 54" East, 48.19 feet, more or less, to a point in the easterly boundary line of Parcel Two of that real property conveyed to the SANTA CLARA RECLAMATION CORPORATION by that Grant Deed filed for record October 19, 1970 in Book 9092 of Official Records at page 80, said County Records;

Thence, along said boundary line of Parcel Two, the following three (3) courses,

South 37° 57' 30" West, 2.93 feet;

South 23° 02' 30" East, 158.40 feet;

South 55° 32' 30" East, 108.86 feet, more or less, to the northwesterly corner of Parcel 2 of said real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT;

Thence, along the westerly line of said Parcel 2, South 35° 33' 54" East, 1678.64 feet, more or less, to a point in the southerly boundary line of said Parcel Two of the real property conveyed to the SANTA CLARA RECLAMATION CORPORATION;

Thence, along said southerly boundary line the following four (4) courses;

North 84° 10' 30" West, 48.71 feet;

South 23° 53' East, 7.40 feet;

North 85° 15' West, 139.92 feet;

South 67° 45' West, 443.50 feet, to the most easterly point in the boundary of Parcel Three of last said Grant Deed;

Thence, along the southerly line of said Parcel Three, South 67° 45' West, 1,159.83 feet, to the Point of Beginning,

And, containing 59.73 Acres, more or less.

Description of Pcl. 3/6 Phase 1 Landfill

That portion of that land conveyed to the Santa Clara Landfill Corporation by that deed filed for record August 30, 1967 in Book 7840 of Official Records at page 199, Santa Clara County Records, bounded on the north by that certain 15 foot wide right-of-way conveyed to Pacific Gas and Electric Company by that indenture recorded in Book 454 of Official Records at page 354, Santa Clara County Records, and by that certain 15 foot wide right-of-way described as Part 2 and conveyed to Pacific Gas and Electric Company by that indenture recorded in Book 455 of Official Records at page 230, said County Records, and by that parcel of land described in that Final Order of Condemnation recorded in Book 558 of Official Records at page 362, said County Records, bounded on the east by that 50 foot wide easement to the Southern Pacific Railroad by that indenture recorded in Book 42 of Deeds page 127, said County Records and bounded on the south by a line parallel with and 60 feet northerly of, measured at right angles to the southerly line of Parcels No. 2 and No. 3 of said deed recorded in Book 7840, and bounded on the west by a line bearing South 14° 30' 00" East, 1450.29 feet from that parcel described in said Final Order of Condemnation to said parallel southerly line;
And containing an area at 35.65 acres, more or less.

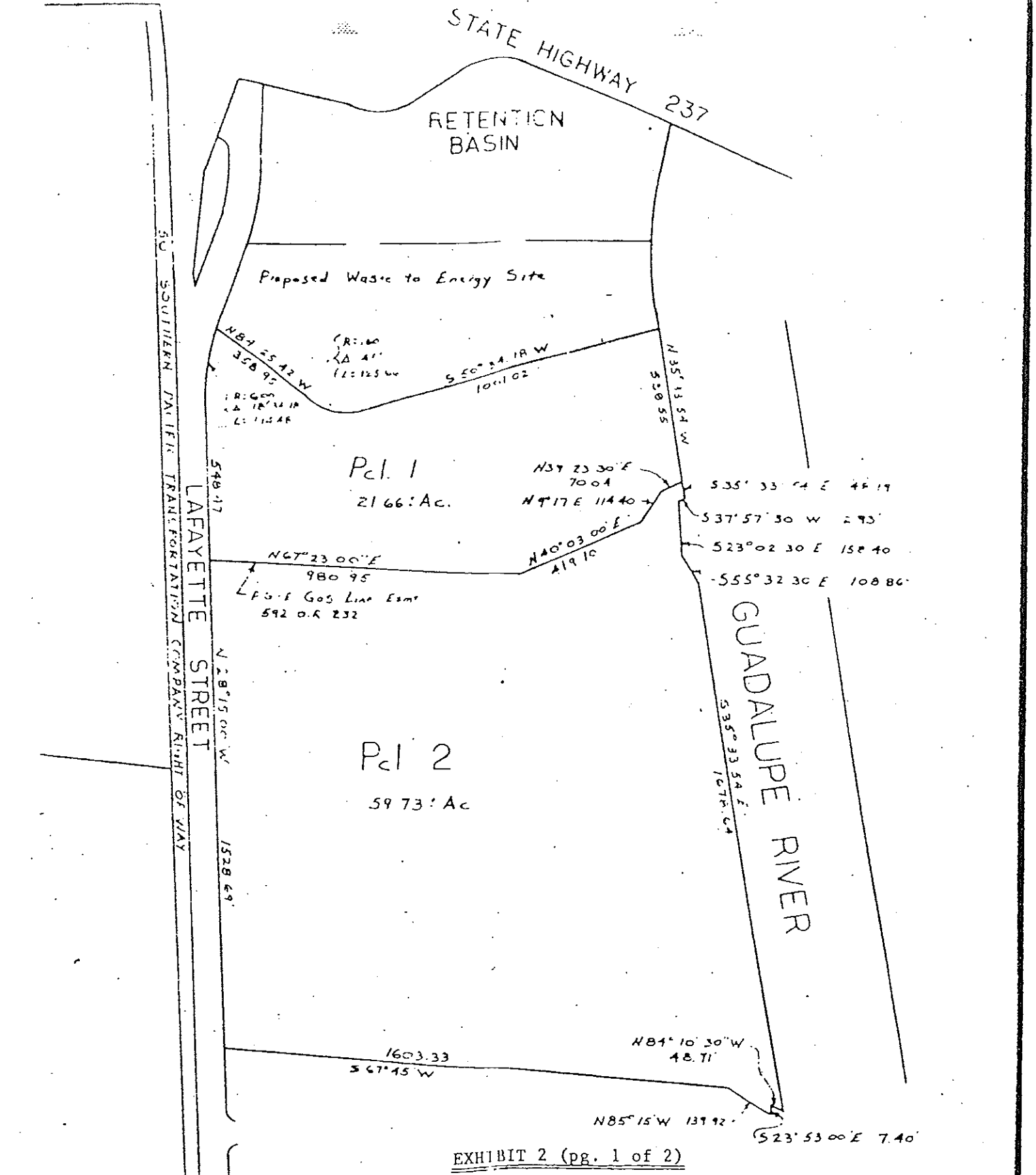


EXHIBIT 2 (pg. 1 of 2)

Issued		CITY OF SANTA CLARA LANDFILL GAS RECOVERY PROJECT.	Scale	1" = 400'
Drawn By	GW		Date	10-6-83
Checked By			Tracing No.	8735-A
Approved				
S.M. CRISTOFANO Director of Public Works / City Engineer				

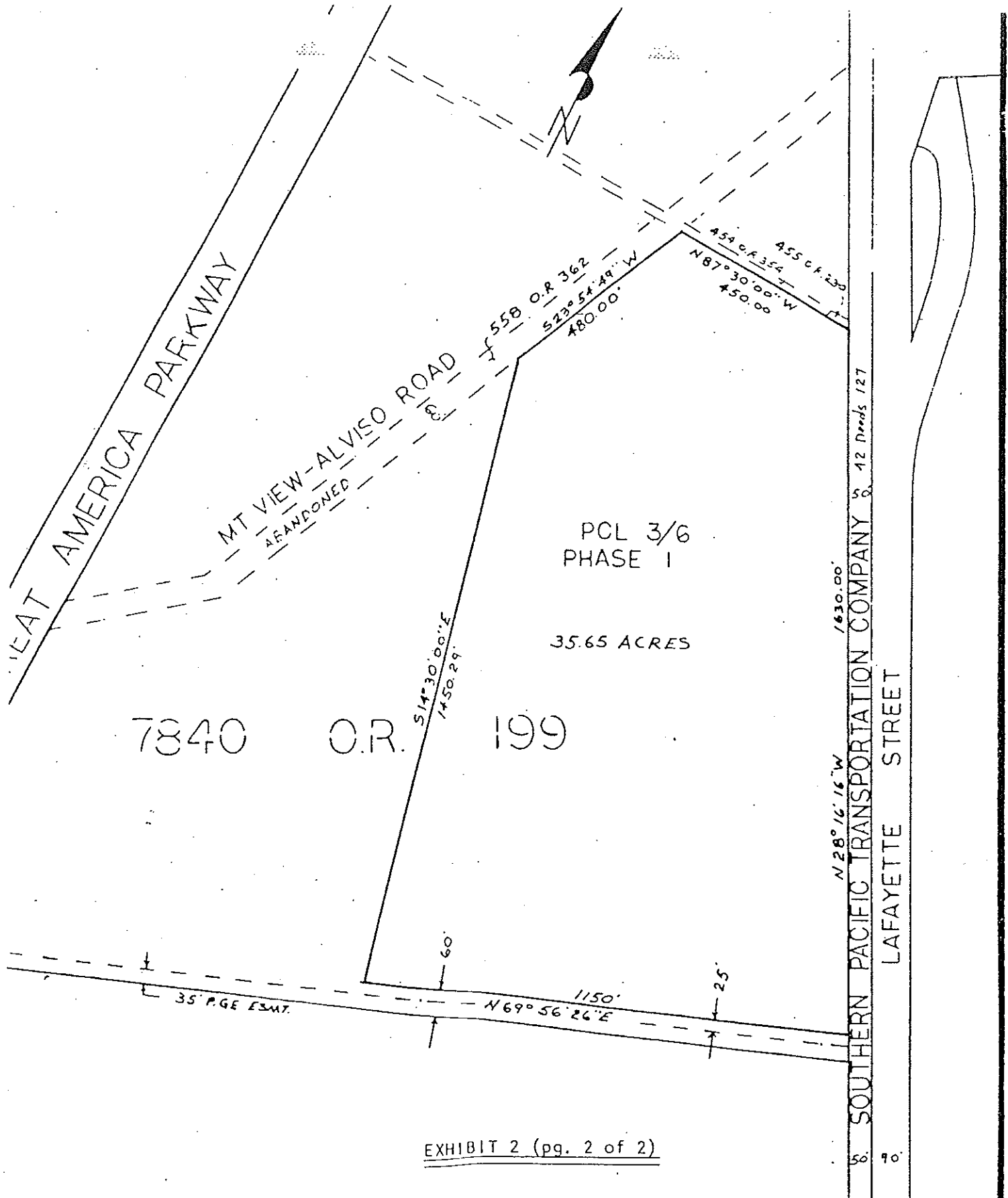


EXHIBIT 2 (pg. 2 of 2)

Issued		CITY OF SANTA CLARA	Scale	1"=300'	
Drawn By	GW		1-23-84	Ref.	
Checked By				Tracing No.	8794-A
Approved	S.M. CRISTOFANO Director of Public Works / City Engineer				
PARCELS 3/6 PHASE I					

LEASE AND OPERATING AGREEMENT
FOR LANDFILL GAS CONVERSION SYSTEMS

EXHIBIT "3"

Table of Contents

1. Non-Profit Landfill Corporation Leases to City of Santa Clara
 - Santa Clara Reclamation Corporation
 - Santa Clara Land Fill Corporation

2. City of Santa Clara Landfilling and Operating Agreement
With All Purpose Landfill Company
 - Parcel 2
 - Parcel 1 and Phase I Parcel 3/6

3. Proposed Golf Course Construction Development on Parcel 2

All that certain real property situate in the City of Santa Clara, County of Santa Clara, State of California, described as follows:

PARCEL 1

Beginning at the point of intersection of the easterly line of Lafayette Street (90 feet in width) with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, Santa Clara County Records;

Thence, from said Point of Beginning, along said route of the pipeline the following four (4) courses:

North 67° 23' East, 980.95 feet;

North 40° 03' East, 419.10 feet;

North 9° 17' East, 114.40 feet;

North 39° 23' 30" East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the Santa Clara County Flood Control and Water District by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, North 35° 33' 54" West 538.55 feet;

Thence, South 50° 34' 18" West, 1,001.02 feet;

Thence, along the arc of a curve, concave to the North, having a radius of 160 feet through a central angle of 45° 00' 00", an arc length of 125.66 feet;

Thence, North 84° 25' 42" West, 358.95 feet to said easterly line of Lafayette Street;

Thence, from a tangent bearing South 9° 40' 42" East, along said easterly line on the arc of a curve, concave to the east, having a radius of 600 feet, through a central angle of 18° 34' 18", an arc length of 194.48 feet;

Thence, tangent to last said curve, continuing along said easterly line, South 28° 15' 00" East, 548.47 feet to the Point of Beginning,

and containing an Area of 21.66 Acres, more or less.

PARCEL 2

Beginning at a point in the easterly line of Lafayette Street (90 feet in width) said point being the most easterly point in the boundary of that parcel of real property conveyed from the SANTA CLARA RECLAMATION CORPORATION to the City of Santa Clara by that Grant Deed recorded in Book 9246 of Official Records at page 588, Santa Clara County Records;

Thence, from said Point of Beginning along the easterly line of said parcel an easterly line of Lafayette Street, North 28° 15' West, 1528.69 feet, more or less to intersection with the line of that route of the pipeline described in that indenture made by and between GALLAGHER FRUIT CO. and PACIFIC GAS AND ELECTRIC COMPANY and recorded in Book 592 of Official Records at page 232, said County Records;

Thence, along said row of the pipeline the following four (4) courses;

North 67° 23' East, 980.95 feet;

North 40° 03' East, 419.10 feet;

North 9° 17' East, 114.40 feet;

North 39° 23' 30" East, 70.04 feet, more or less, to a point in the westerly boundary line of Parcel 1 of that real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT by that Grant Deed filed for record April 26, 1973 in Book 0346 of Official Records at page 667, said County Records;

Thence, along said boundary line of Parcel 1, South 35° 33' 54" East, 48.19 feet more or less, to a point in the easterly boundary line of Parcel Two of that real property conveyed to the SANTA CLARA RECLAMATION CORPORATION by that Grant Deed filed for record October 19, 1970 in Book 9092 of Official Records at page said County Records;

Thence, along said boundary line of Parcel Two, the following three (3) courses:

South 37° 57' 30" West, 2.93 feet;

South 23° 02' 30" East, 158.40 feet;

South 55° 32' 30" East, 108.86 feet, more or less, to the northwest corner of Parcel 2 of said real property conveyed to the SANTA CLARA COUNTY FLOOD CONTROL AND WATER DISTRICT;

Thence, along the westerly line of said Parcel 2, South 35° 33' 54" East, 1678.64 feet, more or less, to a point in the southerly boundary line of said Parcel Two of the real property conveyed to the SANTA CLARA RECLAMATION CORPORATION;

Thence, along said southerly boundary line the following four (4) courses;

North 84° 10' 30" West, 48.71 feet;

South 23° 53' East, 7.40 feet;

North 85° 15' West, 139.92 feet;

South 67° 45' West, 443.50 feet, to the most easterly point in the boundary of Parcel Three of last said Grant Deed;

Thence, along the southerly line of said Parcel Three, South 67° 45' West, 1,159.83 feet, to the Point of Beginning;

And, containing 59.73 Acres, more or less.

Description of Pcl. 3/6 Phase 1 Landfill

That portion of that land conveyed to the Santa Clara Landfill Corporation by that deed filed for record August 30, 1967 in Book 7840 of Official Records at page 199, Santa Clara County Records, bounded on the north by that certain 15 foot wide right-of-way conveyed to Pacific Gas and Electric Company by that indenture recorded in Book 454 of Official Records at page 354, Santa Clara County Records, and by that certain 15 foot wide right-of-way described as Part 2 and conveyed to Pacific Gas and Electric Company by that indenture recorded in Book 455 of Official Records at page 230, said County Records, and by that parcel of land described in that Final Order of Condemnation recorded in Book 558 of Official Records at page 362, said County Records, bounded on the east by that 50 foot wide easement to the Southern Pacific Railroad by that indenture recorded in Book 42 of Deeds page 127, said County Records and bounded on the south by a line parallel with and 60 feet northerly of, measured at right angles to the southerly line of Parcels No. 2 and No. 3 of said deed recorded in Book 7840, and bounded on the west by a line bearing South 14° 30' 00" East, 1450.29 feet from that parcel described in said Final Order of Condemnation to said parallel southerly line;

And containing an area at 35.65 acres, more or less.

**GROUND LEASE
BETWEEN THE CITY OF SANTA CLARA
AND
SANTA CLARA POLICE ACTIVITIES LEAGUE**

EXHIBIT "C"

Insurance Requirements for PAL:

PAL, at its sole cost and expense, shall purchase and maintain insurance on all of its operations under this Lease for the full term of this Lease and the related warranty period (if applicable) as follows:

1. MINIMUM SCOPE AND POLICY LIMITS OF INSURANCE

The following policies shall be maintained with insurers authorized to do business in the State of California and shall be issued under forms of policies satisfactory to the City:

1.1 Commercial General Liability Insurance Policy ("CGL").

1.1.1 Policy shall include coverage at least as broad as set forth in Insurance Services Office (herein "ISO") Commercial General Liability coverage. (Occurrence Form CG 0001) with policy limits not less than the following:

\$2,000,000 each occurrence (combined single limit);
\$2,000,000 for personal injury liability;
\$2,000,000 aggregate for products-completed operations; and,
\$2,000,000 general aggregate.

The general aggregate limits shall apply separately to PAL's activities under this Lease.

1.2 Workers' Compensation and Employers' Liability Insurance Policy ("WC/EL").

This policy shall include at least the following coverages and policy limits:

1.2.1 Workers' Compensation insurance as required by the laws of the State of California; and

1.2.2 Employer's Liability Insurance Coverage B with coverage amounts not less than five hundred thousand (\$500,000) dollars each accident/Bodily Injury (herein "BI"); five hundred thousand (\$500,000) dollars policy limit BI by disease; and, five hundred thousand (\$500,000) dollars each employee BI by disease.

2. **DEDUCTIBLES AND SELF-INSURANCE RETENTIONS**

Any deductible and/or self insured retentions which apply to any of the insurance policies referred to above shall be declared in writing by Contractor and approved by the City before work is begun pursuant to the Agreement. With respect to the City, its City Council, Commissions, officers, employees, volunteers and agents, Liberty Mutual provides a financial guarantee to its Insured supported by Letter of Credit guaranteeing remittance of deductible.

3. **ENDORSEMENTS**

All of the following clauses and endorsements, or similar provisions, are required to be made a part of insurance policies indicated in parentheses below:

- 3.1 The City of Santa Clara, its Council, employees, and officers are hereby added as additional insured in respect to all liabilities arising out of PAL's performance of activities under this Lease (CGL & AL);
- 3.2 This policy shall be considered primary insurance in respect to any other valid and collectible insurance City may possess, including any self-insured retention City may have, and, any other insurance City does possess shall be considered excess insurance only and shall not be called upon to contribute with this insurance (CGL, & AL); and
- 3.3 No cancellation or non-renewal of this policy, or reduction of coverage afforded under the policy, shall be effective until written notice has been given at least thirty (30) days prior to the effective date of such reduction or cancellation to City at the address set forth below (CGL, AL & WC/EL).

4. **CERTIFICATES FROM THIRD PARTY USERS**

The groups using the Property under Sections 4.1.b and 4.1.c of the Lease, shall provide certificates of insurance to PAL and PAL shall provide the same to City. The amounts of coverage shall be as stated in this Exhibit. In addition, PAL shall require waivers of liability (in a form acceptable to City) from each participant in activities recited in Section 4 of the Lease.

5. **PROOF OF INSURANCE COVERAGE AND COVERAGE VERIFICATION**

A Certificate of Insurance, on an Accord form, and completed coverage verification shall be provided to City by each of PAL's insurance companies as evidence of the stipulated coverages prior to commencement of the Effective Date of this Lease, and annually thereafter for the term of this Lease. All of the insurance companies providing insurance for PAL shall have, and provide evidence of, a Best Rating Service rate of A VI or above. The Certificate of Insurance and coverage verification and all other notices related to

cancellation or non-renewal shall be mailed to:

Office of the City Clerk
Attention: Deputy Director of Public Works
1500 Warburton Avenue
Santa Clara, California 95050

AGORD CERTIFICATE OF INSURANCE

ISSUE DATE
NOV 4 97

PRODUCER
GAGLIARDI BROTHERS INSURANCE
2360 S. BASCOM AVE SUITE 200
CAMPBELL, CA 95008
(408) 369-8040
FAX (408) 369-8096

Car# 13614

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.

COMPANIES AFFORDING COVERAGE

COMPANY
A RELIANCE NATIONAL INDEMNITY CO

COMPANY
B

COMPANY
C RELIANCE NATIONAL INDEMNITY CO

COMPANY
D

INSURED
POLICE ACTIVITIES LEAGUE ASSOCIATION
SANTA CLARA PAL

1671 THE ALAMEDA STE 100
SAN JOSE, CA 95126

COVERAGES

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

CO LTR	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS
A	GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL, GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> OWNER'S & CONTRACTOR'S PROT. <input checked="" type="checkbox"/> INCLUDES ATHLETIC PARTICIPANTS	NG82670937	NOV 15 97	NOV 16 98	GENERAL AGGREGATE \$ 1,000,000
	PRODUCTS-COMP/PROP AGG. \$ 1,000,000				
					PERSONAL & ADV INJURY \$ 1,000,000
					EACH OCCURRENCE \$ 1,000,000
					FIRE DAMAGE(My Own Firm) \$ 60,000
					MED. EXPENSE(Any One Person) \$ 5,000
	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input type="checkbox"/> SCHEDULED AUTOS <input type="checkbox"/> HIRED AUTOS <input type="checkbox"/> NON-OWNED AUTOS				COMBINED SINGLE LIMIT \$
					BODILY INJURY (Per Person) \$
					BODILY INJURY (Per Accident) \$
					PROPERTY DAMAGE \$
	GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT \$
					OTHER THAN AUTO ONLY:
					EACH ACCIDENT \$
					AGGREGATE \$
C	EXCESS LIABILITY <input checked="" type="checkbox"/> UMBRELLA FORM <input type="checkbox"/> OTHER THAN UMBRELLA FORM	NEA2670938	NOV 15 97	NOV 15 98	EACH OCCURRENCE \$ 1,000,000
	AGGREGATE \$ 1,000,000				
	WORKER'S COMPENSATION AND EMPLOYERS' LIABILITY THE PROPRIETOR/PARTNERS/EXECUTIVE OFFICERS ARE: <input type="checkbox"/> INCL <input type="checkbox"/> EXCL				STATUTORY LIMITS
					EACH ACCIDENT \$
					DISEASE-POLICY LIMIT \$
					DISEASE-EACH EMPLOYEE \$
	OTHER				

DESCRIPTION OF OPERATIONS/LOCATIONS/VEHICLES/SPECIAL ITEMS

CITY OF SANTA CLARA IS ADDED AS AN ADDITIONAL INSURED BUT ONLY WITH RESPECT TO LIABILITY ARISING OUT OF OPERATIONS OF THE POLICE ACTIVITIES LEAGUE ASSOCIATION FOR THE PERIOD OF 11-15-97 TO 11-15-98. ALL POLICY TERMS AND CONDITIONS APPLY.

CERTIFICATE HOLDER

CITY OF SANTA CLARA
PARKS & RECREATION DEPT
1500 WARBURTON AVE
SANTA CLARA, CA 95050

John Henry Baum

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL 30 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT BUT FAILURE TO MAIL SUCH NOTICE SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE

[Signature]

RECEIVED

AUG 21 1998

CITY OF SANTA CLARA
CITY ATTORNEY'S OFFICE