

## ENERGY SERVICES AGREEMENT

This Energy Services Agreement (the "Agreement") is made and entered into as of the 10th day of July, 2007 ("Effective Date"), by and between Palomar Airport Road, LLC (the "Customer"), a Minneapolis Limited Liability Company Corporation and San Diego Gas & Electric Company, a California corporation ("SDG&E"), collectively the "Parties."

### RECITALS

- A. WHEREAS, Customer owns certain real property known as the Towers at Bressi Ranch and located at SEC of Palomar Airport Road and Innovation Street, Carlsbad, California (collectively the, "Property"); and
- B. WHEREAS, SDG&E will install at the Property and operate an electric generation system ("Energy System") for its electric distribution system as described in more detail in the attached Exhibit "A" – Energy System Description. The Energy System will provide electric power to SDG&E's electric distribution system;
- C. WHEREAS, SDG&E will be able to verify the conditions under which the Energy System can be installed and operated on an economical basis for future electric distribution projects;
- D. WHEREAS, after the installation of the Energy System, SDG&E will provide electric service to the occupants of the Property at the applicable utility tariff(s) rate in accordance with the terms hereof;
- E. NOW, THEREFORE, the Parties hereto, for and upon the promises, covenants, conditions, terms and provisions herein set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

### SECTION 1 - SCOPE OF SERVICES

1.1 Electric Service. SDG&E will provide electric service to the occupants of the Property according to the Tariff Rules ("Rules") approved by the California Public Utilities Commission ("CPUC"). The Energy System will operate in parallel with SDG&E's electric distribution system and occupants would be billed according to the applicable SDG&E schedule(s). No special provisions will be provided by SDG&E unless otherwise agreed upon by both Parties and approved by the CPUC.

1.2 Billing. Bills for electric service will be rendered according to the Rules approved by the CPUC.

1.3 Lease. SDG&E shall install and operate the Energy System at the Property in accordance with the terms set forth in the Facilities Lease Agreement dated July 10, 2007 ("FLA") by and between the Parties. SDG&E shall not be responsible for additional rents, taxes, fees not included in the FLA.

1.4 Recitals. The terms of the Recitals set forth above are fully incorporated in the terms of this Agreement.

## **SECTION 2 – PHASES AND TERMINATION OF AGREEMENT**

2.1 Design Phase. Upon the complete execution of this Agreement, the Design Phase will begin, and SDG&E will commence the steps necessary for the design of its Energy System. Customer will provide reasonable access to the Property so that SDG&E may timely complete the Design Phase.

2.1.1 Notice to Customer. SDG&E will notify the Customer when the design has been completed (“Design Completion Notice”). SDG&E’s notification shall include notice to Customer of where any concrete slabs or structures are planned to be located.

2.1.2 Notice of Design Acceptance. Upon receipt of the Design Completion Notice and a copy of the set of plans, Customer will have five (5) business days to review the plans and provide input to SDG&E. Customer will provide to SDG&E a notification (“Notice of Design Acceptance”) upon approving the design.

2.1.3 Right to Terminate. Either Party may terminate the Agreement at any time during the Design Phase for any reason upon 10 days prior written notice.

2.2 Installation Phase. Upon SDG&E’s receipt of the Notice of Design Acceptance, SDG&E will commence the actions necessary to complete the Energy System’s installation. SDG&E shall use reasonable efforts to coordinate the installation with the Customer’s construction schedule and complete the installation commensurate to the completion of building commissioning and occupant move-in (assuming delivery of the Energy System is not held up due to causes beyond the reasonable control of SDG&E).

2.2.1 Right to Terminate. Either Party may terminate the Agreement at any time during the Installation Phase for any reason upon 10 days prior written notice, subject to the following provisions:

- a) If a breach or an event of default by Customer occurs prior to the end of the Installation Phase, or Customer requests to terminate Agreement for any reason other than a breach by SDG&E, SDG&E shall be entitled to terminate the Agreement and charge Customer a termination fee pursuant to Section 2.4.
- b) If a breach or an event of default by SDG&E occurs during the Installation Phase, or SDG&E requests to terminate Agreement for any reason other than a breach by Customer, SDG&E shall compensate Customer for reasonable documented amounts expended by Customer in support of the installation of the Energy System as of the date of termination and reasonable costs incurred to remove the Energy System.

2.2.2 Notice of Completion. SDG&E will send Customer a written notice delivered registered mail when the installation is complete and the Energy System is operational (“Commissioning Completion Notice”).

## 2.3 Generation Phase

2.3.1 Generation Phase Term. Upon Customer's receipt of Commissioning Completion Notice, the Generation Phase Term shall be in effect for a term of ten (10) years commencing on the date of the Commissioning Completion Notice, such initial term referred to as the "Initial Generation Phase Term." If the Initial Generation Phase Term is extended as provided herein this Section 2.3, the Initial Generation Phase Term, as the same may be extended by the First Extension Option or the Second Extension Option, shall be referred to herein as "Generation Phase Term").

2.3.2 Customer's Options at End of Initial Generation Phase Term. Upon the expiration of the Agreement's Initial Generation Phase Term, Customer shall elect one of the following options:

- a) Customer shall have the option ("First Extension Option") to continue the Generation Phase Term for an additional five (5) year term ("First Extended Term"), subject to all the terms and conditions set forth in this Agreement, exercisable by delivery of written notice to SDG&E not less than sixty (60) calendar days prior to the scheduled expiration of the Initial Generation Phase Term. Upon Customer's exercise of the First Extension Option and expiration of the First Extended Term, Customer shall have the option ("Second Extension Option") to continue the Generation Phase Term for a second five (5) year term ("Second Extended Term"), subject to all terms and conditions of the Agreement, exercisable by delivery of written notice to SDG&E not less than sixty (60) calendar days prior to the scheduled expiration of the First Extended Term.
- b) Customer shall have the option to purchase the Energy System for a negotiated price, exercisable by delivery of written notice to SDG&E not less than sixty (60) calendar days prior to the scheduled expiration of the Initial Generation Phase Term, the First Extended Term or the Second Extended Term, such price to be negotiated by the Parties in good faith. Customer will be responsible for the redesign and reconfiguration of the Energy System to provide power to the property on Customer's side of the utility electric service meter. Customer will be responsible for all costs including but not limited to: net metering, interconnection, local permitting costs (if necessary). Both Parties will sign an agreement that will include all terms and conditions of the sale ("Transfer of Ownership Agreement").
- c) If Customer does not elect to purchase the Energy System as set forth in subparagraph 2.3.2(b) above, then SDG&E will remove the Energy System pursuant to the requirements of Section 2.5 below.

If Customer fails to make an election, SDG&E may remove the Energy System pursuant to Section 2.5 below on at least 10 days prior written notice to Customer.

2.3.3 Default by Customer. If Customer fails to perform any material provision of the Agreement within 30 days from receipt of written notice from SDG&E to cure, SDG&E may immediately thereafter without any further notice to Customer terminate the Generation Phase and remove the Energy System in accordance with Section 2.5 below and the provisions of the FLA and exercise any other right or remedy provided by law or equity.

2.3.4 Default by SDG&E. If SDG&E fails to perform any material provision of the Agreement within 30 days from receipt of written notice from Customer to cure, Customer may

immediately upon notice to SDG&E elect to terminate the Generation Phase and have SDG&E remove the Energy System in accordance with Section 2.5 below and the provisions of the FLA.

2.4 Termination Fee. Upon termination of the Agreement by Customer for any reason other than a breach or event of default by SDG&E, or upon termination of the Agreement by SDG&E due to Customer's default, at SDG&E's discretion, Customer shall be required to reimburse SDG&E for reasonable expenses incurred to remove the Energy System and reasonable original installation costs ("Termination Fee"). Customer shall pay the Termination Fee within 30 days of receipt of any invoice from SDG&E and reasonable supporting documentation. Provided, however, that no Termination Fee shall be due if (a) SDG&E terminates the Agreement, or (b) if Customer terminates the Agreement due to a breach by SDG&E, or (c) upon the scheduled expiration of the Generation Phase Term.

2.5 Removal of Energy System. If the Agreement is terminated (or if Customer elects to have SDG&E remove the Energy System upon expiration of the Generation Phase), SDG&E will remove the Energy System from the Property and ensure proper electrical service is provided. Customer agrees that SDG&E will not be required to, and understands that SDG&E will not remove any concrete pads or other such permanent facilities installed to accommodate the Energy System. SDG&E will exercise reasonable care in the removal, to include appropriate roof system repairs, but shall have no liability to Customer for damages to the Property or persons at the Property unless such damages were due to SDG&E's sole negligence or its willful misconduct. SDG&E will remove the Energy System within 120 days of termination of this Agreement. If SDG&E does not remove the Energy System within the specified time frame, Customer may have the System removed at SDG&E's cost and expense.

### **SECTION 3 – SDG&E'S STATUS AND SUBCONTRACTORS**

3.1 Status of SDG&E. SDG&E will perform and execute the Agreement as an independent contractor to the Customer and will not be an agent or employee of the Customer for any purpose.

3.2 Subcontracts and Subcontractors. SDG&E will have the right to have all or any part of the design, installation, operation, maintenance, or removal of the Energy System or any other obligation of SDG&E undertaken concerning the Agreement, accomplished by subcontractors pursuant to subcontracts between SDG&E and such subcontractors. Subcontractors will be selected by SDG&E, and SDG&E will be solely responsible for the performance of the subcontractors. SDG&E will pay each subcontractor according to the terms of the subcontract between SDG&E and the respective subcontractor.

3.3 No Liens. SDG&E will keep the Property free from all liens from contractors or subcontractors performing work for SDG&E; provided, however, that SDG&E may dispute any such lien so long as SDG&E posts a bond against such lien in accordance with applicable law.

### **SECTION 4 - OWNERSHIP**

4.1 Ownership of Energy System. SDG&E will at all times during the term of this Agreement have sole ownership of all and each part of the Energy System. Customer agrees that the Energy System is the personal property of SDG&E and shall execute or obtain the execution of such documents SDG&E reasonably provides in order to document its ownership interest and protect it from the claims of creditors of Customer.

4.2 Ownership of Proprietary Property Rights. Customer will not acquire any interest in any formulas, patterns, devices, secret inventions or processes, copyright, patent, other intellectual or

proprietary rights, inventions or processes, or similar items of property that are or may be used concerning the Energy System.

4.3 Ownership of Existing Equipment and Materials. Despite anything herein to the contrary, title and ownership of the equipment and materials presently existing at the Property at the time of execution of this Agreement will remain in the sole possession of the Customer.

## **SECTION 5 – CUSTOMER’S RIGHTS AND DUTIES**

5.1 Reasonable Assistance. Customer shall give SDG&E such reasonable assistance as SDG&E requires in order to design and construct the Energy System within the Property. Provided, however, that Customer shall not be required to pay any out-of-pocket expenses in connection with such assistance. Customer and SDG&E shall mutually agree upon locations for the Energy System.

5.2 Access / Space. Customer shall provide SDG&E with space and reasonable access to the Energy System in accordance with the FLA.

5.3 Equipment Enclosure. Customer shall allow SDG&E, at its sole but reasonable expense, to provide and erect a secured equipment enclosure for the ground mounted equipment.

5.4 Structural Engineering and Roof Design.

5.4.1 Design Provisions. Customer shall provide shading, orientation, and slope information for roof and carport locations requested by SDG&E. Customer shall provide structural verification by a registered engineer to SDG&E that the roof and carport structures on which the PV panels will be sited are adequate for that purpose. Customer shall be responsible for all initial structural related costs pertaining to the building roof and carport structures. Subsequent modifications of the Energy System by SDG&E may require additional structural studies and structural modifications at the sole cost of SDG&E. Customer agrees to: make no photocopies or other copies of the Energy System plans; disclose them to no one except for its engineers, accountants, attorneys and other agents who have a need to know; and that the plans will be used for no other purpose than this Agreement and construction permitting.

5.4.2 Roof Compatibility. During Energy System installation SDG&E shall work with Customer and Customer’s roofing contractor to ensure SDG&E’s Energy System, its materials and its placement on the roof will not void the roof warranty. After installation of the Energy System, SDG&E shall not knowingly take any action that will void the roof warranty.

5.4.3 Maintenance Provisions. Customer shall provide a water spigot located on the roof for buildings on which the PV panels will be sited. SDG&E is authorized to use only potable water to clean the Energy System panels. Any other chemicals must be approved prior to their use by the Customer since it may void the roof warranty

5.5 Data and Tours. Customer shall provide permission to SDG&E, its affiliates and their respective employees, contractors and agents, at SDG&E’s sole cost, to inspect, monitor, photograph and videotape the Energy System; conduct surveys; utilize all data for evaluation, business planning, and marketing purposes; arrange tours by interested 3<sup>rd</sup> parties. SDG&E shall obtain permission from Customer prior to conducting tours. Tours shall be scheduled and conducted in a manner that is not disruptive to Customer’s business operations.

5.6 Utility Charges. Customer shall remain responsible for all utility charges for electricity and gas consumed by Customer according to the applicable SDG&E schedule(s).

5.7 Permits. Customer shall be responsible for obtaining all building permits excluding the permit for the Energy System. SDG&E shall provide any information pertaining to Energy System and compensate for incremental building permit fees specific to the Energy System to Customer. Customer shall provide to SDG&E an invoice for incremental costs. In connection with the permits for the Energy System, at the request of SDG&E, Customer shall reasonably: (a) cooperate to obtain such permits; (b) join with SDG&E in all applications and proceedings; and (c) execute all agreements, easements and dedications required by government agencies, as a condition to the issuance of such permits "provided, however, in no event shall Customer's obligations under this Section 5.7 extend to actions or inactions that are inconsistent with Customer's and SDG&E's rights and obligations hereunder or otherwise frustrate the purposes of this Agreement" (Exhibit A - 19).

5.8 LEED<sup>TM</sup> Certification and Energy Efficiency. Customer shall register for LEED and submit the proper application and documentation to obtain LEED<sup>TM</sup> certification from the US Green Building Council for the Property or all individual buildings within the Property. Customer shall use commercially reasonable efforts to design the buildings within the Property to meet or exceed the California Title 24 building standard in effect at the time the building is permitted by 20%.

5.9 Customer's General Responsibilities. Except as may be expressly provided herein, Customer will not move, modify, remove, adjust, alter, change or operate the Energy System, or any part of it, during the term of the Agreement, without prior written direction or approval of SDG&E, except if there is an occurrence reasonably deemed by the Customer to be a bona fide emergency of which the Customer will use commercially reasonable efforts to notify SDG&E immediately. Customer shall maintain the Property in good repair and will use its best efforts to protect and preserve the Energy System.

## **SECTION 6 – SDG&E'S RIGHTS AND DUTIES**

6.1 Design Responsibilities. SDG&E shall at its sole expense be responsible for the design of the Energy System including mechanical, electrical, and plumbing engineering design, project schedule, and associated drawings. SDG&E shall design the Energy System in such a manner that will not require structural modifications to the Property. SDG&E shall review the Energy System design with the Customer's roofing contractor to discuss roof warranty issues. If the design will void the roof warranty, SDG&E will revise the design of the Energy System at its sole expense so as to not void the roof warranty. SDG&E shall provide to Customer all necessary space requirements, weight load specifications, dimensions, noise, emissions, power ratings, heat rates, water use, water discharge, roof compatibility information of the Energy System. SDG&E will provide Customer with a complete copy of the design drawings. SDG&E shall be responsible for obtaining the building permits for the Energy System.

6.2 Coordination. SDG&E shall provide for project management of the Energy System. SDG&E and the Customer agree to coordinate the work to reduce interference with the performance of the work of the Customer and its employees taking place at the Property.

6.3 Utility Interconnection. SDG&E shall be responsible for the utility interconnection application and associated fees for the Energy System. The Energy System shall interconnect on the utility grid side of the Customer meter.

6.4 Delivery and Installation. SDG&E shall purchase, deliver and provide at its sole expense the Energy System and all associated equipment and material as described in Exhibit "A" including but not limited to having the Energy System delivered to the Property.

6.5 Equipment Pad. SDG&E shall at its sole expense provide for the design, materials, construction of the equipment pad for the Energy System.

6.6 Communications. SDG&E shall at its sole expense provide for a separate communications service for the Energy System.

6.7 Commissioning. SDG&E shall complete commissioning of Energy System, including inspection, testing and approval of operation of System. SDG&E shall remove all debris, equipment and surplus materials from the Property and leave the Property in "broom clean" condition. SDG&E shall provide to Customer a written notice delivered registered mail when the installation is complete and the Energy System is operational ("Commissioning Completion Notice"). Customer shall be responsible for all inspections of the Energy System and attached property including but not limited to building roofs, carports, electrical room, and equipment enclosure prior to signing the Commissioning Completion Notice. SDG&E shall provide a complete set of as-built drawings to Customer.

6.8 SDG&E's Operating Rights. During the Generation Phase, SDG&E will have the right to operate the Energy System on such days, at such times of day and for the periods of time, as SDG&E, in its sole discretion, decides. SDG&E shall have no liability to Customer for failure to operate the Energy System.

6.9 SDG&E's Energy System Maintenance Responsibilities. During the Generation Phase, at no cost to Customer, SDG&E will operate the Energy System and keep it in good condition and repair. However, should the need for maintenance or repairs arise from negligence or misconduct of the Customer, its employees, agents, representatives and contractors or other parties acting on its behalf or the Owners of the units in the building, its employees, agents, representatives and contractors or other parties acting on their behalf, SDG&E may, at its election, perform maintenance, repairs and make adjustments to the Energy System and may charge the Customer for the actual cost for this work. SDG&E will invoice the Customer for such charges and the Customer will pay SDG&E's invoice within Thirty (30) days of receipt.

6.10 SDG&E's Roof Maintenance Responsibilities. During the Generation Phase SDG&E will cooperate with the Customer to facilitate roof maintenance. Upon Customer request for access to specific areas of the roof not less than two weeks in advance, SDG&E will, at no cost to the Customer, provide access including, if required, removal of Energy System panels as needed to permit maintenance or repair of the Customer roof. However, should the need for maintenance or repairs arise from negligence or misconduct of the Customer, its employees, agents, representatives and contractors or other parties acting on their behalf or the Owners of the units in the building, its employees, agents, representatives and contractors or other parties acting on their behalf, SDG&E may charge the Customer for this work. SDG&E will invoice the Customer for such charges and the Customer will pay SDG&E's invoice within Thirty (30) days of receipt.

6.11 Upgrading or Altering the Equipment. SDG&E will have the right to maintain, make adjustments, enhance, repair, replace and change the Energy System. With the exception of normal roof wear and tear SDG&E shall be solely responsible for any roof repairs resulting from these activities, which must be made compliant with existing roof warranties. Replacements, substantial alterations or additions to the Energy System will become a part of the Energy System.

## **SECTION 7 – CLOSING OR CONDEMNATION OF PROPERTY**

7.1 Closing. During the Generation Phase, Customer will give SDG&E a minimum of ninety (90) days notice of its intent to close or abandon the Property for an indefinite period.

7.2 Condemnation. If a condemnation renders most of the Property uninhabitable or unusable, Customer will give SDG&E notification upon receipt of condemnation notice from the local jurisdiction. SDG&E shall have the right to terminate the Agreement and remove the system at its sole discretion and shall not be required to adhere to the conditions in Section 2.5

## **SECTION 8 - CHANGED CONDITIONS**

8.1 If conditions are encountered at the Property that are (a) subsurface or otherwise concealed physical conditions that are at variance with those indicated in the Customer's documents or other information furnished by the Customer, or (b) unknown physical conditions of an unusual nature, which are at variance with those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Agreement, then notice by the observing Party will be given to the other Party promptly before the conditions are disturbed and in no event later than thirty (30) days after the first observance of the conditions. Customer and SDG&E will promptly investigate such condition and, where appropriate, will approve equitable changes to the Agreement.

## **SECTION 9 - REPRESENTATIONS AND WARRANTIES**

9.1 By Each Party. Each Party warrants and represents to the other that:

- a) It has all requisite power, authority, licenses, and permits, corporate or otherwise, to execute and deliver this Agreement and perform its obligations hereunder.
- b) Its execution, delivery, and performance of this Agreement have been duly authorized and all necessary corporate action to consummate the transactions contemplated hereunder have been completed, and this Agreement has been duly executed and delivered for it by the signatories so authorized, and it constitutes its legal, valid, and binding obligation.
- c) Its execution, delivery, and performance of this Agreement shall not result in a breach or violation of, or constitute a default under, any agreement, lease, or instrument to which it is a party or by which it or its properties may be bound or affected.
- d) It has not received any notice, nor to the best of its knowledge is there pending or threatened any notice, of any violation of any applicable laws, ordinances, regulations, rules, decrees, awards, permits, or orders that would materially and adversely affect its ability to perform hereunder.

9.2 Customer's Representations. The Customer hereby warrants, represents, and promises that:

- a) It intends to continue to use the Property in a manner similar to its present use, and to the same extent.
- b) To the best of its knowledge and ability, it has provided or will provide timely to SDG&E all applicable records requested by SDG&E and the information set forth therein is, and all information in other records to be subsequently provided pursuant to this Agreement will be, true and accurate in all material respects and not contain any omissions necessary to prevent the information provided from being misleading.



## **SECTION 10 - INSURANCE**

10.1 Commercial General Liability Insurance. Customer shall carry and maintain on an "occurrence" form commercial general liability policy or policies, insuring against liability arising from bodily injury, death, property damage, personal and advertising injury, products/completed operations liability, contractual liability covering all operations of Customer under this Agreement. There shall be no explosion, collapse or underground exclusion. Such coverage shall be in an amount of not less than \$1,000,000.00 (One Million Dollars) per occurrence. If the policy maintains a policy aggregate, such aggregate shall not be less than twice the per occurrence limit.

10.2 Commercial or Business Automobile Liability Insurance. Customer shall maintain an automobile liability policy or policies insuring against liability for damages because of bodily injury, death, or damage to property, (including loss of use thereof), and occurring in any way related to the use by or on behalf of Customer of automobiles, including loading or unloading of any of Customer's automobiles (including owned, non-owned, leased, rented and/or hired vehicles). Such coverage shall be in an amount of not less than \$1,000,000.00 (One Million Dollars) combined single limit.

10.3 Workers' Compensation & Employers' Liability Insurance. In accordance with the laws of the State of California, Customer shall maintain in force workers compensation insurance for all of its employees. If applicable, Customer shall obtain U.S. Longshoremen's and Harbor Workers compensation insurance, separately, or as an endorsement to workers compensation insurance. Customer shall also maintain Employer's Liability coverage in an amount of not less than \$1,000,000.00 (One Million Dollars) per accident and per employee for disease. In lieu of such insurance, Customer may maintain a self-insurance program meeting the requirements of the State of California shall be performed along with the required Employers' Liability insurance.

## **SECTION 11 - INDEMNIFICATION**

11.1 Patent Indemnity. SDG&E will protect, defend, indemnify and hold the Customer harmless against and from all claims, judgments, amounts paid in settlement, costs and expenses, including reasonable attorneys' fees relating to alleged patent or copyright infringement, misappropriation of proprietary rights, or trade secrets or similar claims, resulting from actions taken by SDG&E concerning this Agreement.

11.2 General Mutual Indemnity. SDG&E and the Customer will indemnify, defend and hold each other harmless from all claims, actions, costs, expenses, damages and liabilities, including attorneys' fees, consultant fees and expert witness fees, arising out of, connected with, or resulting from the sole negligence or willful misconduct of that Party's employees or agents. However, neither Party will indemnify the other against claims, damages, expenses, or liabilities resulting from alleged, claimed, or concurrent negligence or misconduct of the other Party. The duty to indemnify will continue in full force and effect despite the expiration or termination of this Agreement, and will exist with respect to any claims based on facts or conditions that occurred before any said termination.

## **SECTION 12 - DISPUTES**

12.1 Payment Disputes. Customer and SDG&E agree to use their best efforts to promptly resolve any disputes regarding invoices, so that payments to SDG&E are not unnecessarily delayed. Accordingly, within ten (10) business days of receipt of an invoice from SDG&E, the Customer will notify SDG&E of the following: (i) all objections, in whole or part, the Customer has to the invoice; (ii) the specific dollar amount the Customer disputes, and (iii) the specific dollar amount the Customer does not dispute. The Customer will also attach all documents and calculations on which the Customer relies

upon to support its objections. In all instances, the Customer will pay SDG&E the undisputed portion of the invoice within the periods set forth in the Agreement. SDG&E's acceptance of a payment in an amount less than that stated in its invoice is not a concession by SDG&E that the full amount stated is not due and owing. The Parties will resolve the disputed portion of the payment(s) according to Section 12.2.

12.2 Arbitration. Except for a claim or request for equitable relief, all disputes in any way relating to, arising under, connected with or incident to the Agreement will be arbitrated in San Diego County, California, according to Construction Industry Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrator(s) may be entered by any court having jurisdiction thereof. No Party may be compelled to arbitrate if the Parties cannot join a third-party necessary to the arbitration. If any such necessary party is not joined, then all Parties are excused from arbitration. This agreement to arbitrate will be enforceable under the Federal Arbitration Act, or under the law of California, if and only if under the terms of the Federal Arbitration Act such Act is not applicable.

12.3 Litigation. If a Party makes a claim or request for equitable relief or the Parties are otherwise excused from arbitration, the Parties agree that all disputes in any way relating to, arising under, connected with, or incident to the Agreement, and over which federal courts have subject matter jurisdiction, will be litigated, if at all, exclusively in the United States District Court for the Southern District of California, and, if necessary, the corresponding appellate courts. The Parties further agree that all disputes in any way relating to, arising under, connected with, or incident to this Agreement, and over which the federal courts do not have subject matter jurisdiction, will be litigated, if at all, exclusively in the Courts of the State of California, and, if necessary, the corresponding appellate courts. The Parties expressly submit themselves to the personal jurisdiction of the State of California.

### **SECTION 13 - CONDITIONS BEYOND THE CONTROL OF THE PARTIES**

13.1 Force Majeure. If SDG&E or the Customer shall be unable to reasonably perform any of its obligations under this Agreement due to acts of God, insurrections or riots, civil unrest, terrorist acts, war, labor disputes, labor strikes, inclement weather, fire, earthquake, tsunami, hurricane, flood, tornado or similar "force majeure" events, this Agreement shall remain in effect, but the non-performing Party's obligations shall be suspended until the said event shall have ended. Alternatively, the Agreement may be terminated by either Party as provided in Section 2, in which event the Parties shall have the rights and obligations set forth in said Section.

13.2 Regulatory Risk. If any federal, state, or municipal government or regulatory authority, including, without limitation, a public utility commission, should for any reason enter an order, modify its rules or codes, or take any action whatever, that disallows utility ownership of generation systems, or *materially affects SDG&E's expectations regarding the purpose and operation of this Agreement*, SDG&E may immediately terminate the Agreement on written notice to Customer. In such event, SDG&E may elect whether to remove the Energy System or sell it to Customer as provided in Section 2.3.2(b), and no Termination Fee shall be due or payable by Customer.

### **SECTION 14 - MISCELLANEOUS**

14.1 Notices. Any and all notices and other communications made in accordance with this Agreement shall be in writing and shall be deemed properly given or made if delivered in person or via confirmed telecopy with a hard copy placed in first class mail, postage prepaid, or delivered by reputable overnight courier to the Party's designated representatives at the addresses below:

SDG&E: San Diego Gas & Electric Company  
8335 Century Park Court, CP12G  
San Diego, CA 92123-1569  
Attn: Sustainable Communities Program  
Manager  
Telecopy: 858-636-5724  
Telephone: 858-654-1886

Customer: Palomar Airport Road, LLC  
c/o Ryan Companies US, Inc.  
9171 Towne Center Drive, Suite 460  
San Diego, California 92122  
Attn.: Matt Reid, Vice President  
Telecopy: 858.812.7930  
Telephone: 858.812.7910

14.2 Further Assurances. Each Party shall do all necessary acts and make, execute, and deliver such written instruments as shall from time to time be reasonably required to carry out the terms of this Agreement.

14.3 Assignment. Each Party may assign or transfer all or part of its rights, obligations, or interests in this Agreement, only after obtaining the written consent of the other Party which consent will not be unreasonably withheld. Any proposed assignee or transferee shall expressly assume in writing the duties and obligations of the assigning Party under this Agreement and shall immediately furnish or cause to be furnished to the other Party a true and correct copy of the document or documents evidencing such assignment or transfer and assumption of duties and responsibilities. Any purported assignment or transfer of any right, obligation or interest in this Agreement which fails to comply with this Section shall be void and of no effect. If an assignment of all or part of the rights, obligations, and interests has been approved as provided in this Section, the assignee or transferee shall become a Party for all purposes under this Agreement and the assigning party shall no longer be a party.

14.4 Binding Obligations. The obligations set forth in this Agreement shall be binding and inure to the benefit of the Parties and their successors, heirs, permitted assigns, personal representatives, and representatives in bankruptcy.

14.5 Rights in Third Parties. The Parties do not intend to create rights in or grant remedies to any third party as a beneficiary of this Agreement or to create for the benefit of any third party any duty or standard of care by any covenant, obligation, or undertaking established herein.

14.6 Entire Agreement. This Agreement and the FLA constitute the complete and final expression of the agreement of the Parties and is intended as a complete and exclusive statement of the terms and conditions which supersede all prior and contemporaneous offers, promises, representations, negotiations, discussions, and communications, which may have been made in connection with the subject matter of this Agreement and the FLA. All Exhibits and Recitals are incorporated by reference.

14.7 Amendments. This Agreement may be modified or amended only by a written instrument duly executed by the Parties.

14.8 Attorney's Fees. If any action or proceeding is brought by any Party to remedy any breach of this Agreement or to enforce any of its provisions, the prevailing Party (as defined in the FLA) shall be entitled to recover, in addition to any other relief granted in such action or proceeding, reasonable

attorney's fees, witness fees, expert witness fees, court costs, and disbursements.

14.9 Section Headings Not Binding. The section headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

14.10 Severability. In the event that any of the terms, covenants or conditions of this Agreement or the application of any such term, covenant or condition shall be held invalid as to either Party or circumstance by any court having jurisdiction, all other terms, covenants or conditions of this Agreement and their application shall not be affected thereby, but shall remain in force and effect unless such court holds that the provisions are not severable from all other provisions of this Agreement.

14.11 Waiver of Rights. No waiver of any term or condition of this Agreement shall be effective unless made in writing signed by the Party against whom the waiver is sought to be enforced. Any waiver at any time by either of the Parties of its rights with respect to a default or any other matter arising in connection with this Agreement shall not be deemed a waiver with respect to any other or subsequent default or matter.

14.12 Governing Law. This Agreement is made and entered into and shall be interpreted in accordance with the applicable laws of the State of California. The Parties hereby consent to the jurisdiction and venue of the courts located in the County of San Diego, State of California, in resolving any dispute arising under or concerning this Agreement.

#### SECTION 15 – LIMITATION OF LIABILITY

15.1 No Consequential Damages. Except as expressly set forth in this Agreement, neither Party shall have liability to the other for any direct, indirect, incidental, consequential or punitive damages.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the date first written above.

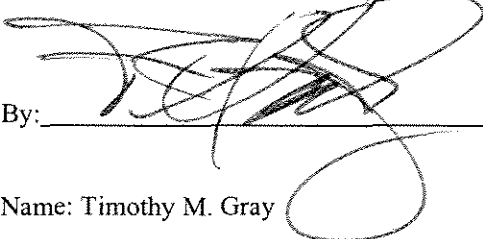
**SAN DIEGO GAS & ELECTRIC  
COMPANY**

By: 

Name: RICHARD M. MORROW

Title: VICE PRESIDENT,  
CUSTOMER SERVICE

**PALOMAR AIRPORT ROAD, LLC**

By: 

Name: Timothy M. Gray

Title: President

## EXHIBIT "A"

### ENERGY SYSTEM DESCRIPTION

#### Photovoltaic (PV) System

The PV system shall consist of crystalline silicon panels mounted on the roof of the building. The PV system will be connected on the utility side of the meter and provide power directly to the utility grid. In case of a utility power outage the PV system will disconnect from the grid and cease generation until utility power has been re-established. The PV system equipment design and placement shall blend in aesthetically with the site and minimize impacts including roof penetrations. The following equipment shall be included in the PV system:

- PV panels
- AC to DC Inverter(s)
- Combiner box
- Isolation transformer

#### General Materials

The following materials and equipment exclusively for the Energy System shall be included:

- Wiring and conduit
- Transformer(s)
- Meters
- Breaker panel(s)
- Disconnect switches
- 120 volt power box(es)
- Communications equipment box(es)
- Data acquisition system

EXHIBIT E

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE (this "Memorandum") is made this \_\_\_\_ day of \_\_\_\_\_, 2007 by and between PALOMAR AIRPORT ROAD, LLC, a California limited liability company ("Landlord"), and SAN DIEGO GAS & ELECTRIC COMPANY, a California corporation ("Tenant").

1. Grant of Lease. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord hereby leases to Tenant and Tenant hires from Landlord the (Leased Space) defined in the Lease, that is located on the real property described on Exhibit A attached hereto.

2. Terms and Conditions. The terms and conditions upon which Landlord leases to Tenant and Tenant hires from Landlord the Leased Space are set forth in that certain Facility Lease Agreement, dated as of \_\_\_\_\_, 2007, by and between Landlord and Tenant (the "Lease"). The terms and conditions of the Lease are incorporated herein by reference. This Memorandum is prepared for the purpose of recordation and in no way modifies the terms and conditions of the Lease. If there is any inconsistency between the terms and conditions of the Memorandum and the terms and conditions of the Lease, the terms and conditions of the Lease shall control.

3. Option Term. The initial term of the Lease commences on \_\_\_\_\_, 2007 and expires commensurate with the expiration of the Generation Phase Term (as defined in that certain Energy Services Agreement, dated as of \_\_\_\_\_, 2007, by and between Landlord and Tenant, and attached to the Lease as Exhibit A; provided that Tenant may extend the initial term of the Lease up to two (2) times, in each case for an additional period of five (5) years.

IN WITNESS WHEREOF, the parties hereto have caused this Memorandum of Lease to be duly executed on the day and year first above written.

“LANDLORD”:  
PALOMAR AIRPORT ROAD, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

“TENANT”  
SAN DIEGO GAS & ELECTRIC COMPANY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

06/07/07

## ACKNOWLEDGEMENTS