

RENEWABLE GENERATING FACILITY SITE GROUND LEASE

THIS RENEWABLE GENERATING FACILITY SITE GROUND LEASE (this “Lease Agreement”) is made and entered into between the **CITY OF LANCASTER**, a public body, corporate and politic (the “City”), and **SolarCity Corporation**, a Delaware company (the “Developer”), as of the Effective Date (as defined in Section 12.8). The City and the Developer are sometimes individually referred to as a “Party” and collectively as the “Parties.”

R E C I T A L S

WHEREAS, the City currently owns that certain real property (the “Property”) located in the City of Lancaster (the “City), California, as visually depicted and more particularly described in the Legal Description attached hereto as Exhibit “A” (the “Legal Description”) and incorporated herein.

WHEREAS, the Developer intends to acquire certain project documents pursuant to which the Property shall be used as the site for a renewable energy facility (“Renewable Energy Facility”).

WHEREAS, the City desires to lease the Property to the Developer primarily in order to create a revenue source; the Developer desires to lease the Property from the City in order to construct and operate the Renewable Generating Facility.

NOW, THEREFORE, in consideration of the promises and mutual covenants contained herein, the sufficiency of which are acknowledged by both Parties, the Parties agree as follows:

ARTICLE I GRANT OF LEASE

Section 1.1. Lease.

(a) The City does hereby lease, demise and let unto the Developer, and the Developer does hereby lease from the City, upon all of the terms and conditions set forth herein, the Property for the Developer’s installation, operation, maintenance, improvement and replacement of the Renewable Energy Facility on the Property; provided however, that the City shall have the right to enter the Property as described in Section 1.3 below. The Developer shall have exclusive use of the Property for the purpose of (i) access, ingress and egress to the Property to facilitate the installation, operation, maintenance, improvement and replacement of the Renewable Generating Facility on the Property and (ii) the installation, operation, maintenance, improvement and replacement of such wires, cables and other utility related improvements required to install and operate the Renewable Generating Facility on the Property.

(b) Commencing on the Effective Date and terminating on the day prior to the Commercial Operation Date of the Generating Facility, Tenant shall pay to Landlord, in six (6) month increments, an annual rental payment equal to \$500 per acre of the Site (“Pre-Operation Rent”). Tenant will be invoiced within thirty (30) days of the Effective Date for the first six (6) month’s payment and shall be due upon receipt of invoice. Tenant will be invoiced for subsequent six (6) month intervals within thirty (30) days of the six (6) month anniversaries of the Effective Date and payment will be due upon receipt of the invoice.

(c) Commencing on the Renewable Generating Facility's date of initial operation, the Developer shall pay rent (the "Rent") to the City in the amount of \$2,150.00 per acre per annual period (each subsequent annual period commencing on the anniversary of the Initial Operation date). The Developer shall pay the Rent on a semiannual basis as provided herein. For each such annual period the Developer will be invoiced within thirty (30) days after the first day of that annual period for the first semiannual Rent payment and then one hundred eighty days (180) days later for the second semiannual Rent payment. All invoices issued by the City to the Developer for Rent as set forth herein shall be due and payable upon receipt. The Rent shall be due throughout the term of this Lease Agreement. Rent payments shall be made payable to the "City of Lancaster" and mailed or delivered to the address set forth in Article XIII of this Lease Agreement, or such other address as the City may designate.

Section 1.2. Contractors. The Lease granted herein shall be for the benefit of the Developer and such employees, agents, representatives, contractors and subcontractors of the Developer (the "Developer's Agents") as are deemed necessary or desirable by the Developer in connection with its obligations hereunder.

Section 1.3. City Right of Entry; Use. Subject to the terms and conditions of this Lease Agreement, the City shall have the right to enter the Property at any time provided that the City does not interfere with the installation, operation or maintenance of the Renewable Generating Facility.

Section 1.4. Property. Prior to the Developer's installation of the Renewable Generating Facility, the Developer shall have inspected the Property and satisfied itself that the Property is in a condition that is suitable for the Developer's installation of the Renewable Generating Facility. In the event the Developer (i) is unable to acquire the project documents for the Renewable Generating Facility or (ii) determines, in its sole discretion, that the Property is not in a condition that is suitable for the installation of the Renewable Generating Facility, the Developer shall have the right to terminate this Lease Agreement; provided, however, that the Developer shall not have the right to terminate this Lease Agreement pursuant to this Section 1.4 after construction of the Renewable Generating Facility has commenced.

Section 1.5. Transmission Rights. The City shall cooperate in good faith with the Developer's efforts to obtain real property rights from third parties and governmental authorities as may be required to interconnect the Renewable Generating Facility to the electrical grid at the requisite point of physical delivery under the applicable power purchase agreement with Southern California Edison Company ("SCE"). To the extent the City holds the requisite real property rights for the Developer to interconnect the Renewable Generating Facility, such property shall, to the extent permitted by applicable law and subject to all applicable regulatory approvals, be added to this Lease Agreement at no cost to the Developer and the Developer shall have a non-exclusive easement appurtenant to this Lease Agreement to use such additional property for overhead and underground electrical lines, supporting structures and all related appurtenances to interconnect the Renewable Generating Facility to the point of interconnection.

In accordance with an executed Generator Interconnection Agreement ("GIA"), where it is necessary for SCE to install added facilities on City-owned property, the City will grant to SCE, to the extent permitted by applicable law and subject to all applicable regulatory approvals, (a) the right to make such installation on the City-owned property including installation of a line extension along the shortest practical route thereon and (b) the right of ingress to and egress from the City-owned property as determined by SCE in its sole discretion

for any purpose connected with the operation and maintenance of the added facilities. The City shall provide rights-of-way or easements of sufficient space to provide legal clearance from all structures now or hereafter erected on City-owned property for any facilities of SCE. The cost of preparing any document(s) and/or obtaining any approval necessary in order to implement this Section shall be borne solely by the Developer.

ARTICLE II TERM

The term (the “Term”) of this Lease Agreement shall commence on the Effective Date and shall continue in full force and effect for a term of twenty (20) years from the date of commercial operation of the Renewable Generating Facility, and may be renewed at Developer’s option for two (2) additional terms of six (6) years each, and as the Parties may mutually agree thereafter, but in no event shall the Term extend beyond thirty-five (35) years or the term of the applicable power purchase agreement without the mutual agreement of the Developer and City.

ARTICLE III CONSTRUCTION OF RENEWABLE GENERATING FACILITY

Section 3.1. Approvals. The Developer shall obtain all planning and/or building and safety approvals and permits prior to commencing construction of the Renewable Generating Facility, as required by the City of Lancaster or any other government or regulatory agency with jurisdiction over of the Property or the Renewable Generating Facility.

Section 3.2. Construction and Installation. The City hereby consents to the construction and installation of the Renewable Generating Facility by the Developer on the Property at the Developer’s sole cost. The Developer shall request and obtain underground utility information through the various utility companies.

Section 3.3. Maintenance and Repair of Renewable Generating Facility.

(a) The Developer, at its own cost and expense, shall secure and maintain the Renewable Energy Facility, including fencing, access roads and landscaping, to its own satisfaction in a manner that permits the Developer to satisfy its obligations and requirements of the City.

(b) The Developer and its agents, consultants, and representatives shall have access at all reasonable times (including under emergency conditions) to the Property and the Renewable Generating Facility, and all Renewable Generating Facility operations for purposes of inspection and maintenance of the Renewable Generating Facility. During any inspection or maintenance of the Renewable Generating Facility, the Developer, and its agents, consultants and representatives shall comply with appropriate safety and security procedures, and the Developer and its agents, consultants and representatives shall conduct such inspection and maintenance in such a manner as to cause minimum interference with adjacent properties.

Section 3.4. Failure to Maintain Property. If the Developer fails to maintain the Property in good order and if such failure continues for thirty (30) days after the Developer’s receipt of written notice from the City (which 30 day period shall be extended for the time reasonably required to cure the default if the cure requires more than 30 days, as long as the Developer has commenced and is diligently pursuing such cure to completion), then the City

may (but shall not be obligated to) perform such work in a commercially reasonable manner. If the Developer's failure to maintain Property causes interference to adjacent properties' generation facilities, the Developer shall be responsible for reimbursing adjacent Generation Facility owners within thirty (30) days of cure. If the Developer has breached, defaulted or failed to perform any of its material obligations hereunder beyond any cure periods provided herein (or, if greater, thirty (30) days after written notice hereof is received by the Developer) more than two times in any twelve consecutive month period, the City shall have the right to terminate this Lease Agreement or suspend any of the City's rights, duties or obligations under this Lease Agreement as a result of any such breach or default by the Developer of, or any such failure by the Developer to perform, any of its obligations hereunder.

Section 3.5. Entry Requirements. The Developer shall comply with the following requirements prior to entry onto the Property in connection with the construction, installation, operation and maintenance of the Renewable Generating Facility. The Developer agrees it shall:

(a) perform all construction, installation, operation and maintenance work in connection with the Renewable Generating Facility in a safe manner;

(b) notify the City if the Developer has reason to believe that any actions by the Developer, or any of the Developer's contractors, will cause any hazardous condition on the Property, and shall take reasonable means and methods to minimize risks to City or others due to such hazardous conditions, and will not permit any hazardous condition caused by the Developer to remain on the Property any longer than reasonably necessary for the construction, installation, operation and maintenance of the Renewable Generating Facility;

(c) except as provided in Section 6.2, below, shall not bring and shall prohibit its contractors from bringing any Hazardous Material (as defined in Article VI below) in violation of applicable federal, state or local law onto the Property; however, the Developer is not responsible for the discovery, presence, handling or identification or any hazardous materials or conditions that may exist on the Property, except to the extent caused by the Developer, and subject to Article VI below;

(d) repair any damage or disturbance to the Property to the extent caused by the Developer;

(e) keep the Property free and clear of all mechanics' and materialmen's liens arising out of the Developer's activities (provided that if any such lien is filed, the Developer shall have the right to contest the same so long as the Developer provides a bond for the amount of such lien);

(f) procure and maintain, or use contractors who maintain, during all periods of entry pursuant to this section, general liability and property damage insurance with a combined single limit per occurrence of \$1,000,000, and naming the City as additional insured; and

(g) obtain and maintain, and cause each contractor and subcontractor performing construction, installation, operation or maintenance work on behalf of the Developer on the Property to obtain and maintain Worker's Compensation insurance as required by law. The Developer shall deliver to the City a certificate evidencing such insurance and providing that such coverage shall not be terminated or modified without at least thirty (30) days' prior written

notice by certified mail, return receipt requested, has been given to the City (ten (10) days written notice is required in the case of non-payment).

Section 3.6. Removal of Materials. Upon completion of construction of the Renewable Generating Facility, the Developer shall remove all of the Developer's remaining materials from the Property.

Section 3.7. Point of Delivery. The Renewable Generating Facility's Point of Delivery, which will be approved by and is subject to subsequent modifications by SCE, will be set forth in the GIA.

Section 3.8. Regulatory Compliance. During the term of this Lease Agreement, the Developer and the City shall comply with all applicable state, federal and local laws and regulations, any and all applicable requirements imposed by SCE tariffs, CAISO Tariff, the power purchase agreement for the Renewable Generating Facility and any and all other applicable contractual, tariff, legal and/or regulatory requirements. Nothing contained in this Lease Agreement shall be construed as approval to waive or supersede any state, federal and local laws and regulations.

Section 3.9. Prevailing Wage. The City makes no representation or applicability of prevailing wage requirements. The Developer shall determine if prevailing wage requirements are applicable to this Renewable Generating Facility.

ARTICLE IV REPRESENTATIONS AND WARRANTIES, COVENANTS OF CITY

Section 4.1. Authorization; Enforceability. The execution and delivery by the City of, and the performance of its obligations under, this Lease Agreement have been duly authorized by all necessary action, do not and will not require any further consent or approval of any other person, and do not contravene any provision of, or constitute a default under, any indenture, mortgage or other material agreement binding on the City or any valid order of any court, or regulatory agency or other body having authority to which the City is subject. This Lease Agreement constitutes a legal and valid obligation of the City, enforceable against the City in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, bank moratorium or laws relating to or affecting creditors' rights generally and general principles of equity whether such enforceability is considered in a proceeding in equity or at law.

Section 4.2. City's Interest in Property. The City represents, warrants and covenants that as of the Effective Date the City owns the Property, that the City has full rights to enter into this Lease Agreement, and that throughout the Term of this Lease Agreement, provided that no default by the Developer has occurred and continues beyond the expiration of applicable notice and cure periods, the Developer shall enjoy quiet and peaceful use and enjoyment of the Property pursuant to this Lease Agreement, free from any claim of any entity or person of superior title thereto without hindrance to or interference with or molestation of the Developer's quiet enjoyment thereof, and neither the City nor any person claiming by, through or under the City shall disturb the Developer's quiet and peaceful use and enjoyment of the Property pursuant to this Lease Agreement. To the best of the City's knowledge, there are no existing conditions or use restrictions that prevent the construction, installation or operation of the Renewable Generating Facility on the Property other than the Developer's need to request and obtain the

necessary entitlements through the City of Lancaster's Planning Department and Engineering Division and Los Angeles County Fire Department and other agencies.

(a) The City shall not sell, lease, assign, mortgage, pledge or otherwise alienate or encumber the Property unless the City has given the Developer at least thirty (30) days prior written notice thereof, which notice shall identify the transferee, the Property to be so transferred and the proposed date of transfer. In the event the City wishes to sell, lease, assign, mortgage, pledge or otherwise alienate or encumber the Property, the City hereby grants to the Developer the first rights to purchase the Property at a then fair market value as appraised by a mutually approved appraiser. In furtherance of the foregoing, the City agrees that it shall use commercially reasonable efforts to cause any purchaser, lessee, assignee, mortgagee, pledgee or other party to whom a lien or other security interest in the Property has been or may be granted (individually, each a "third party") to execute and deliver to the Developer a subordination and non-disturbance agreement ("SNDA"), in recordable form approved by the Developer (such approval not to be unreasonably withheld by the Developer), and as described below.

(b) Such SNDA shall (i) acknowledge and consent to the Developer's rights in the Property, (ii) acknowledge that the third party has no interest in the Renewable Generating Facility or this Lease Agreement and shall not gain any interest in the Renewable Generating Facility or this Lease Agreement by virtue of the Parties' performance or breach of this Lease Agreement, (iii) subordinate such third party's interest in the Property to this Lease Agreement, (iv) acknowledge that the Developer's rights in the Property granted hereunder shall run with the Property throughout the Term of this Lease Agreement, notwithstanding any sale, lease, transfer, assignment, mortgage, pledge or other alienation or encumbrance by such third party of the Property and (v) provide that so long as the Developer is not in default under this Lease Agreement beyond the expiration of any applicable grace or cure period provided for hereunder, the Developer's right of peaceable and quiet use and enjoyment of the Property pursuant to the Lease herein granted by the City shall not be disturbed by such third party.

Section 4.3. No Interference With and Protection of Renewable Generating Facility. The City represents and warrants to the Developer that there are no circumstances known to the City or commitments to third parties that may damage, impair or otherwise adversely affect the Renewable Generating Facility or its construction, installation, or function (including activities that may adversely affect Insolation, as defined below). The City shall not initiate, conduct or permit activities on, in or about the Property that have a reasonable likelihood of causing damage, impairment or otherwise adversely affecting the Renewable Generating Facility. From and after the Effective date, the City shall take all reasonable steps to limit access to the Property to the Developer and the Developer's employees, agents and representatives (except as otherwise set forth herein). The City shall not interfere with or handle any of the Developer's equipment (including wireless/cellular internet connectivity equipment) or the Renewable Generating Facility without written authorization from the Developer; provided, however, that the City shall at all times have access to and the right to observe the construction and installation work or Renewable Generating Facility removal. The Developer shall be responsible for security measures for the Property. The City shall not be liable for the Developer damage or losses. The Developer shall at the Developer's cost obtain insurance coverage to the extent the Developer desires protection against criminal acts.

Section 4.4. [Intentionally omitted.]

Section 4.5. Insolation. The City acknowledges and agrees that access to sunlight (“Insolation”) is essential to the value of the Developer of this Lease Agreement and is a material inducement to the Developer in entering into this Lease Agreement. Accordingly, the City shall take commercially reasonable actions as necessary to prevent any interference with Insolation on and at or surrounding the Property, specifically in the air space above the Renewable Generating Facility. Without limiting the foregoing, the City shall not construct or permit to be constructed any structure on the Property that could adversely affect Insolation levels or permit the growth of foliage that could adversely affect Insolation levels. Although not obligated to monitor such activity, if the City becomes aware of any potential development or other activity on adjacent or nearby properties that could diminish the Insolation to the Property, the City shall advise the Developer of such information and reasonably cooperate with the Developer in measures to preserve existing levels of Insolation at the Property. Notwithstanding the foregoing, the Developer acknowledges and agrees that the conditions existing on and adjacent to the Property are not governed by the provisions of this Section.

Section 4.6. Liens and Encumbrances. The City covenants that it will not cause, create, incur, assume, permit or suffer to exist any liens (including mechanics’ labor or materialmen’s liens), security interests or other encumbrances on the Property that will interfere with Developer’s rights under this Lease Agreement and/or the Developer’s use and operation of the Renewable Generating Facility. If any liens, security interests or other encumbrances are created after the Effective Date of this Lease Agreement, the City shall immediately notify the Developer in writing and shall promptly cause such liens to be bonded, discharged and released of record without cost to the Developer, and shall indemnify the Developer against all costs and expenses (including reasonable attorney’s fees and court costs at trial and on appeal) incurred in bonding, discharging and releasing such liens. The City further covenants that with respect to any liens, security interests or other encumbrances to the City’s title that may adversely impact this Lease Agreement and/or the Renewable Generating Facility and that are in effect as of the date hereof, the City shall make commercially reasonable efforts to enter into an SNDA as described in Section 4.2(b) above. The City acknowledges that without such SDNAs, the Developer may not be able to finance and build the Renewable Generating Facility on the Property.

ARTICLE V REPRESENTATIONS AND WARRANTIES, COVENANTS OF DEVELOPER

Section 5.1. Authorization; Enforceability. The execution and delivery by the Developer of, and the performance of its obligations under, this Lease Agreement have been duly authorized by all necessary action, do not and will not require any further consent or approval of any other person, and do not contravene any provision of, or constitute a default under, any indenture, mortgage or other material agreement binding on the Developer or any valid order of any court, or regulatory agency or other body having authority to which the Developer is subject. This Lease Agreement constitutes a legal and valid obligation of the Developer, enforceable against the Developer in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, bank moratorium or laws relating to or affecting creditors’ rights generally and general principles of equity whether such enforceability is considered in a proceeding in equity or at law.

Section 5.2. Compliance with Laws. The Developer shall comply with all laws, ordinances, orders, rules and regulations (state, federal or local), including without limitation all

environmental and occupational, health and safety requirements relating to the Developer's use or occupancy of the Property and the operation and maintenance of the Property and Renewable Generating Facility.

Section 5.3. Insurance. The Developer shall maintain, at its sole expense, commercial general liability insurance, including products and completed operations and personal injury insurance, in a minimum amount of one million dollars (\$1,000,000) per occurrence and in the amount of two million dollars (\$2,000,000) aggregate, endorsed to provide contractual liability in said amount, specifically covering the Developer's obligations under this Lease Agreement and naming "the Lancaster Successor Agency, the City of Lancaster, the Lancaster Power Authority, the Lancaster Redevelopment Agency, the Lancaster Financing Authority, the Lancaster Housing Authority, the Lancaster Boulevard Corporation, the Lancaster Community Services Foundation, and the Lancaster Museum/Art Gallery Associates, as well as each of their officers, agents, servants, and employees, 44933 North Fern Avenue, Lancaster, California 93534" as additional insured. The minimum coverage amount of \$1,000,000 per occurrence and in the amount of two million dollars (\$2,000,000) aggregate may be satisfied by a combination of a general liability policy and an excess/umbrella liability policy. The Developer, if it has employees, shall also maintain at all times during the term of this Lease Agreement workers' compensation insurance coverage in accordance with the applicable requirements of federal and state law. Within thirty (30) days after execution of this Lease Agreement and upon the City's request annually thereafter, the Developer shall deliver to the City certificates of insurance evidencing such coverage, which shall specify that the City shall be given at least thirty (30) days prior written notice by the applicable insurer in the event of cancellation of coverage, except ten (10) days for non-payment of premium. Such insurance shall be primary coverage without right of contribution from any insurance of the City. See City of Lancaster Risk Allocation Manual dated August 2010.

Section 5.4. Maintenance of Property. The Developer shall keep the Property neat, clean and in good order and condition as required to comply with applicable state and local laws.

ARTICLE VI HAZARDOUS MATERIAL; EMERGENCY

Section 6.1. Compliance. During the Term, the Parties shall comply with all federal, state and local laws, statutes, ordinances and regulations relating to the receipt, handling, use, storage, transportation, generation, discharge, release and disposal of Hazardous Material (as defined below).

Section 6.2. Notice. Neither Party shall introduce or use any Hazardous Material on, in or under the Property in violation of any applicable law or regulation. Notwithstanding the foregoing, the Developer may keep on or about the Property quantities of any Hazardous Material that is used in the ordinary, customary and lawful construction, operation and maintenance of the Renewable Generating Facility. If either Party becomes aware of any spillage, discharge, release or disposal of Hazardous Material onto or within the Property which by law must be reported to any federal, state or local agency, such Party shall promptly provide telephonic notice to the other Party of the type and location of such materials, and shall promptly confirm telephonic notice in writing.

Section 6.3. Developer Hazardous Material Indemnity. The Developer shall be responsible for and shall indemnify, protect, defend and hold harmless the City and the City's employees, officers, agents, contractors and invitees (collectively, "City's Parties") from any and all liability, damages, injuries, causes of action, claims, judgments, costs, penalties, fines, losses, and expenses which arise at any time and which result directly from the Developer's or the Developer's Parties' receipt, handling, use, storage, transportation, generation, discharge, release and disposal of Hazardous Material in violation of any applicable law or regulation, in, on, under or about the Property (excluding all Hazardous Material existing in, on, under or about the Property prior to the Developer's or the Developer's Parties' entry under this Lease Agreement, which shall be the sole responsibility of the City).

Section 6.4. City Hazardous Material Indemnity. The City shall be responsible for and shall indemnify, protect, defend and hold harmless the Developer and the Developer's employees, officers, agents, contractors and invitees (collectively, the "Developer's Parties") from any and all liability, damages, injuries, causes of action, claims, judgments, costs, penalties, fines, losses and expenses which arise at any time and which result directly from the City's or City's Parties' receipt, handling, use, storage, transportation, generation, discharge, release and disposal of Hazardous Material in violation of any applicable law or regulation, in, on, under or about the Property (including all Hazardous Material existing in, on, under or about the Property prior to the Developer's or the Developer's Parties' entry onto the Property under this Lease Agreement).

Section 6.5. Survive Expiration. The Developer's and the City's obligations under this Article 6 shall survive the expiration or earlier termination of this Lease Agreement.

Section 6.6. Definition of Hazardous Material. As used herein, the term "Hazardous Material" means 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. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) petroleum, (ii) asbestos, (iii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (iv) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et. seq. (42 U.S.C. Section 6903), or (v) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. Section 9601 et. seq. (42 U.S.C. Section 9601).

ARTICLE VII FACILITY SITE UTILITIES

The Developer shall have the obligation to identify, extend, construct, maintain and repair all utilities, including all pipes, conduits, ducts, electric or other utilities, sinks or other apparatus through which any utility services are provided, from the Point of Delivery to and then within the Property, but only to the extent the same are used by the Developer. The City is not required to purchase or install additional utilities pursuant to this Lease Agreement.

**ARTICLE VIII
EVENT OF DEFAULT; REMEDIES**

Section 8.1. Event of Default. An “Event of Default” shall occur under this Lease Agreement when there shall be a breach of any condition, covenant, warranty, promise or representation contained in this Lease Agreement and the breach shall continue for a period of thirty (30) days after written notice thereof to the defaulting party without the defaulting party curing such breach, or if the breach cannot reasonably be cured within a thirty (30) day period, commencing the cure of the breach within the thirty (30) day period and thereafter diligently proceeding to cure the breach; provided, that in no case shall the cure period be more than one hundred twenty (120) days in the aggregate; provided, further, that if a different period or notice requirement is specified for any particular breach under any other paragraph of this Lease Agreement, the specific provision shall control.

Section 8.2. Remedies. The occurrence of any Event of Default shall give the non-defaulting party the right to proceed with any and all remedies set forth in this Lease Agreement, including an action for damages, an action or proceeding at law or in equity to require the defaulting party to perform its obligations and covenants under the documents executed pursuant hereto or to enjoin acts or things which may be unlawful or in violation of the provisions of such documents, and the right to terminate this Lease Agreement.

**ARTICLE IX
PERSONAL PROPERTY**

Section 9.1. Ownership.

(a) The City and the Developer agree that the Renewable Generating Facility and all equipment, machinery and appurtenances placed and installed on the Property by the Developer that comprise the Renewable Generating Facility shall remain the personal property of the Developer, severable from the Property, and shall not be or become fixtures, notwithstanding the manner in which the Renewable Generating Facility is or may be affixed to the real property of the City. The Developer shall pay or provide for the payment of all costs, taxes, charges, insurance and expenses of every kind and nature arising or becoming due during the term of this Lease Agreement as a result of the construction, ownership, operation and maintenance of the Renewable Generating Facility. Notwithstanding the foregoing, each Party shall remain responsible for all tax liability attributable to the income (as defined by the United States Internal Revenue Service) received by such Party pursuant to this Lease Agreement.

(b) The Renewable Generating Facility and its components may not be sold, leased, assigned, mortgaged, pledged or otherwise alienated or encumbered by the City, with the City’s fee or other interest to the Property. The City shall indemnify the Developer against all losses, claims, costs and expenses (including attorneys’ fees) incurred by the Developer in discharging and releasing any such lien, encumbrance, pledge, levy or attachment arising by, under or through the City. The Developer shall be entitled to remove the Renewable Generating Facility or any part thereof or any related equipment from the Property at any time upon reasonable advance notice to the City.

Section 9.2. Removal. The Developer shall, within ninety (90) days following the end of the Term, or earlier termination as provided herein, and at the Developer’s sole cost and

expense, remove the Renewable Generating Facility from the Property on a mutually convenient date or dates; provided, however, that the Developer may leave in place such conduits and cables and related facilities as are either underground or within the walls of the buildings. The Developer and the Developer's Agents shall have access to the Property at all mutually agreed-upon times and the Renewable Generating Facility for purposes of such removal. The Developer is responsible to repair any and all damage caused by the removal of the Renewable Generating Facility. The Property shall be returned as nearly as reasonably possible to its original condition, except for ordinary wear and tear. If the Renewable Generating Facility is located on a roof, then in no case shall the Developer's removal of the Renewable Generating Facility affect the integrity of the City's roof, which shall be as leak proof as it was prior to removal of the Renewable Generating Facility (other than due to ordinary wear and tear). If the Renewable Generating Facility is located on a shade structure installed by the Developer and if the City elects to have the shade structure removed as well as the Renewable Generating Facility, the Developer shall do so at its sole cost and expense in the same manner as described above with regard to repair of any damage.

ARTICLE X ASSIGNMENT

Section 10.1. General. Subject to the transfer of ownership provisions in Section 4.2 above, in the event of a transfer of ownership in the Property by the City, either Party may assign this Lease Agreement pursuant to Sections 10.2 and 10.3 below, provided that any such assignee (except a Mortgagee, as defined in Section 10.4) (i) assumes in writing the obligations of the assignor hereunder, and (ii) agrees to be bound by the terms of this Lease Agreement. Any assignment made by either Party in violation of the provisions in this Article 10 shall be null and void and constitute an Event of Default.

Section 10.2. Assignment by Developer.

(a) Developer may, without the prior written consent of the City, (i) assign, mortgage, pledge or otherwise collaterally assign its interests in this Lease Agreement to any Financing Party, (ii) directly or indirectly assign this Lease Agreement to an affiliate of Developer, (iii) assign this Lease Agreement to any entity through which Developer is obtaining financing or capital for the Renewable Generating Facility and (iv) assign this Lease Agreement to any person succeeding to all or substantially all of the assets of Developer (provided that Developer shall be released from liability hereunder as a result of any of the foregoing permitted assignments only upon assumption of Developer's obligations hereunder by the assignee). The City's consent to any other assignment shall not be unreasonably withheld if the City has been provided with reasonable proof that the proposed assignee (x) has comparable experience in operating and maintaining photovoltaic solar systems comparable to the Renewable Generating Facility and providing services comparable to those contemplated by this Lease Agreement and (y) has the financial capability to maintain the Renewable Generating Facility and provide the services contemplated by this Lease Agreement in the manner required by this Lease Agreement. This Lease Agreement shall be binding on and inure to the benefit of the successors and permitted assignees.

(b) The Parties acknowledge that Developer may obtain construction and long-term financing or other credit support from lenders or third parties (including tax equity or similar investors) ("Financing Parties") in connection with the installation, construction, ownership, operation and maintenance of the Renewable Generating Facility. Both Parties agree in good faith to consider and to negotiate changes or additions to this Lease Agreement that may be reasonably

requested by the Financing Parties; provided, that such changes do not alter the fundamental economic terms of this Lease Agreement. The Parties also agree that Developer may assign this Lease Agreement to the Financing Parties as collateral, and in connection with any such assignment, the City agrees to execute a consent to assignment in customary form and reasonably acceptable to the Financing Parties.

Section 10.3. Assignment by City. The City shall not, without the prior written consent of the Developer, which consent shall not be unreasonably withheld or delayed, assign, pledge or transfer all or any part of, or any right or obligation under this Lease Agreement, whether voluntarily or by operation of law, and any such assignment or transfer without such consent will be null and void.

Section 10.4. Right to Mortgage. The Developer may, at any time and from time to time, without obtaining the City's consent, hypothecate, mortgage, grant or pledge its right, title or interest hereunder to any Mortgagee as security for the repayment of any indebtedness and/or the performance of any obligation ("Mortgage"). As used herein, the term "Mortgagee" collectively includes any financial institution or other person or entity that from time to time provides secured financing to the Developer or the Developer's Affiliates, and any agent, security agent, collateral agent, indenture trustee, loan trustee, loan participant or participating or syndicated lenders involved in whole or in part in such financing, and their respective representatives, successors and assigns. The City agrees to use its commercially reasonable efforts to cooperate with the Developer in the Developer's or the Developer's Affiliates' efforts to obtain financing from a Mortgagee.

Section 10.5. Notice to City. If the Developer grants a Mortgage, it shall give written notice of the same (including the name and address of the Mortgagee) to the City; provided, however that the failure to give such notice shall not constitute a default or Event of Default under this Lease Agreement but rather, shall only have the effect of relieving the City from any obligation to such Mortgagee until such written notice is provided. The City hereby consents to the recordation of the interest of the Mortgagee in the Official Records of Los Angeles County, California.

Section 10.6. Mortgagee Protections. Notwithstanding any other provision of this Lease Agreement:

(a) A Mortgagee shall have the absolute right to do one, some or all of the following: (i) assign its Mortgage; (ii) enforce its Mortgage; (iii) acquire the Developer's interests to the Property granted hereunder (whether by foreclosure, assignment in lieu of foreclosure or other means), provided that any existing monetary defaults are cured prior to acquisition of the Developer's interest; (iv) operate the Renewable Generating Facility on the Property and perform all the Developer's obligations; (v) assign or transfer the Developer's rights and obligations to a third party, including a foreclosure transferee upon cure of payment and curable non-payment defaults of the Developer hereunder, as long as such third party assumes all obligations of the Developer hereunder; (vi) exercise any rights of the Developer hereunder; or (vii) cause a receiver to be appointed to do any of the foregoing things. The City's consent shall not be required for any of the foregoing; and, upon acquisition of this Lease Agreement by a Mortgagee or any other third party who acquires the same from or on behalf of the Mortgagee and upon Mortgagee's or said third party's remedy of any Developer default, the

City shall recognize the Mortgagee or such other party (as the case may be) as the Developer's proper successor, and this Lease Agreement shall remain in full force and effect.

(b) Each Mortgagee shall have the same period of time after receipt of a notice of default to remedy a default or Event of Default hereunder, or cause the same to be remedied, as is given to the Developer after the Developer's receipt of a notice of default hereunder, plus, in each instance an additional thirty (30) day period; provided, however, that (a) such thirty (30) day period shall be extended for the time reasonably required by the Mortgagee to complete such cure so long as Mortgagee has commenced such cure and works diligently towards completing it and (b) Mortgagee shall not be required to cure those Events of Default hereunder which are not reasonably susceptible of being cured or performed by the Developer. Each Mortgagee shall have the absolute right to substitute itself for the Developer and perform the duties of the Developer hereunder for purposes of curing any default or Event of Default hereunder and the City expressly consents to such substitution, agrees to accept such performance, and authorizes each Mortgagee (and its respective employees, agents, representatives or contractors) to enter upon the Property to complete such performance with all of the rights and privileges of the Developer hereunder. The City shall not terminate this Lease Agreement prior to expiration of the cure periods available to each Mortgagee as set forth above.

(c) A Mortgagee or any party who acquires the Developer's interests hereunder pursuant to foreclosure or an assignment in lieu of foreclosure shall not have any obligation under this Lease Agreement prior to the time that such Mortgagee or other party obtains the Developer's interests granted under this Lease Agreement, so long as all Developer defaults have been cured prior to the Mortgagee or other party obtaining the Developer's interests under this Lease Agreement; and such Mortgagee or other party shall be liable to perform obligations under this Lease Agreement only for and during the period of time that such Mortgagee or other party directly holds such interests, so long as all Developer defaults have been cured prior to the Mortgagee or other party obtaining the Developer's interests under this Lease Agreement.

(d) The City shall not agree to any material modification or amendment to this Lease Agreement and the City shall not accept a surrender or termination of this Lease Agreement; in each such case without the prior written consent of each Mortgagee.

(e) At the Developer's request, the City shall amend this Lease Agreement, at no cost to the City, to include any provision that may reasonably be requested by an existing or proposed Mortgagee, and shall execute such additional documents as may reasonably be required to evidence such Mortgagee's rights hereunder, including a consent containing the provisions contained herein and/or listed in Exhibit B. Further, the City shall satisfy the requirements of Section 12.6(b) below and provide any existing or proposed Mortgagee with an estoppel certificate which shall certify that the City (i) recognizes such entity as a Mortgagee under this Lease Agreement and (ii) will accord to such entity all the rights and privileges of a Mortgagee hereunder.

ARTICLE XI INDEMNITY; LIMITATION ON LIABILITY

Section 11.1. Indemnity. Each Party (the "Indemnifying Party") agrees to indemnify, defend and hold harmless the other Party and such other Party's mortgagees, affiliates, governing

board members, directors, officers, employees and agents (the “Indemnified Party”) from and against any and all claims including demands, actions, damages, loss, costs, expenses and attorneys’ fees (collectively “Indemnity Claims”) to the extent caused by the Indemnifying Party’s negligence, recklessness, or intentional misconduct.

Section 11.2. Limitation on Liability. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE DEFAULTING PARTY’S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED UNLESS EXPRESSLY HEREIN PROVIDED. NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE EXCEPT TO THE EXTENT PART OF AN EXPRESS REMEDY OR MEASURE OF DAMAGES HEREIN.

Section 11.3. Developer’s Surplus Land Indemnity. Notwithstanding the generality of Section 11.1, and notwithstanding any other provision of this Lease Agreement, the Developer shall defend, indemnify, assume all responsibility for, and hold harmless the City, and its representatives, volunteers, officers, attorneys, employees and agents, from and against all claims, demands, damages, defense costs or liability of any kind or nature (including reasonable attorneys fees) based upon or resulting from any allegation that this Lease Agreement and/or the Lease of the Property to the Developer violates and/or has been entered into in violation of any applicable provision of law, including, without limitation, the requirements concerning disposition of surplus property that are set forth in section 34315.7 of the Health and Safety Code.

ARTICLE XII MISCELLANEOUS PROVISIONS

Section 12.1. Applicable Law. This Lease Agreement shall be interpreted and governed by the laws of the State of California, without regard to conflict of laws provisions. In the event that there is any controversy, claim or dispute between the Parties hereto arising out of or related to this Lease Agreement, or the breach hereof, that has not been resolved by informal discussions and negotiations, either Party may seek relief in a court of competent jurisdiction located in Los Angeles, California. The City agrees not to assert sovereign immunity or any similar doctrine as a defense to the enforcement of this Lease Agreement by the Developer.

Section 12.2. Interpretation Rules. Titles and headings are included in this Lease Agreement for convenience only, and shall not be used for the purpose of construing and interpreting this Lease Agreement. Words in the singular also include the plural and vice versa where the context requires.

Section 12.3. Severability. In the event that any provisions of this Lease Agreement are held to be unenforceable or invalid by any court or regulatory agency of competent jurisdiction, the City and the Developer shall negotiate an equitable adjustment in the provisions of this Lease Agreement with a view toward effecting the purposes of this Lease Agreement, and the validity and enforceability of the remaining provisions shall not be affected by it.

Section 12.4. Counterparts. This Lease Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 12.5. Entire Agreement, Amendments and Waivers. This Lease Agreement constitute the entire agreement between the Parties with regard to the Property and the matters contained in this Lease Agreement and supersede the terms of any previous agreements or understandings, oral or written. Any waiver or amendment of this Lease Agreement must be in writing. Either Party's waiver of any breach or failure to enforce any of the terms of this Lease Agreement shall not affect or waive that Party's right to enforce any other term of this Lease Agreement.

Section 12.6. Further Assurances.

(a) Additional Documents. Upon the receipt of a written request from the other Party, each Party shall execute such additional documents, instruments and assurances and take such additional actions as are reasonably necessary and desirable to carry out the terms and intent hereof. Neither Party shall unreasonably withhold, condition or delay its compliance with any reasonable request made pursuant to this Section 12.6.

(b) Certificates. From time to time, upon written request by the Developer or any Mortgagee, City shall, within thirty (30) days, provide (i) a lien waiver or other documentation satisfactory to the Mortgagee confirming that no lien, security interest or other encumbrance exists which would adversely affect the Lease or the Renewable Generating Facility, or (ii) an estoppel certificate attesting that (A) the Lease Agreement is in full force and effect; (B) the Lease Agreement has not been amended or modified (or if it has been amended or modified, the nature of such amendment or modification); (C) to the knowledge of the City, the Developer is in compliance with the terms of the Lease Agreement or detailing any known issues of noncompliance; and (D) such other confirmations or requests customary for such financing transactions and reasonably requested by the Mortgagee.

Section 12.7. Casualty. In the event the Property is so damaged or destroyed as to make the use of the Property pursuant to this Lease Agreement impractical (as determined by a qualified engineering consultant retained by the City and reasonably acceptable to the Developer), then either Party may elect to terminate this Lease Agreement upon not less than twenty (20) days prior written notice to the other Party, and upon such termination, neither Party shall have any further obligations to the other Party hereunder other than such rights or obligations surviving termination of this Lease Agreement as expressly provided herein. If neither Party elects to terminate this Lease Agreement pursuant to the previous sentence, the City shall exercise commercially reasonable efforts to repair the damage to the Property (including the use of any insurance proceeds for such repair) and return the Property to its condition prior to such damage or destruction, except that the City shall in no event be required to repair, replace or restore any property of the Developer comprising part of the Renewable Generating Facility, which replacement or restoration shall be the Developer's responsibility.

Section 12.8. Effective Date. The effective date of this Lease Agreement (the "Effective Date") shall be the date when this Lease Agreement has been approved by the City's governing body. The City shall advise the Developer promptly of the occurrence of the Effective Date.

**ARTICLE XIII
NOTICES**

Except as otherwise provided in this Lease Agreement, or as the addressee may later specify in a written notice, all notices or other communications hereunder shall be in writing and deemed given if delivered personally or to a nationally recognized express mail service addressed as follows:

If to the Developer:

SolarCity Corporation
3055 Clearview Way
San Mateo, CA 94402
Attention: Contracts
Telephone: 650-638-1028
Facsimile: 650-560-6182
Email: contracts@solarcity.com:

If to the City:

City of Lancaster
44933 Fern Avenue
Lancaster, CA 93534
Phone: (661) 723-6000
Fax: (661) 723-6141
Attention: Mark V. Bozigian

With a copy to:

Stradling Yocca Carlson & Rauth
660 Newport Center Drive, Suite 1600
Newport Beach, CA 92660
Phone: (949) 725-4162
Fax: (949) 823-5162
Attention: Allison E. Burns, Esq.

**ARTICLE XIV
DISPUTE RESOLUTION**

Section 14.1. Good Faith Negotiations. Disputes regarding the interpretation or application of any provisions of this Lease Agreement shall, to the extent reasonably feasible, be resolved through good faith negotiations between the Parties.

Section 14.2. Notice of Dispute, Mediation and Optional Arbitration. If the Parties cannot resolve a dispute through good faith negotiations, either Party may give Notice of Dispute to the other. The Notice of Dispute shall state the nature of the dispute and the corrective action necessary to remedy the dispute. After issuance of a Notice of Dispute, the Parties shall first attempt to resolve any disputes by mediation. The Parties shall agree on a single mediator. Mediation shall be conducted in the City of Lancaster, California. Each Party shall pay its own attorney's fees and the costs of mediation shall be split equally between the Parties. If the dispute has not been resolved by mediation within forty-five (45) days after Notice of Dispute, or the Parties are unable to agree to a mediator within fifteen (15) days after Notice of Dispute, then, the dispute may, upon agreement of the Parties be resolved by binding arbitration.

Section 14.3. Attorney's Fees. If any action at law or in equity is brought to enforce or interpret any provisions of this Lease Agreement, the prevailing party in such action shall be entitled to reasonable attorney's fees, cost and necessary disbursements, in addition to such other relief as may be sought and awarded.

[Signatures begin on next page.]

IN WITNESS WHEREOF, the Developer and City have executed this Lease Agreement on the date written below.

SolarCity Corporation
a Delaware company

CITY OF LANCASTER
a public body, corporate and politic

Approved:

Approved:

By: _____

By: _____

Name:

Name:

Title:

Title:

Date: _____

Date: _____

ATTEST: _____

Geri K. Bryan, Secretary

Approved as to Form:

By: _____

Name: Allison E. Burns, Esq.

Title: City Attorney

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss

On _____, before me, _____, a Notary Public, personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
)
COUNTY OF LOS ANGELES) ss

On _____, before me, _____, a Notary Public, personally appeared _____, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Notary Public

EXHIBIT A

LEGAL DESCRIPTION

APN	Location	Area (acres)
3170-008-908 & 3170-008-907	Southern 20 acres of property; new legal description and APN pending	20

EXHIBIT B

CONSENT TO COLLATERAL ASSIGNMENT

1. Consent to collateral assignment by the Developer of its right, title and interest in this Lease Agreement to such Mortgagees.
2. The Developer's Mortgagees to receive simultaneous notice from the City of the Developer defaults under this Lease Agreement and customary extended cure rights in respect of same; provided, however, the City has received written notice from the Developer and/or the Developer's Mortgagees of the identity of and contact information for such Mortgagees or their designated agent.
3. The Developer's Mortgagees to be provided with the ability to transfer their interest in this Lease Agreement to a foreclosure transferee upon cure of payment and curable non-payment defaults of the Developer under this Lease Agreement.
4. The Developer's Mortgagees to be entitled to a replacement lease agreement with the City on the same terms and conditions as this Lease Agreement following any rejection or termination of this Lease Agreement in any Developer bankruptcy proceeding; provided, however, that if this Lease Agreement is in full force and effect immediately prior to such Developer bankruptcy proceeding, the City shall have no such obligation unless the Developer's Mortgagees concurrently execute a replacement lease with the City on the same terms and conditions as this Lease Agreement.
5. Restrictions on material amendments to this Lease Agreement and termination of this Lease Agreement without consent of such Mortgagees; provided, however, that (a) such consent shall not be unreasonably conditioned, delayed, withheld or denied and (b) such restrictions shall not limit the City's rights to pursue remedies for any default by the Developer that is not cured in accordance with the cure provisions of this Lease Agreement and the extended cure period provided in paragraph 2 above.
6. The City's acknowledgment that no financing party has assumed or has any obligation or liability under or pursuant to this Lease Agreement, and the exercise by such financing party of its rights and remedies under this Lease Agreement shall not constitute an assumption of the Developer's obligations under this Lease Agreement (except to the extent any such obligations shall be expressly assumed by an instrument in writing executed by such financing party or as otherwise provided herein).
7. Agreement of the Developer to make all payments due to the City under this Lease Agreement to an account designated by City.