

RECORDING REQUESTED BY:
S-Bar-S Quarry

WHEN RECORDED RETURN TO:
S-Bar-S Quarry
c/o ALVORD & EWING
PO Box 400
Lakeport, CA 95453

MODIFICATION OF LEASE TERMINATION AGREEMENT

This Modification of Lease Termination Agreement (sometimes, "Modification Agreement") is entered into effective December 1, 2000, by and between S-BAR-S SULPHUR MOUND MINE QUARRY, a partnership, formerly known as S-BAR-S QUARRY, hereafter called Lessor, and the COUNTY OF LAKE, a political subdivision of the State of California, hereafter called Lessee.

RECITALS

A. The parties entered into a written Geothermal Agricultural Park Lease on October 1, 1985 (the "Lease"), and modified the same on December 22, 1992 by written agreement labeled "Geothermal Agricultural Park Modification of Lease," and further modified the same effective March 1, 1997 by written instrument labeled "LEASE TERMINATION AGREEMENT." The Lease was recorded October 2, 1985, at Book 1284 page 564 of the Lake County Recorder's Office. The Geothermal Agricultural Park Modification of Lease was recorded January 20, 1993, as Document No. 93-001127 of the Lake County Recorder's Office. A copy of the Lease Termination Agreement (excepting Exhibits A and B thereto) is attached hereto as Exhibit A.

B. Lessor wishes to sell certain lands in Lake County, California that lie within or nearby the Geothermal Agricultural Park which is the subject of the agreements mentioned in Recital A. Lessor wishes to retain, however, all rights under the Lease Termination Agreement.

C. The Lease Termination Agreement, at page 4, paragraph 3c states in pertinent part as follows:

"Lessor, however, in expectation of a future sale of the property retains the unrestricted right to sell the property covered by the Modified Lease (as terminated hereby), and to thereupon transfer this Termination Agreement and all rights hereunder to any such assignee, and in that connection the parties agree that this Termination Agreement shall be enforceable any such assignee, transferee or successor of Lessor."

D. The parties wish to clarify and confirm that the Lessor may transfer the real property and may retain the rights under the Lease Termination Agreement, and that in doing so Lessor will not be held to have exercised the "Transfer Option" (as those words are used in the Lease Termination Agreement), and that by reserving unto itself the Lease Termination Agreement and all rights attendant thereto, S-BAR-S SULPHUR MOUND MINE, a partnership formerly known as S-BAR-S QUARRY, a partnership, will not thereby release the County of Lake from any obligations it has under the Lease Termination Agreement.

E. The parties wish to extend by one year the time within which Lessee must accomplish its Clean Up Obligations after written demand by Lessor, to enable Lessee to explore funding of such Clean Up.

For These Reasons the Parties Agree as Follows:

1. Lessor may sell all or a part of the lands included within or affected by the Lease Termination Agreement, and may retain unto itself all rights under the Lease Termination Agreement. Such sale and transfer (by Grant Deed, boundary line adjustment, or other conveyance) shall not constitute the exercise by Lessor of the "transfer option" referred to in the Lease Termination Agreement. Nor shall such sale constitute an election by Lessor to take back the premises in its "as is" condition (as those terms are used in the Lease Termination Agreement). Nor shall such transfer of real property release the County of Lake from any obligations it has under the

Lease Termination Agreement.

2. The parties agree that paragraph 3c of the Lease Termination Agreement is hereby modified as follows:

"Lessee shall not assign or otherwise transfer its obligations under this Termination Agreement without the written consent of the Lessor or its successor. Lessor, however, in the expectation of a future sale of the property, retains the unrestricted right to sell the property, or any portion thereof, covered by the Modified Lease (as terminated hereby) and at that time may either transfer this Termination Agreement and all rights hereunder to any such assignee, or may retain unto itself the Termination Agreement and all rights hereunder. In the event that Lessor transfers the Termination Agreement to any such assignee, the parties agree that this Termination Agreement shall be enforceable by any such assignee, transferee, or successor of Lessor."

3. The parties agree that paragraph 2a(4)(b) is hereby modified as follows:

"(b) Within three (3) years of written demand by Lessor (or any successor) in the manner and as otherwise described in paragraph 4 of the Modification Agreement (page 5, lines 23-28 and page 6, lines 1-3).

However, it is understood that the parties may enter into a written modification of the Lessee's Clean Up Deadline, including any extension thereof, if mutually agreed."



LESSOR:
S-BAR-S SULPHUR MOUND MINE,
a partnership formerly known as
S-BAR-S QUARRY, a partnership

By: _____
Tom Hammer, a partner and
authorized representative

LESSEE:
COUNTY OF LAKE

By: *[Signature]*
Chairman, Board of Supervisors
1-16-01

MODIFICATION OF LEASE TERMINATION AGREEMENT (continued)

ATTEST:

By: _____
V.A. Neasham, a partner and
authorized representative

KELLY F. COX, Clerk of the
Board of Supervisors

By: Gengine Filant
Deputy 1-16-01

APPROVED AS TO FORM:

CAMERON L. REEVES.
County Counsel

By: C. L. Reeves

[attached notarizations]

Exhibits:
A Lease Termination Agreement

LEASE TERMINATION AGREEMENT

This LEASE TERMINATION AGREEMENT ("Termination Agreement") is entered into effective as of March 1, 1997, by and between S-Bar-S Quarry, a partnership, hereafter called "Lessor" and the County of Lake, a political subdivision of the State of California, hereafter called "Lessee".

RECITALS

A. The parties entered into a written Geothermal Agricultural Park Lease on October 1, 1985, (the "Lease"), and modified the same on December 22, 1992 by written agreement labeled "Geothermal Agricultural Park Modification of Lease", hereafter called the "Modification Agreement", a copy of which recorded Modification Agreement and Lease are attached hereto as Exhibit A. The Lease as modified by the Modification Agreement are herein sometimes referred to as the "Modified Lease".

B. In particular, the parties acknowledge the following facts and circumstances regarding certain provisions of the Modification Agreement: (1) the Lease satisfaction deadline described in paragraph 3(b) was not satisfied; (2) the Lessor did not exercise the termination option or transfer option described in paragraphs 3(a) and 3(e); (3) the Lessee did not exercise its termination option described under paragraph 4; (4) the proposed reservoir analysis was never accomplished as described in paragraph 5 and no re-injection well was ever accomplished as described in paragraph 7(b); (5) no Phase II expansion activities as described in paragraph 2 ever occurred; (6) all on-site geothermal activities on the leased property by Lessee ceased on or about May 15, 1994, and the Mendocino College geothermal operations which the parties acknowledge as a significant factor in executing and continuing the original Lease and the Modification Agreement were wholly transferred away from the leased premises and to Kelseyville High School on or about that date; and (7) While Lessor has periodically received nominal or incidental consideration from the Lease, Lessee has not paid any rental or royalties to Lessor under the Lease or the Modified Lease since the Lease's commencement.

C. The parties agree that, in view of the above frustrations of the parties' original mutual intentions, the primary purposes and goals of the Lease and the Modification Agreement can no longer be accomplished and are no longer applicable, and that both the Lessor and Lessee desire to terminate the Modified Lease according to the provisions of this Termination Agreement.

NOW THEREFORE the parties agree to terminate the Modified Lease as follows:

1. The Modified Lease is terminated effective as of the 1st day of March, 1997 (the "Termination Date"), subject to the terms and conditions of this Termination Agreement.

2. Certain of Lessee's duties and obligations under the Lease and the Modification Agreement shall remain in effect after the Termination Date as follows:

a. Lease:

TAYLOR & FAUST
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
SUITE 2525, TELESIS TOWER
ONE MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94104

- (1) Lessee shall continue to pay any and all paragraph 8,11,12, and 13 amounts attributable to Lessee's ongoing or historical activities (if any) until Lessee's satisfaction of the clean up obligations described below in paragraph 2a (2); provided, however, that Lessee shall not pay for any obligations incurred by Lessor or by Lessor's agents or representatives.
- (2) Lessee shall satisfy any and all clean up, abandonment and/or indemnification obligations described in the Lease and the Modification Agreement, including without limitation the Lease requirements of paragraphs 9 and 15, as amended in the Modification Agreement, and the definition of clean up obligations described in the last sentence of paragraph 3(e) and in paragraph 7(a) of said Modification Agreement (hereafter, collectively, the "Clean Up Obligations"). Said Clean Up Obligations shall include but not be limited to the two geothermal spills of which Lessor is aware and which are described in subparagraph 2a(3), and shall exclude any harm caused to the property by Lessor after execution of this Termination Agreement. The deadlines for accomplishing said Clean Up Obligations shall be as described in subparagraph 2a(4).
- (3) Lessee acknowledges that on two occasions the geothermal pipes and related equipment servicing the leased premises broke or otherwise allowed geothermal fluid to spill onto the property. Lessee believes that such spills are accurately described on attached Exhibit B, and Lessor has no present knowledge to contend otherwise. Lessor has concerns that such spills may have caused damages to the property (e.g. excessive boron content). Lessee contends that the white rock and natural soil of the leased premises already may contain harmful products (e.g., excessive cinnabar content) which may preclude any casual connection between the aforesaid leaks and harm to the property, while the Lessor contends otherwise.

Without resolving this dispute, Lessor and Lessee agree that Lessee shall be obligated to remediate any and all damage from past spills (whether or not related to the aforesaid two known occasions) if Lessor proves by an environmental assessment or otherwise that (a) such spills have caused harm and damage to the leased premises and (b) the white rock and natural soil of the leased premises are not the causes for such harm and damage. Lessor's burden of proof shall be the normal standard, i.e., a preponderance of the evidence. Lessee reserves the right to reject Lessor's contentions, in which case the matter shall be resolved by litigation.

(4) Lessee's Clean Up Obligations shall be accomplished by the earlier of the following two dates (the "Lessee's Clean Up Deadline"):

- (a) On or before the end of the original 20 year Lease term, i.e., by September 30, 2005; or
- (b) Within 2 years of written demand by Lessor (or any successor) in the manner and as otherwise described in paragraph 4 of the Modification Agreement (page 5, lines 23-28 and page 6, lines 1-3).

However, it is understood that the parties may enter into a written modification of the Lessee's Clean Up Deadline, including any extension thereof, if mutually agreed.

(5) Pending completion of all Clean Up Obligations, or until Lessor exercises the "transfer option" rights described in paragraph 3b (whichever shall first occur), the County shall continue to satisfy all ongoing governmental compliance activities and other obligations required as a consequence of its Ag Park operations. Except for emergencies that require immediate response, the County shall give Lessor at least 48 hours advance notice of any intended passage onto the leased premises in order to satisfy its obligations under this Termination Agreement.

(6) Paragraphs 17, 18, 19, 21, and 22 (substituting the words "Termination Agreement" for "lease" under paragraph 22) shall also apply to this Termination Agreement as if incorporated herein at length.

b. Modification Agreement: In addition to the provisions of the Lease adopted in subparagraph 2a above, the following provisions of the Modification Agreement shall also become part of this Termination Agreement:

- (1) The definition of Lessee's "Clean up Obligations required by local/State/Federal law" described in the last sentence of paragraph 3(e) is adopted by the parties and included within the definition of Clean Up Obligations described in paragraph 2a(2) above, which definition shall also include without limitation the obligations described in paragraph 7(a) of the Modification Agreement and all of paragraphs 9 and 15 of the Lease.
- (2) Paragraph 6 is adopted by the parties except that subparagraphs 6(a) and 6(b) are deleted.

3. In addition to the Lessee obligations described above in paragraph 2, the parties also agree as follows:
- a. This Termination Agreement shall become effective as of March 1, 1997, after execution by the undersigned, which execution may be accomplished in duplicate counterparts. Lessee shall immediately record the executed and notarized Agreement.
- b. (i) In the event Lessor desires to utilize the geothermal facilities currently existing on the leased premises after the effective date of this Termination Agreement, Lessor may do so only if Lessor exercises in writing the "transfer option" as set forth in paragraph 3(e) of the Modification Agreement, thereby accepting transfer of said premises in its "as is" condition, and with Lessor assuming the responsibility of all Clean Up Obligations. Said right to exercise the "transfer option" shall expire at such time as the Lessee has awarded a binding contract to satisfy its Clean Up Obligations and otherwise to complete the abandonment process.
- (ii) Unless and until Lessor exercises its right to the "transfer option" set forth above in subparagraph b(I), Lessor shall abstain from any operation, utilization or manipulation of the two geothermal wells, pipelines, and appurtenant geothermal facilities located on the leased premises.
- (iii) Pending Lessor's exercise (or lapse) of the "transfer option" set forth in subparagraph b(I) above, Lessee shall (a) make available to Lessor all available data, documentation, and materials pertaining to the aforesaid geothermal facilities; and (b) provide Lessor with access, under the supervision of Lessee, to said geothermal facilities so as to permit Lessor to evaluate the costs, benefits, and other issues and facts incident to the "transfer option."
- (iv) In the event Lessor exercises the aforementioned "transfer option" Lessee shall include in such transfer to Lessor all ownership, possession, title and interest in any and all rights, claims, permits, documentation, materials and all other tangible intangible property relating to the geothermal facilities and/or Lessee's use and operation of the leased premises.
- c. Lessee shall not assign or otherwise transfer its obligations under this Termination Agreement without the written consent of the Lessor or its successor. Lessor, however, in expectation of a future sale of the property, retains the unrestricted right to sell the property covered by the Modified Lease (as terminated hereby), and to thereupon transfer this Termination Agreement and all rights hereunder to any such assignee, and in that connection the parties agree that this Termination Agreement shall be enforceable by any such assignee, transferee or successor of Lessor.
- d. Except as described in this Agreement, each party acknowledges that it has no known claims against the other. Furthermore Lessee acknowledges that it has

TAYLOR & FAUST
A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW
SUITE 2525, TELESIS TOWER
ONE MONTGOMERY STREET
SAN FRANCISCO, CALIFORNIA 94104

no known reasons to oppose or otherwise impose conditions or restrictions against Lessor (or Lessor's transferee) which might adversely affect the future sale of the leased property or the adjacent mining property totaling approximately 191 acres, with the exception of the existing Plan of Reclamation already adopted and agreed to by Lessor and Lessee.

LESSOR:

S-BAR-S QUARRY, a partnership

By: [Signature]

Tom Hammer, a partner and authorized representative

By: [Signature]

V.A. Neasham, a partner and authorized representative

LESSEE:

COUNTY OF LAKE

[Signature]
Chairman, Board of Supervisors

ATTEST:

County Clerk

By: [Signature]

Deputy

APPROVED AS TO FORM:

CAMERON L. REEVES, County Counsel

By: [Signature]



The within instrument is a correct copy of the Document on file in this office.

ATTEST: 5-6-97

KELLY F. COX

Clerk of the Board of Supervisors of the State of California in and for the County of Lake.

[attach notarizations]

By: [Signature]



Exhibits:

- A Lease and Modification Agreement (recorded)
- B Lessee's Summary Description of Two Known Geothermal Spills

Recording Requested By:
Board of Supervisors

DOCUMENT NUMBER

RECORDED AT REQUEST

County of Lake

WHEN RECORDED, Mail to:
Clerk to the Board of Supervisors
Courthouse
Lakeport, CA

93-001127

93 JAN 20 PM 1:26

LAKE COUNTY RECORDER
GENE R. HOKE
COUNTY RECORDER

GEOTHERMAL AGRICULTURAL PARK

No Fee
cc

MODIFICATION OF LEASE

This Modification Agreement is made this 22nd day of
December, 1992, by and between S-Bar-S Quarry, a partnership,
hereinafter called "Lessor", and the County of Lake, a political subdivision of the State of
California, hereinafter call "Lessee".

RECITALS

A. The parties hereto made and entered into a written lease, herein called "said
Lease" on October 1, 1985, which is attached hereto as Exhibit "A"; and

B. The absence of "commercially viable" tenants since 1985 and current County
budget priorities support a modification of *said Lease* between the *Lessee* and the *Lessor*.
The purpose of the modification is to try to accomplish the intent and purpose of the *said*
Lease within a reasonable period, and if unsuccessful, to acknowledge the frustration of
that purpose without blaming or imposing penalties on either party and to allow the *Lessor*
to pursue other alternatives; and

C. The major purpose of the Modification Agreement is to ratify and clarify the
said Lease for its original term, i.e., until September 30, 2005 (subject to an additional 10
year option), if commercially viable tenants or buyers can be found who will provide a
reasonable return on investment to the *Lessor*. Otherwise the *Lessor* should be allowed to

//

1 market the property subject to lease termination under the "transfer" option described
2 below; and

3 D. The parties desire to encourage the continued operation of Mendocino
4 College's geothermal hot house as subtenant under *Lessee's* Memorandum of Understanding
5 with Mendocino College, subject, however, to the changes described in this Modification
6 Agreement; and

7
8 E. The parties also desire to redefine the leased premises so as to accurately
9 describe the location of the 4 ½ acre greenhouse site and the pipeline/well drilling locations
10 identified in Exhibit "C", as well as to contingently approve the Phase II geothermal
11 expansion activities (to encompass approximately 2 acres of greenhouse facilities), subject
12 to owner input on details, and conditioned on the absence of any adverse effect on quarry
13 operations; and

14
15 F. Lastly, the parties acknowledge as a condition for lease continuation and/or
16 expansion that the *Lessor* requires continuing revenue production in commercially viable
17 amounts (as defined in this Modification Agreement) over the remaining term of said *Lease*.

18 NOW, THEREFORE, this undersigned modify said *Lease* as follows:

19 1. Said *Lease* is incorporated herein by this reference and ratified, except as
20 amended herein.

21 2. Paragraph 1 of said *Lease* is hereby modified to read as follows:

22 *Lessor* hereby leases to *Lessee*, and *Lessee* hires from *Lessor* on the terms and
23 conditions hereinafter set forth, 4 ½ acres of land for commercial greenhouse activities,
24 access roads, pipeline routes, electrical transmission lines, well pads, wells with pumping
25 and storage facilities and appurtenances now existing, (and as to Phase II expansion
26 activities described in Exhibit C to be developed at *Lessee's* discretion upon satisfaction
27
28

1 of paragraph 3(b)(1)) on portions of an 80 acre parcel of land and portions of a 22.45 acre
2 parcel of land southeast of Kelseyville, County of Lake, State of California, as identified
3 on the location and site plan maps entitled Exhibit "B" and Exhibit "C", respectively,
4 attached hereto and incorporated herein by reference, and located on those lands described
5 as follows:

6 S-Bar-S Quarry, AP# 009-022-50 (22.45 acres), AP# 009-022-57 (80 acres),
7 in the N.W. $\frac{1}{4}$ of Section 33, T13N, R8W Mount Diablo Baseline and Meridian.

8 3. Said *Lease* is further amended and modified as follows:

9 (a) If the *Lease* satisfaction deadline described in subparagraph 3.b. is not
10 satisfied, *Lessor* shall have the option to terminate the *Lease* term as of such deadline
11 date, or as of any subsequent date provided the conditions described in paragraph 3(b)(1)
12 or 3(b)(2) are not then satisfied. Such termination shall be subject to the *Lessor's* transfer
13 option described in subparagraph 3.e. below.

14 (b) The *Lease* satisfaction deadline is May 15, 1994 unless extended as set
15 forth below. That deadline is satisfied if either of the following alternatives occur:

16 (1) Commercially viable tenants shall have signed a lease or leases
17 satisfactory to *Lessee* and *Lessor* and are paying rent commencing on or before May 15,
18 1994; or,

19 (2) Commercially viable buyers shall have closed a purchase
20 satisfactory to *Lessee* and *Lessor* for approximately 131 acres to include the two parcels
21 described in paragraph 2 above and for a contiguous third parcel described as AP# 009-022-
22 61 (28.55 acres) on or before May 15, 1994.

23 Provided further, however, that in the event that *Lessee* has made
24 reasonable efforts to satisfy the May 15, 1994 *Lease* satisfaction deadline and certifies in
25 writing with supporting documentation that it believes in good faith that a sublease or sale
26

1 under b.1. or b.2. can be achieved if a 6 month extension is granted, then the deadline shall
2 automatically be extended by *Lessor* until November 15, 1994.

3 (c) "*Commercially viable tenants*" are defined to mean financially
4 responsible sublessees of *Lessee* who pay royalties to *Lessor* of at least \$14,000 per annum
5 (plus annual COLA increases) for a 2 acre facility adjacent to the existing Mendocino
6 College hot house facility (and within the originally leased 4 ½ acres), and in addition, who
7 satisfy the reservoir analysis reimbursement requirements of the County and the California
8 Energy Commission.
9

10 (d) "*Commercially viable buyers*" are defined to mean financially
11 responsible buyers (i) who pay *Lessor*, as owners, at least \$670,000 cash (the November 13,
12 1991 appraised value) for a fee interest in the 3 parcels (approximately 131 acres) described
13 in paragraph 3(b)(2) above (reserving, however, all geothermal rights below 2000 feet to the
14 *Lessor*) and, (ii) who agree to assume and satisfy all clean-up and other obligations under
15 said *Lease* and local/State/Federal law and to hold *Lessor* harmless therefrom, and, (iii)
16 who satisfy the reservoir analysis reimbursement requirements of the County and the
17 California Energy Commission, and, (iv) who agree to allow continued status quo use by
18 Mendocino College of its hot house operations, or alternatively, who agree to reimburse
19 Mendocino College for its out-of-pocket costs and/or lost investments in relocating or
20 terminating such operations, not to exceed \$50,000.
21
22

23 ~~(e)~~ The "*transfer*" option is defined as follows: If *Lessee* and *Lessor* have
24 not secured commercially viable tenants or buyers by the lease satisfaction deadline, the
25 *Lessor* shall have the option to terminate said *Lease* without payment to *Lessee* and to
26 accept transfer of the leased premises in its "*as is*" condition, including without limitation
27 in such transfer all geothermal operations, documentation, rights, improvements and
28

1 facilities, but excluding any improvements funded by the California Energy Commission
2 (CEC) for Phase II activities after the date of this Modification Agreement and over which
3 the CEC retains dispositive control, with the *Lessor* assuming any clean-up obligations
4 under the *Lease* or required by local/State/Federal law. The term "Clean-up obligations
5 required by local/State/Federal law" as used in this Modification Agreement is defined to
6 include the plugging and abandonment of the geothermal production and injection wells
7 pursuant to the California Division of Oil and Gas regulations, filling of all buried
8 geothermal and irrigation piping with grout, removal of all above ground facilities
9 (irrigation tanks, piping, electrical transmission and control equipment) and all other
10 equipment associated with the Geothermal Agricultural Park, and revegetation of all well
11 pads and pipeline routes disturbed as a result of this project not desired by the *Lessee*.
12

13 4. Paragraph 23 of said *Lease*, which allows unilateral *Lessee* termination on 30
14 days notice, is hereby deleted and the following is substituted in lieu thereof: *Lessee* shall
15 have the right to terminate this lease, subject to any clean-up obligations under the *Lease*
16 or required by local/state/federal law (unless the *Lessor* otherwise elects in writing), by
17 giving *Lessor* two (2) years prior written notice of such intention. Such notice shall be
18 placed in the U.S. Mail, postage prepaid and addressed to *Lessor* as follows:
19

20 c/o V.A. Neasham
21 25161 Ward Avenue
22 Fort Bragg, CA 95437.

23 If such lease termination alternative is elected by *Lessee*, *Lessee* shall
24 use good faith efforts to accomplish the clean-up requirements and all other lease
25 termination obligations expeditiously, but shall be entitled to do so in phases over a period
26 not to exceed 3 years from the date the *Lessee* transmits its lease termination election to
27 *Lessee*; provided however that during any such period that *Lessee* has not yet completed
28

1 such clean up obligations, the *Lessee* shall be responsible for all costs and expenses relating
2 to the premises for which *Lessee* was responsible under said *Lease*, including, without
3 limitation, insurance, maintenance and operating costs.

4 5. *Lessee* agrees to use its best good faith efforts to secure California Energy
5 Commission (CEC) financing for and to complete a reservoir analysis of the leased premises
6 on or before May 15, 1993. No penalty shall attach if *Lessee* is unsuccessful in that effort.
7 *Lessee* represents that such funding is reasonably expected to occur (and such study to be
8 completed) before May 15, 1993, and the *Lessee* has done and will do all that it reasonably
9 can to accomplish that goal.

11 6. Mining operations: Mining operations and regulatory compliance issues are
12 separate and not addressed in these lease revisions except as follows: (a) The *Lessor*
13 reserves the right to relocate existing pipelines at *Lessor's* expense if such relocation does
14 not adversely affect geothermal resource flow; (b) The parties acknowledge that the
15 location of the existing stock-piled white sand collected by the quarry operator may be
16 needed for geothermal expansion in Phase II within 2 or 3 years, and that relocation is the
17 quarry operator's responsibility (up to a reasonable dollar limit) and is not the responsibility
18 of *Lessee* or *Lessor*, if the pile remains after lapse of two-to-three years and expansion
19 proceeds under the *Lease*; and in that connection, it is acknowledged that a *Lessee*
20 subtenant may desire to purchase a portion of remaining stock-piled sand from the quarry
21 operator to the extent it has not been exhausted; (c) The parties acknowledge that mining
22 operations will not be a cause for lease termination by the *Lessee* or any *Lessee* subtenant;
23 (d) The parties are unaware of any impediments to independent sale of the mining site by
24 the *Lessor/Quarry*, if that should occur.

25 7. Geothermal operations: (a) *Lessee* acknowledges clean-up/indemnity
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1 responsibility for any spills, leaks or other problems caused on or off the leased premises
2 arising from its geothermal operations under said *Lease*; (b) *Lessee* is responsible for a new
3 reinjection well, subject to its good faith effort to secure financing for the same, within
4 a reasonable period if a reservoir analysis shows that the existing well is serving a different
5 reservoir; noncompliance with this responsibility by the *Lease* satisfaction deadline will
6 be grounds for lease termination under paragraph 3 of this Modification Agreement; (c) The
7 parties acknowledge *Lessor's* right to use that portion of the property not dedicated to
8 exclusive geothermal use for other purposes, including, but not limited to mining and grape
9 growing, etc., subject to compliance with all local ordinances, rules and standards (LORS).

11 8. *Lessee* agrees that prior to exercising its right to sublease all or any portion
12 of the leased premises pursuant to paragraph 4 of said *Lease*, it shall give *Lessor* the right
13 of prior input on subtenant leases before they are signed. A copy of this lease modification
14 shall be delivered to all such subtenants prior to execution of any subleases and such
15 subtenant shall take subject to the terms hereof.

17 9. The parties agree to *Lessee's* right to cure any rent or other default by a
18 subtenant, including the right to find an alternative subtenant, over a reasonable period
19 (from 3 to 6 months) to avoid a "transfer" election during the balance, if any, of the *Lease*
20 term after the lease satisfaction deadline.

22 10. The parties agree that if the *Lease* term extends beyond the lease satisfaction
23 deadline, the *Lessee* shall periodically and reasonably upgrade vehicle access roads used
24 under the *Lease*, in cooperation with the quarry operator, to the extent of each party's
25 allocated pro rata use.

27 11. The parties agree to review paragraph 11 of said *Lease* with respect to its
28 applicability to past expanded *Lessee* use and to negotiate tax amounts and partial use

percentages, both prospectively and retroactively, for purposes of reducing property taxes imposed on Lessor.

12. Lessee acknowledges that its use under said Lease use has waived and legitimized any past historical zoning/planning/building code violations regarding Lessee's geothermal operations and its present use of the leased premises.

13. This Modification Agreement shall become effective immediately upon execution by the undersigned. Unless this Modification Agreement itself is recorded, a memorandum of lease referencing this Modification Agreement shall be executed, notarized and recorded upon execution hereof.

14. In all other respects, said Lease shall continue in full force and effect.

Dated: 12-22-92

LESSOR:

S-BAR-S QUARRY, a partnership

By: See Duplicate Sig. Pg.
TOM HAMMER, a partner and
authorized representative

By: See Duplicate Sig. Pg.
V.A. NEASHAM, a partner and
authorized representative

APPROVED AS TO FORM:

CAMERON L. REEVES
County Counsel

AUDIT REVIEW

LAKE COUNTY AUDITOR/CONTROLLER

By: Kelly D. Cox
Deputy

LESSEE:

COUNTY OF LAKE

Chairman, Board of Supervisors

ATTEST:

GENE R. HOKE
County Clerk

By: Sharon M. Lewis
Deputy

The within instrument is a correct
copy of the document on file in
this office

ATTEST: 1-15-93

GENE R. HOKE

County Clerk and ex-officio Clerk of
the Board of Supervisors of the
County of Lake, California, in and for
the County of Lake.

By: Sharon M. Lewis
Deputy Clerk

State of California)
)
County of)

On 1.2/3/92, before me, Kathleen R. Layton,
a Notary Public for the State of California, personally appeared
Thomas H. Finner,
personally known to me or proved to me on the basis of satisfactory
evidence to be the person(s) whose name(s) is/are subscribed to the
within instrument and acknowledged to me that he/she/they executed
the same in his/her/their authorized capacity(ies), and that by
his/her/their signature(s) on the instrument the person(s) or the
entity upon behalf of which the person(s) acted, executed the
instrument.

Capacity claimed by signer: _____

Signer is representing: _____

Witness my hand and official seal.



Kathleen R. Layton
Notary Public for the
State of California



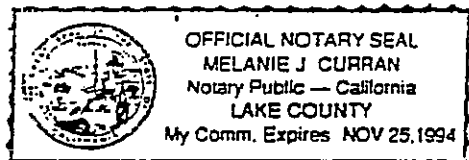
State of California)
)
County of)

On January 7, 1993, before me, MELANIE J. CURRAN, a Notary Public for the State of California, personally appeared V.A. NEASHAM, personally known to me ~~ex-proved to me on the basis of satisfactory evidence~~ to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

Capacity claimed by signer: Partner

Signer is representing: S-BAR-S QUARRY

Witness my hand and official seal.

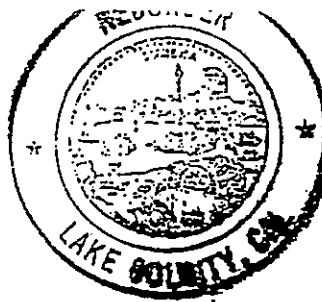


Melanie J. Curran
Notary Public for the
State of California



Recording Requested By:
Board of Supervisors

AND WHEN RECORDED, Mail to:
Clerk of the Board
Courthouse
Lakeport, CA



015254

RECORDED AT REQUEST OF

LAKE County

OCT 2 1 54 PM 1985

LAKE COUNTY RECORDER
GENE R. HOKE
COUNTY RECORDER

NO FEE
CP

GEOHERMAL AGRICULTURAL PARK

LEASE

THIS LEASE, executed at Lakeport, California between
S-BAR-S QUARRY, A PARTNERSHIP (LESSOR)
and the County of Lake (LESSEE), a political subdivision of the State of
California, hereinafter called respectively Lessor and Lessee.

IT IS AGREED between the parties hereto as follows:

1. Lessor hereby leases to lessee, and lessee hires from Lessor on
the terms and conditions hereinafter set forth, 4 acres of a 22.45 acre
parcel of land situated southeast of Kelseyville, County of Lake, State of
California, as identified on the site and vicinity maps entitled
Attachments A thru D, attached hereto, described as follows:

S-BAR-S QUARRY
A.P. No. 9-22-50
in the NW 1/4 of Section 33, T13N, R8W
Mount Diablo Baseline & Meridian

TERMS

2. The term of this lease shall be for a period of 20 years,
hereinafter called the lease term, commencing on October 1, 1985,
and ending on September 30, 2005, unless terminated earlier as herein
provided. Lessee is granted and shall, if not at the time in default under
this lease, have an option to renew [or extend the term of] this lease for
an additional period of ten (10) years from the expiration date under the
same conditions herein contained.

3. Said land is hereby leased to Lessee upon the express condition that Lessee shall use land for purposes of developing geothermal water resources with temperatures no greater than 200°F, at depths no greater than 2000', and providing heat to a vocational greenhouse facility and demonstration project. Said greenhouse and accessory facilities will be operated by Mendocino-Lake Community College and shall cover no more than 10,000 square feet of the total leased area. Remainder of said land area shall be rented to commercial greenhouse operators and other geothermal agricultural operations (hereinafter referred to as "Ag Park")

4. Lessee shall have the right to sublease all or any portion of leased premises from time to time, and at all times during the term of the lease, without Lessor's consent; provided, however, that the term of any sublease shall not extend beyond the term of this lease and any and all subleases shall be expressly made subject to all of the terms, covenants, and conditions of this Lease.

5. All commercial operators shall rent space from Lake County. The County shall sell energy to commercial operators at a price which will cover County's operation, maintenance, replacement and other costs required to maintain the geothermal and irrigation systems. Such charges shall also be based upon the monthly energy consumption of each commercial operator and indexed to conventional competing fuel prices. Initially, energy consumption fees shall be a minimum of fifty percent (50%) of the cost of heating with propane. It should be understood that the particular competing fuel used as an index may be changed from time to time to obtain a more realistic comparison of energy costs in Lake County.

a. Commercial operators shall pay County annual basic guaranteed rental and energy use fees in the following amounts:

(1) In the amount of at least \$0.15/sq.ft./yr. rental.

(2) In the amount of at least 4.37/MMBTU energy use as measured by an energy meter at each user's point of heat extraction.

b. The annual basic guaranteed rental and energy use fees described above may be adjusted no later than the 3rd year anniversary of the commencement date of the lease between Lake County and each commercial operator, and every year thereafter. Adjustments in energy charges shall reflect changes in the cost of propane or other competing fuels, as the case may be. Adjustments in rental rates shall reflect changes in the consumer price index (San Francisco-Bay Area).

c. Lessee (County) shall pay to Lessor (S Bar S Quarry) ten percent (10%) of the gross revenues received from commercial operators.

6. Lessor shall grant an easement for uninterrupted ingress and egress to site for purposes of operation and maintenance of Ag Park. Lessee agrees to maintain that portion of access road to allow ingress and egress to site. (see attachments "C" & "D").

7. Lessor shall permit lessee to trench and lay pipeline to gain access to irrigation water from adjacent landowners. (See Attachment "C", Irrigation Supply Line) Said irrigation water shall be used for Ag Park applications. The terms of use of irrigation water shall be governed by a separate lease agreement to be signed by irrigation water owner and County.

⑧. Lessee shall pay for all geothermal production, transmission and distribution equipment as well as light, power, telephone service and all other service supplies to the leased premises. Commercial operators shall be responsible for power and telephone service incidental to their own operations.

(12) At all times during the term of this lease, Lessee shall keep said premises and all building and improvements now or hereafter located on said premises free and clear of all liens and claims of liens for labor, services, materials, supplies, or equipment performed on or furnished to said premises. Should Lessee fail to pay and discharge or cause said

NO MECHANICS LIENS

any improvements or other property in or on said premises. Lessee shall pay, and Lessee hereby agrees to pay, any and all real and personal property taxes, assessments, and other charges of any description levied or assessed during the term of this lease by any governmental agency or entity on or against said premises, any interest in said premises, or in addition to the fees required to be paid under this lease, (11)

LESSEE TO PAY TAXES

10. The Lessee shall permit the Lessor or the Lessor's agents, representatives or employees to enter the said premises at all reasonable times for the purpose of inspecting said premises to determine whether the Lessee is complying with the terms of this lease and for the purpose of doing other lawful acts that may be necessary to protect the Lessor's interest in said premises under this lease.

RIGHT TO INSPECTION

(9) Lessee shall, at its own expense and cost, keep and maintain the leased premises and every part thereof in a clean, safe and sanitary condition. Upon abandonment of the leased property, Lessee shall restore said land to its previous condition, including the removal of all personal property and improvements. All property not so removed by Lessee shall be considered abandoned.

REPAIRS

property therefrom.

re-enter and take possession of said premises and remove all persons and same shall thereupon entirely cease, and it shall be lawful for Lessor to time, Lessor shall have the option to declare this lease forfeited, and the hereunder. If Lessee fails to correct said default within the allowable presumption that Lessee has failed in any respect to perform its obligation all or any of the alleged defaults shall be deemed an admission or the service of said notice not the doing of acts by Lessee aimed to correct default alleged by Lessor, Lessee shall not be deemed in default. Neither within 45 days after receipt of such notice, Lessee has corrected the setting out in what respects Lessor deems Lessee to be in such default. If the agreements contained herein, Lessor shall so notify Lessee in writing, 14. If Lessee has defaulted in respect to any of its obligations under

DEFAULT

13. Lessee (County of Lake) is lawfully self-insured. A Certificate of Consent to Self-Insure, Number P-0312, was issued by the State of California, Department of Industrial Relations, on January 1, 1979.

INSURANCE

expended by Lessor. Lien or claim of Lien, including any attorney's fees or other costs paid by Lessor, in paying, adjusting, compromising, and discharging such following any such payment by Lessor, reimburse Lessor for the full amount event, Lessee shall, on or before the first day of the next calendar month Lien on such terms and manner as Lessor may deem appropriate. In such Lessor may pay, adjust, compromise, and discharge any such Lien or claim of (30) days after service on Lessee of written request from Lessor to do so, premises to be released from any such Lien or claim of Lien within thirty

INDEMNIFICATION

15. Lessee agrees to and shall defend, hold harmless and indemnify Lessor against all claims, liability, loss, and expense by reason of injury to person or property, or both, arising out of a condition of the leased premises or any portion thereof, which Lessee has a duty hereunder to maintain, or arising out of the use or misuse of the leased premises by Lessee, his agents, officers, employees, invitees, provided, however, that this covenant shall not apply to injury to person or property resulting from the act of Lessor, his agents, or employees while in or on the leased premises. Lessee agrees not to allow the property to become subject to liens or similar encumbrances. Lessee further agrees to indemnify lessor against the same.

HOLDING OVER

16. In the event that Lessee holds over after expiration of the term of this lease and fails to exercise the option to renew as provided herein, such holding over shall be deemed merely a tenancy from month to month on the same terms, covenants, and conditions so far as applicable, as herein contained until such tenancy is terminated in a manner prescribed by law.

NOTICE TO LESSOR

17. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to Lessor by Lessee shall be in writing and shall be deemed duly served and given when personally delivered to Lessor, to any managing employee of Lessor, or in lieu of such personal service, when deposited in the United States mail, first class postage prepaid, addressed to Lessor at P.O. Box 911, Lakeport, CA 95453. Lessor may change Lessor's address for the purpose of this section by giving written notice of such

change to Lessee in the manner provided in Section 19 of this lease.

NOTICE TO LESSEE

18. Except as otherwise expressly provided by law, any and all notices or other communications required or permitted by this lease or by law to be served on or given to lessee by Lessor shall be in writing and shall be deemed duly served and given when personally delivered to Lessee, any managing employee of Lessee, or, in lieu of such personal service, when deposited in the United States mail, first-class postage pre-paid, addressed to Lessee at County of Lake, Resource Management Division, 255 North Forbes, Lakeport, CA 95453. Lessee may change his address for the purpose of this section by giving written notice of such change to Lessor in the manner provided in Section 18. of this lease.

ATTORNEY'S FEES AND COSTS

19. If any action at law or in equity is necessary to enforce or interpret the terms of this lease, the prevailing party shall be entitled to reasonable attorney's fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled.

FUTURE PROPERTY USE

20. It is the intention of the parties that the parcel of approximately 22.45 acres referred to in paragraph 1 be used for the purposes of developing geothermal water resources for use in agricultural operations as described generally in paragraph 3 hereof. In the event that Lessor (or its Lessees or Assignees) seeks permission to utilize the remaining parcel of approximately 18.85 acres, or any part thereof for said use described above, Lessee will not object to similar uses on said property provided that the proposal is consistent with the general plan and environmental impact requirements then in effect.

MODIFICATION

21. This lease may only be modified by a written amendment hereto, executed by both parties, however, matters concerning scope of services which do not affect the agreed price may be modified by mutual written consent of the Lessor and the Lessee executed by Geothermal Coordinator.

ADDITIONAL PROVISIONS

22. This lease shall be governed by the laws of the State of California. It constitutes the entire lease between the parties regarding its subject matter. This lease supercedes all proposals, oral and written and all negotiations, conversations or discussions heretofore and between the parties related to the subject matter of this lease.

TERMINATION

23. Lessee shall have the right to terminate this Lease, without liability on the part of the Lessee by giving Lessor at least thirty (30) days prior notice in writing of his, Lessee's, intention to do so. Such notice shall be placed in the U.S. Mail, postage prepaid and addressed to:

S-Bar-S Quarry, Neasham, et. al.
P. O. Box 911
Lakeport, CA 95453



IN WITNESS WHEREOF, Lessor and Lessee have executed this lease on

October 1, 1985.

*3- Sec. 5 General a.
Pasture - 400*
Lessor: *[Signature]*

Lessee:
COUNTY OF LAKE

APPROVED AS TO FORM:

[Signature]

Cameron Reeves
County Counsel

Carl McFain
Chairman, Board of Supervisors

ATTEST: GENE R. HOKE
County Clerk

By: *Norma Carpenter*

Deputy

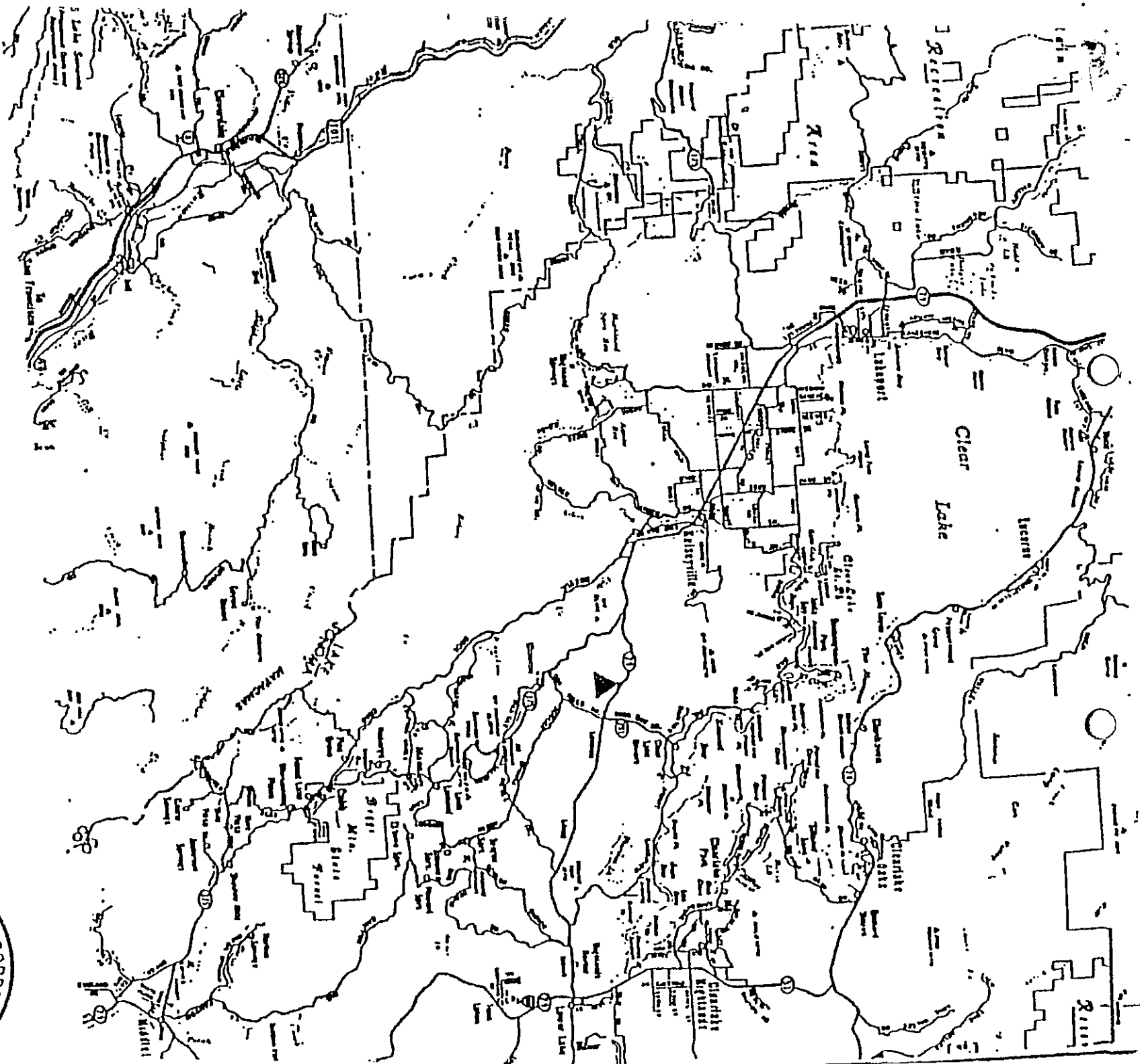


AUDIT REVIEW: NORMA J. BARKER
Auditor/Controller

By: *Norma J. Barker*

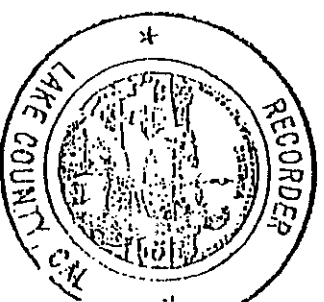


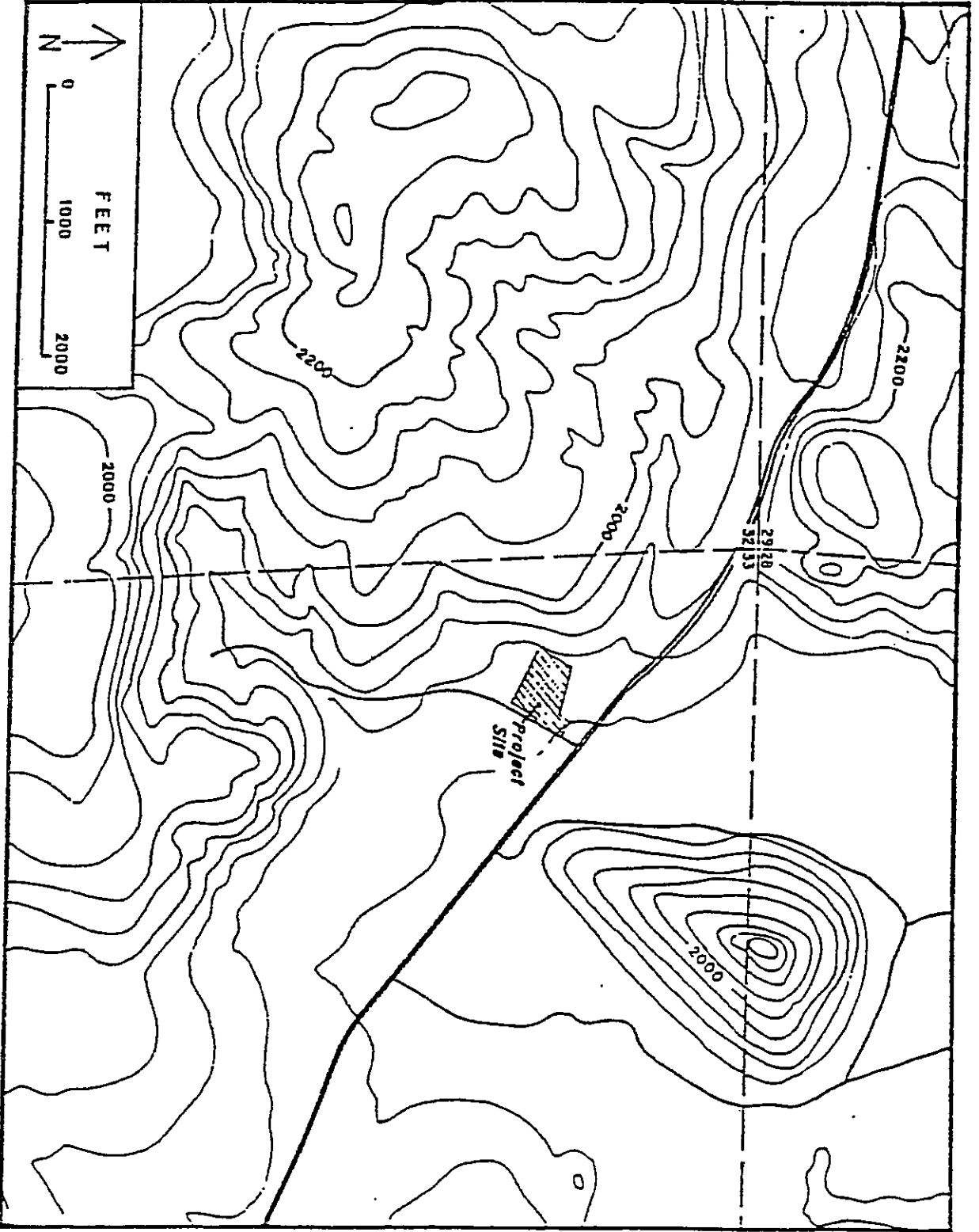
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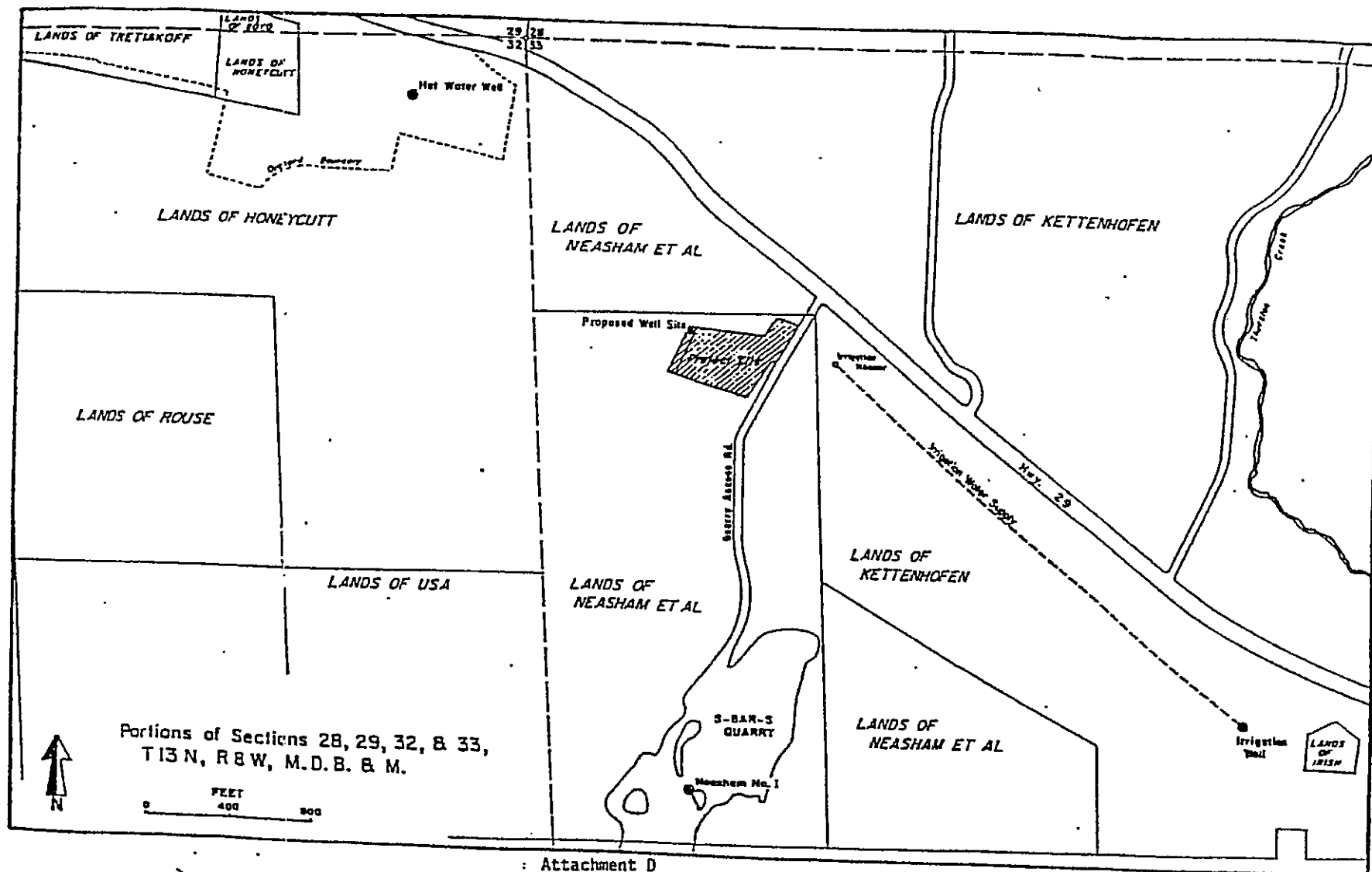
Attachment A
VICINITY MAP
GEO - AG HEAT CENTER

▲ SITE

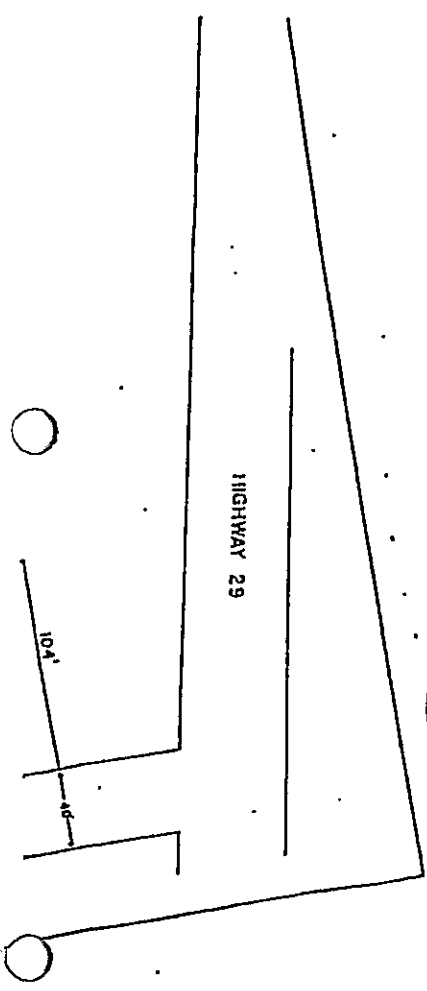




Attachment B



: Attachment D



HIGHWAY 29



EXHIBIT C

Site Plan Map



