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June 5, 2009

ADVICE 3471-E

(Pacific Gas and Electric Company ID U 39 E)

Public Utilities Commission of the State of California

Subject: Lakeshore Resort Lease – Request for Approval Under Section 851

Purpose

Pacific Gas and Electric (“PG&E”) submits this advice letter seeking approval, under Public Utilities Code Section 851, for PG&E to enter into a 20-year Lease Agreement (“Lease”) with Mr. and Mrs. Dewitt Henderson (“Tenants”), allowing the Tenants to operate the Lakeshore Resort (“Resort”) located on Bucks Lake Road, Plumas County. The Tenant will take over the existing, vacant Commercial resort and Marina operation which includes sixty-two floating boat docks, slips and buoys.

The Tenants are requesting that the CPUC expedite its consideration of this Advice Letter and issue an order of approval, if possible, by mid-August 2009. This will provide the Tenants with adequate time to refurbish the existing cabins and lodge before the beginning of the snowy season, during which time access to the County Road is closed from as early as November until April of the following year. Approval of this transaction by mid-August 2009 will facilitate the completion of all necessary renovations in preparation for Resort operation commencement in or about April 2010.

Background

PG&E owns certain property in and around Bucks Lake as part of the watershed for its hydro operations. These properties include the Lakeshore Resort on Bucks Lake which has been in operation since the mid-1960s. The facilities to be leased on this property include a lodge (comprised of a store and a restaurant that have provided service to the entire local area), a bath house, boat house, ten (10) rental cabins, as well as a campground which contains thirty-six (36) campsites.

Additionally, a Marina with sixty-two (62) boat docks, slips and buoys is located on the property, and will be subject to the new Lease as described further below.

On July 15, 2004, Decision 04-07-021 granted authorization pursuant to Pub. Util. Code § 851, on a prospective basis, to certain licenses and leases of PG&E property that were already in effect. One of the 256 transactions (Exhibit A, Line Item 161) included in D.04-07-021 was the then-existing lease of PG&E's Lakeshore Resort on Bucks Lake to Lakeshore Ltd. This lease, which had been in effect since June 15, 1995, expired on December 31, 2005. Upon expiration of the term of the lease, PG&E decided not to renew it due to non-compliance by Lakeshore Ltd. As a result, under the terms of that lease, ownership of all buildings and improvements reverted to PG&E. The departing tenant removed all personal property (including certain non-attached equipment in the restaurant and store), pursuant to its rights under the lease.

Since December 31, 2005, there has been no tenant operating the main Resort. However, PG&E currently has a contract vendor who runs the campground and operates the Marina under separate license agreement and contract. Upon execution of the Lease with the aforementioned Tenants, the new Lease will supersede the vendor's contract and license and the Tenants will take over full operations of the Resort and Marina. Consolidating these two leases (Resort and Marina) will result in reduced administrative and maintenance costs, benefits that will be passed onto PG&E's ratepayers through reduced costs which they would have otherwise had to assume.

Bucks Lake has historically been a popular recreation destination, with numerous cabins on leased PG&E land surrounding the lake. The Lakeshore Resort had been the centerpiece of Bucks Lake's history and recreational activities. As such, the closure of the Resort in late 2005 was accompanied not only by a loss of services but also job losses and a decline in overall tourism revenue. The current economic downturn and the potential loss of existing jobs will magnify the economic burden on this community of 5,000 residents, and further compound the unemployment rate in Plumas County, which is currently 19.8 percent. The County has also lost sales tax revenues due to the non-operation of the Lakeshore Resort.

In an effort to reduce lost opportunities, create jobs, increase sales tax revenues, improve the viability of local businesses, and increase services and recreational benefits that accrue to this community, PG&E, in August 2007, sent out invitations to seventeen individuals and businesses who had expressed an interest in operating the re-opened Resort. From the responses to this solicitation, PG&E eventually selected the aforesaid Tenants¹ as the most suitable candidate to be

¹ The Tenants (Mr. and Mrs. Dewitt Henderson) have in excess of 15 years of operational experience in running a successful Commercial campground and Marina located in the vicinity of Bucks Lake.

awarded the new Lease, restoring the public benefits that once accrued to this community when the Resort was in operation.

To facilitate the amortization of the significant costs the Tenants must incur to renovate and maintain the Resort facilities, which have been vacant for over four years, PG&E is proposing to enter into a 20-year Lease.

PG&E has notified the Stewardship Council of the proposed lease transaction, pursuant to that body's Third Party Use Policy.² PG&E attaches herein, as Attachment 2, a May 5, 2009, letter from the Executive Director of the Stewardship Council which finds that there is no reasonable possibility that the proposed use will have an adverse impact on its long-term planning and management objectives for the Bucks Lake Planning Unit. The Stewardship Council Staff based this finding on: (1) the Third Party Use Request Guidelines and Procedure adopted by the Stewardship Council in 2004 and amended on September 26, 2007, (2) the Stewardship Council's staff review of the information provided by PG&E, including the proposed Lease language, and terms and conditions referenced above, and (3) the contribution of the re-establishment of this facility and the proposed new public day use area to the management objective on outdoor recreation in the Land Conservation Plan.

For all of these reasons, and those discussed below, the CPUC should find that the approval of this Lease will not be adverse to public interest. Numerous Commission cases have held that the relevant inquiry for the Commission in Section 851 proceedings is whether the transaction is "adverse to the public interest" (See, e.g. Universal Marine Corp., 1984, Cal. PUC Lexis 962 * 3; 14 CPUC 2d 644, 646; see also, D.89-07-019, 1989 Cal. PUC Lexis 582 * 25, 32 CPUC 2d 233; D.01-05-076, 2001 Cal. PUC Lexis 284 * 15; D.04-07-021, mimeo p.57), and that the Commission should grant Section 851 approval if there is no evidence that transaction would adversely affect the public or impair PG&E's ability to serve its customers. (D.04-07-023, mimeo, pp. 11-12.) In fact "[t]he Commission has long recognized that the public interest is served when utility property is used for other productive purposes without interfering with the utility's operations or the provision of utility service to the public." (D.04-07-023, mimeo, p.1, citing D.02-01-058, D.94-06-017, and D.92-07-007)

² Although this Lease is one of many Third Party Uses of PG&E properties within the Land Conservation Commitment (LCC) area, it is not a Land Conservation and Conveyance Plan (LCCP) transaction. The latter will consist of Stewardship Council recommendations for either a donation in *fee simple* of, and/or a donation of a *conservation easement* over, the LCC lands. Pursuant to the CPUC-adopted Settlement Agreement and Stipulation (D.03- 12-035), the Stewardship Council's LCCP recommendations must incorporate and honor existing uses. Whether to accept existing third party uses is not within the purview, purpose, or scope of the LCCPs, as explained in detail in a June 3, 2009 e-mail from PG&E's Gail Slocum in response to a question from the CPUC's Michael Rosauer after a recent pre-filing meeting regarding this Advice Letter with CPUC staff.

In accordance with the format of advice letter directed in Resolution ALJ-202 (Appendix A, Section IV.), PG&E provides the following information related to the proposed transaction:

(1) Identity and Addresses of All Parties to the Proposed Transaction:

Pacific Gas and Electric Company	Mr. and Mrs. Dewitt Henderson
Andrew L. Niven	248 Magaw Lane
Gail L. Slocum	Quincy, CA 95971
Law Department	Telephone: (530) 283-9394
P.O. Box 7442	Email: bucksmar@sbcglobal.net
San Francisco, CA 94120	
Telephone: (415) 973-6583	
Facsimile: (415) 973-0516	
Email: GLSG@pge.com	

(2) Complete Description of the Property Including Present Location, Condition and Use:

The Lakeshore Resort, which has been in operation since the early 1960's, is situated on Bucks Lake, Plumas County, California, Township 23 North, Range 7 East, Section 2.

The Resort is located on approximately twenty-five (25) acres of PG&E-owned land (a portion of APN 112-060-06 and APN 112-060-07). The facilities to be leased, which have not been in operation since December 31, 2005, include a campground which contains: thirty-six (36) campsites, a lodge, bath house, boat house and ten (10) rental cabins. There is also a Marina operation with sixty-two (62) boat slips, which is currently under a separate license. PG&E has incorporated the Marina operation into the new Lease with the Tenants. To facilitate the amortization of the significant improvements to the existing facilities that will be necessary to resume commercial operations at this Resort, PG&E is proposing to enter into a 20-year Lease with the Tenants.

An electric distribution pole line crosses the proposed property and private (PG&E) service lines serve the facilities. Under the Lease, PG&E reserves the right to access the property to construct, reconstruct, maintain, operate and use these electric service facilities on the Property as PG&E deems appropriate for the conduct of its business to serve its customers and the public at large.

(3) Intended Use of the Property:

Under the terms of the proposed Lease, included herein as Attachment 1, the Tenants will take over the operation, repair and maintenance of the existing buildings, campground, and Marina and associated facilities.

In addition, the Tenants shall, beginning in 2010, construct, install and maintain a public Day Use Area on the east side of the lodge as shown in Exhibit A. This Day Use Area shall include six (6) picnic tables, one of which will be America Disability Act (ADA) compliant, three (3) barbeques and one (1) ADA parking space, with appropriate signage. The proposed Day Use Area, which is yet to be designed, will be subject to all necessary local land use approvals from the County of Plumas. (See additional discussion in Section 13(b) below)

(4) Complete Description of Financial Terms of the Proposed Transaction:

Under the proposed Lease Agreement, the Tenants will pay PG&E an Annual Rent and a Percentage Rent. Payments of these two Rents will be as follows:

Annual Rent: No Annual Rent shall be due for the period from the Commencement Date through December 31, 2013. Beginning January 1, 2014, an Annual Rent of Ten Thousand Dollars (\$10,000.00) for each calendar year will be due. On January 1, 2019, the Annual Rent will be adjusted to Fifteen Thousand Dollars (\$15,000.00), and on January 1, 2024 to an Annual Rent of Twenty Thousand Dollar (\$20,000.00).

Percentage Rent: From the Commencement Date through December 31, 2013, the Tenants shall pay PG&E a Percentage Rent of 15 percent of the total Gross Sales for each calendar year, **excluding** Marina rentals. Beginning January 1, 2014, the Tenants will pay PG&E a Percentage Rent of 8 percent of the total Gross Sales for each calendar year, **including** Marina rentals, but less credit for the Annual Rent paid for each respective year.

(5) Description of How Financial Proceeds of the Transaction Will Be Distributed:

As consideration for granting the lease, the Tenants will pay PG&E an Annual and Percentage rent for use of PG&E's Lakeshore Resort property. Any compensation received for the duration of the 20-year lease will be

treated as Other Operating Revenue and used to reduce the generation revenue requirements in future General Rate Cases, consistent with conventional cost-of-service ratemaking.

(6) Statement on the Impact of the Transaction on Ratebase and Any Effect on the Ability of the Utility to Serve Customers and the Public:

As a result of this transaction, no PG&E property is being sold or disposed off. As such, there will be no change in PG&E's rate base. Furthermore, granting this lease will not interfere with and/or affect PG&E's ability to provide reliable service to its customers and the public at large.

On the contrary, granting this Lease will support the efforts of the County of Plumas to reduce unemployment levels by providing employment opportunities at the Resort. Re-opening the Resort will also have a positive effect on public benefits by improving the viability of small businesses within this community of 5,000 residents, as well as enhancing existing recreational facilities in order to provide additional public access and enhance the recreation experience. Renewed operation of the Resort's restaurant and store will also provide local services of benefit to the public in this community.

Ratepayers will benefit from granting this Lease. Rental revenues collected during the duration of the Lease will help reduce the rates that ratepayers would otherwise have had to pay. Further, as bound by the terms of Lease, the Tenants will also be required to bear maintenance costs associated with these facilities, which PG&E customers would have otherwise had to bear.

As requested by the Stewardship Council, the Lease contains language whereby the Tenants acknowledge that: (1) under Section 3(a)(1) the leased premises are subject to PG&E's Settlement Agreement as modified and approved by the CPUC in Decision 03-12-035, and that (2) under Section 3(a)(4) pursuant to that Settlement Agreement, the Stewardship Council has developed and adopted a land conservation plan ("LCP") for protection of the Watershed Lands for the benefit of the citizens of California, and that (3) under Section 3(b) PG&E shall have the right to require modifications to the Tenant's Permitted Use to the extent reasonably necessary to preserve and enhance the beneficial public values present at the Premises in accordance with the LCP. Accordingly, pursuant to Section 3(a)(6)(3) of the Lease, the Tenants agrees that every parcel of the Watershed Lands, including the Resort, will be subject to a future donation by PG&E of a conservation easement or easements to one or more public agencies or qualified non-profit conservation organizations.³

³ Certain LCC Watershed Lands which are not within FERC boundaries may also be subject to a fee simple donation, but the Lakeshore Resort property is on lands that have already been

This ensures that the Lease has no adverse effect on the Commission adopted Land Conservation Commitment, which further benefits the public interest.

(7) The Original Cost, Present Book Value, and Present Fair Market Value for Sales of Real Property and Depreciable Assets, and a Detailed Description of How the Fair Market Value Was Determined (e.g., Appraisal):

Not Applicable.

(8) The Fair Market Rental Value for Leases of Real Property, and a Detailed Description of How the Fair Market Rental Value Was Determined:

PG&E will levy an Annual and Percentage rent for the lease of the Resort, as outlined in Section (4) above.

Historically, most of PG&E lease agreements have entailed the lease solely of PG&E *land*. This transaction with the Tenants differs significantly, in that the Lease includes the rental of both PG&E owned land and *land improvements*.

In determining the fair market rental value for *land leases only*, PG&E has traditionally relied on information collected through company appraisers and the Corporate Real Estate department. This analysis has determined that a reasonable return on investment would entail a 5-10 percent rent on gross receipts, in addition to an annual rent. PG&E has historically charged tenants 7.5 percent on gross receipts. Since this transaction has an additional dimension, PG&E owned *land improvements*, a higher percentage rate would be required to reflect a fair market rate necessary to maximize the financial benefits passable to ratepayers.

Because the Resort has not been in operation since January 2006, significant renovation work will be required to bring it up to acceptable and usable standards. In an effort to protect ratepayers from bearing additional costs, PG&E and the Tenants agreed that, from the Commencement Date (See Exhibit D) to December 31, 2013, a Percentage Rent of 15 percent would be levied on gross receipts, less any repair and maintenance costs. In addition, during this same "start-up" period, the Tenants will be exempt from any Annual Rent payments, as outlined in Section (4).

The Tenants operate a similar resort with cabins, a boat ramp and a campground within the vicinity. Based on their 15 years of experience in

operating and maintaining that resort, the Tenants provided PG&E with a rough estimate of \$100,000, as the potential cost of repairs necessary to renovate the Lakeshore Resort's facilities.

PG&E believes that the terms of the Lease from Commencement Date to December 31, 2013, will facilitate the renovation of the Resort in a timely and cost-effective manner, benefiting both the Tenants as well as the Bucks Lake community. As of January 1, 2014, the Tenants will be obligated to pay both an Annual and Percentage Rent as specified in Section (4).

PG&E, through its internal appraisals and feedback from the Corporate Real Estate department, believes that the proposed rents are in line with current market rates and reflect a fair market rental value.

(9) For Fair Market Rental Value of the Easement or Right-of-Way and a Detailed Description of How the Fair Market Rental Value Was Determined:

Not Applicable.

(10) A Complete Description of any Recent Past (Within the Prior Two Years) or Anticipated Future Transactions that May Appear To Be Related to the Present Transaction⁴:

Not Applicable.

(11) Sufficient Information and Documentation (Including Environmental Review Information) to Indicate that All Criteria Set Forth in Section II(A) of Resolution ALJ-202 Are Satisfied:

PG&E has provided information within this Advice Letter to meet the eligibility criteria under the Section 851 Advice Letter pilot program:

- The proposed transaction will not have an adverse effect on public interest because it will not interfere in any way with the operations of PG&E facilities, or with the provision of service to PG&E's customers.

On the contrary, re-opening the Resort will serve PG&E's customers' interests for the reasons stated above (see esp. Section 6), and serve the public interest by creating jobs in Bucks Lake area, thereby reducing the unemployment rate in Plumas County. In addition, re-

⁴ During adoption of the Advice Letter pilot program in ALJ-186 (later followed by ALJ-202), this category of information was included to enable the CPUC to ensure that utilities were not seeking to circumvent the \$5 million Advice Letter threshold by dividing what is a single asset with a value of more than \$5 million into component parts each valued at less than \$5 million, which is clearly not the case here. (See CPUC Resolution ALJ-186, issued August 25, 2005, mimeo, p.5.)

opening the Resort will improve the viability of small businesses in this small community of 5,000 residents, as well as restore local services and enhance existing recreational facilities, including providing additional public access thereby augmenting the overall recreation experience at Bucks Lake.

- The Tenants will take over the maintenance and operation of the Resort for a period of 20-years. The total net present value of the Lease payments falls below the \$5 million threshold set in ALJ-202, and the term of the Lease does not exceed the 25-year limit set in ALJ-202. Based on historical operations at the Lakeshore Resort, Percentage Rent has ranged between Thirty-Six Thousand (\$36,000) and Sixty-Two Thousand Seven Hundred (\$62,700) annually. Applying any conservative amount between these two ranges, in addition to the total Annual Rent payable, would result in a net present value of future rent payments over the life of the Lease far below the \$5 Million threshold set in ALJ-202.
- No California Environmental Quality Act (CEQA) review is required for the activities proposed in this transaction for the reasons stated in Section 13 below.
- Finally, the transaction does not involve the transfer or change in ownership of facilities currently used in PG&E operations.

(12) Additional Information to Assist in the Review of the Advice Letter:

Not Applicable.

(13) Environmental Information

Pursuant to ALJ-202, the Advice Letter program only applies to proposed transactions that will not require environmental review by the CPUC as a lead or responsible agency under CEQA either because (a) a statutory or categorical exemption applies or (b) because the transaction is not a "project" under CEQA.

a. Exemption

- i. Has the proposed transaction been found exempt from CEQA by a government agency?
 - 1. If yes, please attach notice of exemption. Please provide name of agency, date of Notice of Exemption, and State Clearinghouse number.

Not Applicable.

2. If no, does the applicant contend that the project is exempt from CEQA? If yes, please identify the specific CEQA exemption or exemptions that apply to the transaction, citing to the applicable State CEQA Guideline(s) and/or Statute(s).

The public Day Use Area improvements are not yet designed or located, and thus are not yet ripe for environmental review under CEQA (see below). However, improvements of this nature to support an ongoing commercial operation will likely be categorically exempt under Section 15303 of the CEQA Guidelines (construction of new small facilities or structures), Section 15304 (minor alterations to land), and Section 15311 (construction, or placement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities, including small parking lots).

b. Not a "Project" Under CEQA

- i. If the transaction is not a "project" under CEQA, please explain why.

The proposed transaction does not qualify as a "project" under CEQA.⁵ Although the Tenants plans to construct a public Day Use Area on the grounds consisting of six (6) picnic tables, one of which will be ADA compliant, three (3) barbeques and one (1) ADA parking space, as well as a concrete path, sidewalks and walkways, plans for this construction (contemplated for 2010-2011⁶) have not yet been completed, and the Tenant's design process will not begin until formal Commission approval has been received for this Lease.

Once such plans have been formalized, the Tenants will obtain a local use permit for the new facilities, and will undergo the appropriate level of CEQA review, if any is deemed necessary by the County of Plumas, at that time. An environmental review now by the CPUC as lead agency would be premature because the design and location of the facilities are

⁵ See CEQA guidelines Section 15060 subdiv. c & c.2; see also Public Resources Code Section 21065 and CEQA Guidelines Section 15378 subdiv. a.

⁶ See table of Maintenance and Operation for the next four years, attached hereto as Exhibit C.

speculative and too unspecific to allow meaningful environmental review.⁷

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail by facsimile or electronically, any of which must be received no later than **June 25, 2009**, which is 20 days after the date of this filing. Protests should be mailed to:

CPUC Energy Division
Attention: Tariff Unit, 4th Floor
505 Van Ness Avenue
San Francisco, CA 94102

Facsimile: (415) 703-2200
E-mail: mas@cpuc.ca.gov and jnj@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission.

Pacific Gas and Electric Company
Attention: Brian Cherry
Vice President, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Effective Date:

Pursuant to the review process outlined in Resolution ALJ-202, PG&E requests that this advice filing become effective by Commission resolution by the August 20, 2009, meeting or as soon as possible. PG&E agrees in advance to a shortened review and comment period and waiving its right to reply comments on a draft resolution approving this request, if the Energy Division deems a shortened period appropriate and/or necessary in order to expedite final approval to help the

⁷ See cases cited in A.08-04-020, filed with the CPUC by PG&E April 11, 2008, at pp. 14-18; see also, CPUC Resolution E-4224, pp. 3-4, AL-3336-E p.8.

State Department of Corrections avoid any losses of funding, as discussed earlier in this filing. **PG&E submits this filing as a Tier 3.**

Notice:

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being served on the Energy Division and the Division of Ratepayer Advocates. In addition, in accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address change requests should be directed to Rose De La Torre at (415) 973-4716. Advice letter filings can also be accessed electronically at <http://www.pge.com/tariffs>

A handwritten signature in cursive script that reads "Brian Cherry / mt".

Vice President, Regulatory Relations

Attachments

cc: Service List - Advice Letter 3471-E

***** **SERVICE LIST Advice 3471-E** *****
APPENDIX A

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***** **AGENCIES** *****

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***** **3rd Parties** *****

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bucksmar@sbcglobal.net

Stewardship Council
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(650) 344-9072 (p) or (866) 791-5150 (toll free)
info@stewardshipcouncil.org

Bucks Lake Homeowners Association
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Quincy, CA 95971

James Pollock and Jeffery Pollock
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William Nicholai
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CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:

☒ ELC

☒ GAS

☐ PLC

☐ HEAT

☐ WATER

Contact Person: Linda Tom-Martinez

Phone #: (415) 973-4612

E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3471-E**

Tier: 3

Subject of AL: **Lakeshore Resort Lease - Request for Approval Under Section 851**

Keywords (choose from CPUC listing): Section 851

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other _____

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: _____

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: ☐ Yes ☐ No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: _____

Resolution Required? ☒ Yes ☐ No

Requested effective date: **August 20, 2009**

No. of tariff sheets: N/A

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division

Tariff Files, Room 4005

DMS Branch

505 Van Ness Ave.,

San Francisco, CA 94102

jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian K. Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

Advice No. 3471-E

Attachment 1

(Commercial Resort Lease)

COMMERCIAL RESORT LEASE

(Lakeshore Resort-Bucks Lake)

BETWEEN

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation,
as Landlord

and

DeWitt Henderson and Kim Henderson, husband and wife,
as Tenant

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SUMMARY OF LEASE TERMS

Commercial Resort Lease

(Lakeshore Resort - Bucks Lake)

- A. Date (For Reference Purposes Only): _____, 200__
- B. Landlord: Pacific Gas and Electric Company,
a California corporation
- C. Landlord's address for notices: Pacific Gas and Electric Company
[Section 28] Land Agent
350 Salem Street
Chico, CA 95928
Phone No: (530) 896-4256
Fax Number: (530) 896-4254

With a copy to:

(If by certified mail and/or facsimile)

Law Department
Pacific Gas and Electric Company
P.O. Box 7442
San Francisco, CA 94120
Attn: Director & Counsel, Contracts Section
(Real Estate)
Telephone: (415) 973-4377
Facsimile: (415) 973-5520

(If by personal delivery or overnight courier)

Law Department
Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, CA 94105
Attn: Director & Counsel, Contracts Section
(Real Estate)
Telephone: (415) 973-4377
Facsimile: (415) 973-5520

- D. Landlord's address for payments: Pacific Gas and Electric Company
[Section 5(e)] Attn: Land Agent
350 Salem Street
Chico, CA 95928
- E. Tenant: DeWitt Henderson and Kimberly Henderson, husband
and wife
- F. Tenant's address for notices: (If by certified mail)
[Section 28]

Mr. and Mrs. DeWitt Henderson
P. O. Box 559
Quincy, CA 95971

(If by personal delivery or overnight courier)

Mr. and Mrs. DeWitt Henderson
248 Magaw Lane
Quincy, CA 95971
- G. Default Rate: Ten percent (10%) per annum
[Section 1(b)]
- H. Description of Premises: Land and Improvements, in AS IS condition, consisting
[Section 1(h)] of approximately 25 acres (a portion of APN 112-060-06 and 112-060-07) improved with a lodge, bathhouse, boathouse, 10 cabins, 34 unit campground and RV park, log boom and boat ramp, located on Landlord's Property (as defined below) at Bucks Lake, Plumas County, California, as shown on Exhibit A
- I. Description of Property Landlord's property situated on or about Bucks Lake,
[Section 1(i)] Plumas County, California, consisting of approximately 1807 acres, including, without limitation, the Premises
- J. Term: Approximately, twenty (20) years (see subsection M
[Section 2] below)
- K. Commencement Date and The date that is the latter of (i) full execution and
Effective Date: delivery of this Lease by Landlord and Tenant, and (ii) approval by the California Public Utilities Commission, pursuant to notice provided by Landlord, as more specifically set forth in Section 4.
- L. Rent Commencement Date: Upon the Commencement Date

- S. Tenant's Broker(s): None
[Section 31]
- T. CPUC Approval CPUC Decision D _____
[Section 4] (Application No. A _____)
- U. Exhibits: Exhibit A – Map of Premises
[Section 34] Exhibit B – Rules and Regulations
Exhibit C – Maintenance and Operation Plan
Exhibit D – Commencement Date Memorandum
Exhibit E – Day Use Area

The provisions of this Lease identified above in brackets are those provisions where references to particular Lease terms appear. Each such reference shall incorporate the applicable Lease terms. In the event of any conflict between the Summary of Lease Terms and this Lease, the latter shall control.

COMMERCIAL RESORT LEASE

THIS COMMERCIAL RESORT LEASE (this "Lease") is made and entered into as of the date to be effective upon the Effective Date, as set forth in the Summary of Lease Terms, by and between Landlord and Tenant, as identified in the Summary of Lease Terms.

Landlord hereby leases to Tenant, and Tenant hires from Landlord, the Premises described in Section 1(h) below for the Term and subject to the terms, covenants, agreements and conditions hereinafter set forth, to each and all of which Tenant and Landlord hereby mutually agree.

Section 1. Definitions. The following terms shall have the meanings herein specified:

(a) Alterations. The term "Alterations" shall mean all alterations, additions or additional improvements to or of the Premises or any part thereof made by Tenant or any of the Tenant Parties, including, without limitation, up to sixty-two (62) floating boat docks, slips and buoys.

(b) Default Rate. The term "Default Rate" shall mean the percentage interest per annum set forth in the Summary of Lease Terms, provided that in no event shall the Default Rate of interest charged on any sum then due or past due hereunder exceed the maximum rate of interest, if any, which may then be lawfully charged on such amount.

(c) Gross Sales. The term "Gross Sales" shall mean the gross income or receipts of Tenant made or received from any and all operations or use, in, at, upon, from or of the Premises, including, without limitation, any gross price, fee, commission or charge for products or services arising out of Tenant's Permitted Use as set forth in the Summary of Lease Terms; and all deposits of any kind received by Tenant from, and not refunded to, purchasers or customers in connection with any business, transactions, operations or use in, at, upon, from or of the Premises. The following shall be excluded from Gross Sales (or, if previously included in Gross Sales, the following shall be deducted from Gross Sales to the extent so previously included): (i) the net amount of any bona fide cash or credit refund made by Tenant upon any sale from the Premises where the merchandise sold, or some part thereof, is returned by the purchaser to and accepted by Tenant (not exceeding the amount of the original sales price of the merchandise returned); (ii) sales of fixtures by Tenant, which are not stock in trade and not in the ordinary course of business; (iii) the amount of any City, County, State or Federal sales, use, gross receipts, luxury, bedroom or excise tax on sales which is both added to the selling price (or absorbed therein) and paid to the taxing authority by Tenant (but not by any vendor of Tenant), and (iv) for the period prior to January 1, 2014, gross income or receipts from the operation of the log boom, boat ramp and any and all floating boat docks, slips and buoys installed by Tenant (the "Marina"). No deduction from Gross Sales shall be allowed for uncollected or uncollectible credit accounts or charges, bad debts, or returned checks. For purposes of determining Gross Sales, "Tenant" includes subtenants, licensees, concessionaires, and any personnel or agent of Tenant, and Gross Sales includes all items, categories and exclusions set forth above with respect to any such subtenant, licensee or concessionaire.

(d) Hazardous Material. The term "Hazardous Material" means (a) petroleum or petroleum products, natural or synthetic gas, asbestos in any form, urea formaldehyde foam insulation, radon gas, polychlorinated biphenyls (PCBs), electromagnetic fields (EMFs), special nuclear or byproduct material, lead based paint and other lead contamination; (b) any substances defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants," "contaminants" or "pollutants," or words of similar import, under any applicable federal, state or local statute, law, rule, regulation, ordinance, code, policy or rule of common law now or hereafter in effect and in each case as amended, and any judicial or administrative interpretation thereof, including any judicial or administrative order, consent decree or judgment, relating to the environment, health or safety; and (c) any other substance the exposure of which is regulated by any governmental authority.

(e) Hazardous Materials Laws. The term "Hazardous Materials Laws" means all Legal Requirements relating to industrial hygiene, environmental protection or the use, analysis, generation, manufacture, storage, presence, disposal or transportation of any Hazardous Material, as defined above.

(f) Improvements. The term "Improvements" shall mean all existing buildings, structures, log booms, boat ramp, utilities, drainage and sewage lines, wells, water tanks and water lines, and all other improvements currently located on the Premises, including, without limitation, the improvements set forth in the Summary of Lease Terms, and any future improvements installed by Landlord.

(g) Insured Loss. The term "Insured Loss" shall mean damage or destruction to the Improvements which was caused by an event required to be covered by the insurance described in Section 13.

(h) Legal Requirements. The term "Legal Requirements" shall mean all laws, statutes, ordinances, rules, regulations, requirements or orders of municipal, state, and federal authorities now in force or that may later be in force, including, but not limited to, all provisions of the Americans With Disabilities Act of 1990, Title 24 of the California Administrative Code (the "ADA") and all Hazardous Materials Laws, the requirements of any board of fire underwriters or other similar body now or in the future constituted, any occupancy certificate issued by public officers, and any recorded covenants, conditions and restrictions applicable to the Premises.

(i) Premises. The term "Premises" shall mean the land and Improvements, in "AS IS" condition, as described in the Summary of Lease Terms, shown outlined by the heavy dashed line on the map attached hereto as Exhibit A.

(j) Property. The term "Property" shall mean the real property owned by Landlord as described in the Summary of Lease Terms together with all easements and rights appurtenant thereto.

(k) Routine Maintenance. The term "Routine Maintenance" shall mean the repair, upkeep, cleaning and maintenance of the Improvements that neither substantially and

materially add to the value of the Premises or Improvements nor appreciably prolong the life of the Improvements. Routine Maintenance serves only to keep the Premises or Improvements in a clean, safe, ordinary and efficient operating condition. Examples of Routine Maintenance include, but are not limited to, interior decoration, exterior and interior painting, vandalism repair, repair of broken windows, light bulb replacement, cleaning, unplugging drains, septic pumping, log boom repair and boat ramp repair, preventive and ordinary maintenance of the electrical, water and septic systems, lubrication of motors, greasing servicing, inspection oiling, adjusting, tightening, aligning watering, weeding, sweeping, refinishing picnic tables, routine housekeeping, and general snow removal.

(l) Rules and Regulations. The term "Rules and Regulations" shall mean all rules and regulations adopted and all modifications thereof and additions thereto, promulgated by Landlord from time to time to govern the operation of the Premises, including, without limitation, the Commercial Resort Rules and Regulations attached hereto as Exhibit B.

(m) Tenant Parties. The term "Tenant Parties" shall mean Tenant and its employees, agents, contractors, licensees, invitees and visitors.

Section 2. Term; Termination.

(a) The term of this Lease (the "Term") shall commence on the Commencement Date set forth in the Summary of Lease Terms and, unless sooner terminated as hereinafter provided, shall expire on the Expiration Date as set forth in the Summary of Lease Terms. Following the Commencement Date, Landlord shall prepare and deliver to Tenant a Commencement Date Memorandum, in the form attached hereto as Exhibit D, that sets forth both the Commencement Date and Expiration Date for this Lease. Tenant shall execute and return the Commencement Date Memorandum within thirty (30) days of receipt thereof. Upon the Expiration Date, Tenant shall surrender possession of the Premises as set forth in Section 25 of this Lease.

(b) Tenant is thoroughly familiar with the current condition of the Premises and the Improvements, and Tenant agrees to accept the Premises and Improvements in their existing "AS-IS" condition on the date hereof, without any representations or warranties of any kind, express or implied, with respect to the condition of the Premises or Improvements.

(c) **LANDLORD MAY TERMINATE THIS LEASE AS TO THE ENTIRE PREMISES OR AS TO ANY PORTION THEREOF AS SET FORTH IN SECTION 7(G) BELOW, OR, IF LANDLORD, IN ITS REASONABLE JUDGEMENT, FINDS IT NECESSARY TO OBTAIN THE PREMISES, OR A PORTION THEREOF, IN ORDER TO USE THE PREMISES FOR UTILITY PURPOSES, UPON ONE HUNDRED AND EIGHTY (180) DAYS WRITTEN NOTICE TO TENANT. IF LANDLORD TERMINATES THIS LEASE AS TO THE ENTIRE PREMISES PURSUANT TO THIS SECTION, TENANT SHALL BE ENTITLED TO A REFUND OF ANY RENT ALLOCABLE TO THE PERIOD AFTER THE DATE THAT TENANT VACATES THE PREMISES. IF LANDLORD TERMINATES THIS LEASE AS TO A PORTION OF THE PREMISES, THE RENT SHALL BE EQUITABLY REDUCED BY LANDLORD AS LANDLORD DEEMS REASONABLE CONSIDERING THE IMPACT, IF ANY, ON**

TENANT'S BUSINESS. TENANT WAIVES ANY RELOCATION ASSISTANCE PURSUANT TO SECTION 7260 ET SEQ. OF THE GOVERNMENT CODE OR THE UNIFORM RELOCATION ASSISTANCE AND REAL PROPERTY ACQUISITION POLICIES ACT, 42 U.S.C. §§ 4601 ET SEQ., OR UNDER ANY SIMILAR LAW, STATUTE OR ORDINANCE NOW OR HEREAFTER IN EFFECT. TENANT SHALL SURRENDER POSSESSION OF THE PREMISES, OR PORTION THEREOF, NO LATER THAN ONE HUNDRED AND EIGHTY (180) DAYS AFTER TENANT'S RECEIPT OF THE TERMINATION NOTICE. IF LANDLORD SO TERMINATES, TENANT SHALL SURRENDER POSSESSION OF THE PREMISES, OR PORTION THEREOF, IN THE CONDITION REQUIRED BY SECTION 25 OF THIS LEASE. (TENANT TO INITIAL HERE _____)

Section 3. Conservation Documents.

(a) Landlord and Tenant hereby enter into this Lease with reference to the following:

(1) Landlord is a party to that certain Settlement Agreement (the "Settlement Agreement") as modified and approved by the CPUC, as defined below in Section 4, in its Opinion and Order of December 18, 2003 (Decision 03-12-035).

(2) In furtherance of the Settlement Agreement, and to provide additional detail regarding the implementation of the "Land Conservation Commitment" (defined below), the parties to the Settlement Agreement and other interested parties entered into that certain Stipulation Resolving Issues Regarding the Land Conservation Commitment dated September 25, 2003 (the "Stipulation").

(3) The Settlement Agreement and the Stipulation (collectively, the "Governing Documents") require Landlord to ensure that approximately 140,000 acres of watershed lands and approximately 655 acres of land located in the Carizzo Plains, all owned by Landlord (collectively, the "Watershed Lands"), including the Premises, are conserved for a broad range of beneficial public values, including the protection of the natural habitat of fish, wildlife and plants; the preservation of open space; outdoor recreation by the general public; sustainable forestry; agricultural uses; and historic values. The obligations of Landlord with respect to the Watershed Lands are set forth in detail in Appendix E of the Settlement Agreement and in Section 12 of the Stipulation, and are defined therein as the "Land Conservation Commitment."

(4) Pursuant to the Governing Documents, the Pacific Forest and Watershed Lands Stewardship Council, a California non-profit public benefit corporation (the "Stewardship Council") was created to oversee and carry out the Land Conservation Commitment. In accordance with the Governing Documents, the Stewardship Council developed and adopted a land conservation plan (the "LCP") for protection of the Watershed Lands for the benefit of the citizens of California. The LCP includes, among other things, objectives to preserve and/or enhance the beneficial public values identified on each parcel of Watershed Lands.

(5) In addition to the LCP, the Stewardship Council is developing a disposition package for the Premises (the "Disposition Package") in order to carry out the objectives of the LCP with respect to the Premises.

(6) Landlord has agreed that, subject to (1) CPUC approval under California Public Utilities Code Section 851, (2) approval by the FERC, as defined below in Section 7, for lands subject to its jurisdiction, and (3) certain other requirements provided in the Governing Documents, every parcel of the Watershed Lands, including the Premises, will be subject to a fee simple donation or donations and/or conservation easement or easements donated by Landlord to one or more public agencies or qualified non-profit conservation organizations.

(7) In furtherance of the foregoing, Landlord intends to grant a conservation easement or easements (the "Conservation Easement") over the Premises to one or more public agencies or qualified non-profit conservation organizations (the "Easement Grantee").

(8) Concurrently with such conveyances, it is anticipated that a land management plan will be executed to preserve and enhance the beneficial public values present at the Premises (as initially adopted, and as the same may be modified and replaced from time to time, the "Land Management Plan").

(b) Tenant acknowledges and agrees that, except as expressly set forth above, neither Landlord nor its officers, directors, employees or agents makes or has made any representations or warranties of any kind, express or implied, written or oral, as to the Governing Documents, the Land Conservation Commitment, the LCP, the Disposition Package, the Conservation Easement, the Land Management Plan, and the conveyances and agreements that Landlord may enter into pursuant to the foregoing (collectively, the "Conservation Documents"), the activities to be carried out pursuant thereto, or the potential physical, economic or other impact thereof on Tenant, the Premises, the rights and obligations of Tenant under this Lease or otherwise.

(c) Landlord shall have the right to require modifications to Tenant's Permitted Use to the extent reasonably necessary to preserve and enhance the beneficial public values present at the Premises in accordance with the Conservation Documents; provided, however, that no such modifications shall have a Material Adverse Impact, as defined below. Tenant acknowledges that, provided such modifications would not have a Material Adverse Impact, such modifications may result in Tenant being required to conduct, or refrain from conducting, certain activities currently permitted on some or all of the Premises, and such modifications may impact Tenant economically. In addition to the rights reserved to Landlord in this subparagraph (c) and otherwise reserved to Landlord under this Lease, Landlord and others permitted by the Conservation Documents shall have the right to temporarily or permanently construct on the Premises such new structures or other improvements as Landlord deems appropriate in Landlord's sole discretion to comply with the provisions of the Conservation Documents ("LCP Facilities"), and to reconstruct, maintain, operate and use the LCP Facilities; provided, however, that no such construction and subsequent use of the LCP Facilities shall have a Material Adverse Impact on Tenant. Landlord shall give Tenant at least one hundred and

eighty (180) days' prior written notice of Landlord's election to modify Tenant's use hereunder or to construct new LCP Facilities on the Premises.

(d) As used in subparagraph (c) above, the phrase "Material Adverse Impact" shall mean an impact that materially deprives Tenant (or that is reasonably likely to materially deprive Tenant) of any of its material rights and benefits under this Lease, or that materially increases (or is reasonably likely to materially increase) any of Tenant's obligations under this Lease, as determined by Landlord in its reasonable discretion, resulting from any (i) restriction or modification to Tenant's Permitted Use of the Premises, (ii) temporary or permanent construction on the Premises of LCP Facilities, or (iii) reconstruction, maintenance, operation or use of LCP Facilities.

(e) This Section 3 shall be self-operative and no further instrument of subordination shall be required. However, Tenant agrees to execute such documentation as may be reasonably requested by Landlord in order to carry out the terms of this Section 3.

(TENANT TO INITIAL HERE _____)

Section 4. CPUC Approval. This Lease shall not become effective, notwithstanding that it may have been executed and delivered by one or both of the parties, and Tenant shall not commence any activities hereunder, unless and until the California Public Utilities Commission ("CPUC") approves this Lease and other transactions contemplated hereby (including the adequacy of the compensation to be paid by Tenant, by an order which is final, unconditional and unappealable (including exhaustion of all administrative appeals or remedies before the CPUC). Tenant further acknowledges and agrees that Landlord makes no representation or warranty regarding the prospects for CPUC approval, and Tenant hereby waives all claims against Landlord which may arise out of the need for such CPUC approval or the failure of the CPUC to grant such approval. This Lease is made subject to all the provisions of such approval, as identified in the Summary of Lease Terms, as more particularly set forth in like manner as though said provisions were set forth in full herein.

Section 5. Rent.

(a) Tenant agrees to pay to Landlord as "Annual Rent" and "Percentage Rent" for the Premises the sums and in the manner specified in the Summary of Lease Terms, subject to potential credit as more specifically set forth in Section 9(a) below. The Annual rent shall be adjusted on January 1, 2019 and on January 1, 2024 as specified in the Summary of Lease Terms. Tenant shall prepare and send to Landlord a statement of Gross Sales for such respective year no later than the first (1st) day of May of each year with respect to the prior calendar year's Gross Sales, whether or not there is a payment of Percentage Rent due for the applicable year. Landlord shall have the right to examine Tenant's book of accounts at any and all times. All statements hereunder shall show in detail all items, deductions, exclusions and additions included in the calculation of Gross Sales, shall be true, accurate and complete and certified as such by Tenant, and shall otherwise be in such form and contain such information as Landlord may from time to time specify.

(b) Tenant shall install one or more cash registers equipped with a scaled cumulative totaling device and a daily dated continuous, non-reversible tape on which all Gross Sales shall be recorded and imprinted. Tenant shall maintain and keep true, accurate and complete books, records and accounts of all Gross Sales, including (i) true copies of any sales and other excise tax reports; (ii) Federal and State tax returns; (iii) sales slips and checks; (iv) bank records; (v) cash register tapes; and (vi) sales journals, books of account, general ledgers and purchase journals. Such books, records and accounts shall be maintained in such manner, and include such records, as would be required by a certified public accountant to perform an audit to determine, or produce an audited statement of, Gross Sales. If at any time Tenant's books, records and accounts prove inadequate in Landlord's judgment to record Gross Sales in the detail and manner herein required, Tenant shall, upon the request of Landlord, keep and maintain such books, records and accounts as Landlord deems reasonably necessary or appropriate for such purpose. Tenant shall, for a period of at least three (3) years after the end of each calendar year, keep safe and intact all of its books, records and accounts maintained hereunder.

(c) Tenant shall, promptly upon Landlord's request, make all of Tenant's books, records, and accounts available at a location as determined by Landlord, for inspection, review and/or copying by Landlord or Landlord's authorized representative or agent to enable Landlord to verify Tenant's statements of Gross Sales and/or calculations of Percentage Rent. If Tenant at any time makes, or causes to be made, an audit of Tenant's business conducted in or upon the Premises, Tenant shall furnish Landlord a copy of such audit, together with an opinion thereon by the auditing certified public accountant. Landlord may, upon three (3) days' prior notice to Tenant, cause an audit to be made of Tenant's books, records and accounts for any period for which Tenant was required to deliver a statement of Gross Sales. If any such audit discloses that Tenant has under-reported Gross Sales or underpaid Percentage Rent by more than two percent (2%) in any calendar year, Tenant shall pay to Landlord the cost of Landlord's audit and the amount of any deficiency, plus interest at the Interest Rate. In addition, regardless of the extent of the under-reporting or underpayment, if Tenant's under-reporting or underpayment was fraudulent or grossly negligent, Landlord, without waiving any other remedies it may have, shall be entitled to, and Tenant shall pay to Landlord, an additional rent equal to twenty-five percent (25%) of the under-reported or underpaid amount, as the case may be.

(d) All charges and other amounts of any kind payable by Tenant to Landlord pursuant to this Lease, other than the Annual Rent, shall be deemed additional rent hereunder ("Additional Rent"). Unless the context requires otherwise, Annual Rent and Additional Rent for any partial calendar month during the Term shall be prorated based on a 365-day calendar year. Landlord shall have the same remedies for default in the payment of Additional Rent as for default in the payment of Annual Rent, and the term Rent shall include Annual Rent and Additional Rent.

(e) Rent shall be paid to Landlord, without deduction, recoupment, offset or counterclaim, in lawful money of the United States of America, at Landlord's address for payment set forth in the Summary of Lease Terms to such other person or at such other place as Landlord may from time to time designate in writing. All Rent payable by Tenant to Landlord hereunder, if not received by Landlord within thirty (30) days after the due date (or if no due date is otherwise specified hereunder, within thirty (30) days following Landlord's invoice or

demand therefor) shall bear interest at Default Rate from the due date (or the date of such invoice or demand) until paid. Landlord's acceptance of interest shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the rights and remedies available to Landlord under this Lease or by law.

(f) Tenant acknowledges that late payment of Rent will cause Landlord to incur costs not contemplated by this Lease, the exact amount of such costs (other than interest and attorneys' fees and costs) being extremely difficult and impractical to fix. Such costs include, without limitation, processing and accounting charges and costs of collection. Therefore, if any installment of Rent is not received by Landlord within thirty (30) days after its due date, then Tenant shall pay a late charge of the sum set forth in the Summary of Lease Terms ("Late Fee") to Landlord, which sum shall constitute liquidated damages for such late payment, in lieu of actual damages (other than interest and attorneys' fees and costs, which shall be payable by Tenant in accordance with the provisions of this Lease) which Landlord may suffer on account of such default. The parties agree that the amount set forth as the Late Fee in the Summary of Lease Terms represents a fair and reasonable estimate of the costs that Landlord will incur by reason of late payment by Tenant. Acceptance of any liquidated damages shall not constitute a waiver of Tenant's default with respect to the overdue amount or prevent Landlord from exercising any of the rights and remedies available to Landlord under this Lease or by law. Such liquidated damages shall constitute Additional Rent hereunder, and shall be payable in addition to interest and any attorneys' fees and costs which may be payable under this Lease.

Section 6. Taxes.

(a) In addition to Rent and all sums to be paid by Tenant hereunder, Tenant shall pay, before delinquency, any and all taxes on the equipment, furniture, furnishings, appliances, bedding, merchandise, watercraft, vehicles and floating boat docks, slips and buoys and any other personal property owned by Tenant or any of the Tenant Parties located at or in the Premises (the "Personal Property"). If Landlord is assessed for such taxes as part of Landlord's real property tax bill or otherwise, Landlord shall have the right, but not the obligation, to pay such taxes, and in that event, Tenant shall reimburse Landlord for the portion of such expense attributable to the Personal Property within thirty (30) days of receipt of an invoice therefor.

(b) Landlord shall pay any and all real property taxes for the Property and Improvements directly to the taxing authority.

Section 7. Use.

(a) Tenant acknowledges and agrees that (i) the primary use of the Property is for generation of hydroelectric power; (ii) lake levels can vary dramatically according to Landlord's operational needs, consistent with applicable Federal Energy Regulatory Commission ("FERC") license requirements; and (iii) Tenant has no right to demand, and Landlord has no obligation to maintain, the lake at levels desirable to Tenant. Landlord shall have the right in Landlord's sole judgment to lower or raise the water level of the lake as necessary or appropriate in conjunction with Landlord's use of the Property for hydroelectric purposes, regardless of the presence of improvements or occupancy of the area affected by such fluctuation in water level, and in such event Landlord will not be

liable to Tenant for any amount whatsoever with respect to any personal injury or damage to the Personal Property which may be located on the Premises. In no event shall Landlord be liable for damages by reason of loss of profits, business interruption or other consequential damage arising from the lowering or raising of the water level of the lake. The fluctuation in the water level of the lake shall not constitute grounds for a claim for abatement of Rent, actual or constructive eviction or termination of this Lease. (TENANT TO INITIAL HERE _____)

(b) The Premises shall be for Tenant's Permitted Use as set forth in the Summary of Lease Terms, and for no other purpose without Landlord's written consent, which may be granted or withheld by Landlord in its sole and absolute discretion. Tenant acknowledges that Landlord has made no representation to Tenant regarding the fitness or suitability of the Premises or Improvements for Tenant's Permitted Use.

(c) Tenant shall at all times employ its best skills, efforts and abilities to operate Tenant's Permitted Use in a first class manner in order to produce the highest possible Gross Sales, and to enhance the customer traffic in, and reputation and attractiveness of, the Premises. Tenant shall conduct its business in a first-class and reputable manner, with a sufficient staff of employees to adequately serve the needs of Tenant's customers.

(d) Subject to the limitation set forth in this paragraph, Tenant is hereby granted permission by Landlord to use the existing roads on the Property for the sole purpose of ingress and egress to the Premises, in their then existing "AS IS" condition, weather permitting, at Tenant's sole risk. Landlord has no obligation to maintain any and all roads, and Landlord reserves the right to close any and all roads on the Property at any time when necessary for Landlord's utility-related operations, to protect the roads, the environment, or human health and safety, or for any other legitimate business reason, at Landlord's sole and absolute discretion, despite the fact that such closure may prevent Tenant or Tenant's employees, agents, contractors, licensees, invitees or visitors from accessing or departing the Premises. Furthermore, Landlord has no responsibility whatsoever to assure that there are roads available for ingress or egress to the Premises, and Landlord shall not be responsible for clearing roads on the Property of snow, fallen trees or debris or maintaining the surface of any roads that may provide ingress and egress to the Premises.

(e) If any portion of the Premises will be utilized for the preparation and sale of food items, Tenant shall (i) operate Tenant's business in a clean and sanitary manner so as to prevent infestation by insects or rodents, and, in addition, whenever there shall be evidence of any infestation, employ contractors to eliminate the infestation, (ii) cause all refuse and rubbish in the Premises to be stored in sealed metal or water-tight rubber or plastic containers and to be removed from the Premises on a weekly basis, and (iii) as required by Section 15 below, comply with all Legal Requirements concerning such preparation and sale of food items.

(f) Tenant, and the Tenant Parties, shall not do or permit to be done in, on, onto or about the Property, nor bring into or keep in or permit to be brought into or kept therein, anything which is prohibited by or will in any way conflict with any Legal Requirements now in force or which may hereafter be enacted or promulgated, or which is prohibited by the standard form of fire and extended coverage insurance policy, or will in any way increase the existing rate

of or affect any fire or other insurance, or cause a cancellation of any insurance policy covering the Property. Tenant shall promptly remove rubbish, debris and waste from the Premises at Tenant's sole expense. Tenant shall not commit or suffer to be committed any waste in, on, or about the Premises, nor shall Tenant cause or permit objectionable noises or odors to emanate from the Premises, or cause, maintain or permit in, on or about the Premises any nuisance or other act or condition which may in any way injure or annoy, disturb the quiet enjoyment of, or obstruct or interfere with the rights of, any occupant of the surrounding area or the Property, nor shall Tenant use or allow the Premises to be used for any improper, immoral, unlawful or objectionable purpose, as determined by Landlord in Landlord's sole and absolute discretion.

(g). Tenant's use of the Premises shall also be governed by any applicable FERC orders or directives and any applicable terms and conditions of the FERC license for the Property for FERC Project No. 619, including, without limitation, (i) the use of the Premises by Tenant and the Tenant Parties shall not endanger health, create a nuisance, or otherwise be incompatible with overall project recreational use, and (ii) the Tenant shall take all reasonable precautions to ensure that the operation, use and Routine Maintenance of the Improvements on the Premises will occur in a manner that will protect the scenic, recreational, and environmental values of the project. Tenant shall not in any way interfere or permit any interference with Landlord's use of its Property as required under its FERC License. The FERC may require Landlord to terminate this Lease as to all or any portion of the Premises or otherwise may require that the Premises be used in a manner wholly or partially incompatible with Tenant's Permitted Use. In addition to the termination rights set forth in Section 2(c) above and the rights reserved to Landlord under Section 18 below, Landlord shall have the right, in Landlord's sole and absolute discretion, (iii) to temporarily or permanently construct, reconstruct, maintain, operate and use the Premises, the Improvements or any portion thereof or any facilities thereon or (iv) to terminate this Lease as to the entire Premises or as to any portion thereof, as Landlord deems appropriate or necessary to comply with Landlord's obligations under its FERC License. If Landlord desires to take any or all of the actions set forth under (iii) and (iv) above, Landlord shall give Tenant at least one hundred and eighty (180) days' prior written notice to that effect. If Landlord terminates this Lease as to the entire Premises or as to any portion thereof, the terms and conditions of Section 2(c) above shall apply.

(h) Tenant and the Tenant Parties shall not in any way interfere or permit any interference with Landlord's use of its Property. Interference shall include, but not be limited to, any activity by Tenant that places any of Landlord's gas or electric facilities in violation of any of the provisions of General Order Nos. 95 (Overhead Electric), 112E (Gas), or 128 (Underground Electric) of the CPUC or any other applicable provisions of the laws and regulations of the State of California or other governmental agencies (whether federal or state). Tenant shall not erect, handle, or operate any tools, machinery, apparatus, equipment, or materials closer to any of Landlord's high-voltage electric conductors than the minimum clearances set forth in the High-Voltage Electrical Safety Orders of the California Division of Industrial Safety, which minimum clearances are incorporated herein by reference, but in no event closer than ten (10) feet to any energized electric conductors or appliances. Tenant shall not drill, bore, or excavate without the prior written consent of Landlord, which consent may be withheld at Landlord's sole and absolute discretion.

(i) Tenant shall not install any signs without the prior written approval of Landlord, including approval of complete plans and specifications for each such sign. Tenant acknowledges that Landlord's approval may be given or withheld in Landlord's sole and absolute discretion. Tenant shall not install or erect any flashing or blinking illuminated signs, neon signs or signs constructed from any non-durable material. All signs must be in compliance with all Legal Requirements and the Rules and Regulations.

(j) Tenant and the Tenant Parties may not use any water from the lake or from any other source, except for Tenant's domestic use and only from the following sources: (i) existing wells located on the Premises, (ii) such other water source approved in writing by Landlord, which permission shall be at Landlord's sole and absolute discretion, or (iii) such sources as may be authorized in the Rules and Regulations. Landlord makes no representation or warranty regarding the quality, availability or quantity of water, and Tenant and the Tenant Parties use such water at their own risk.

(k) Tenant shall dispose of all sewage according to all Legal Requirements and by one of the following methods: (i) by use of existing septic systems or holding tanks currently located on the Premises, (ii) by such other manner as may be approved in writing by Landlord, which approval shall be at Landlord's sole and absolute discretion, or (iii) by such manner as may be authorized in the Rules and Regulations. Landlord reserves the right to require Tenant to alter the method of sewage disposal at Landlord's cost, when necessary in connection with Landlord's operations or to protect the Property, the environment, or human health and safety. Tenant shall comply with Section 8 below in regard to septic systems and any clean-up, remedial removal or restoration work that may be required in connection therewith.

(l) Tenant shall faithfully observe and comply, and cause the Tenant Parties to observe and comply, with the Rules and Regulations. In the event of a conflict between the Rules and Regulations and the provisions of this Lease, this Lease shall govern.

(m) If Landlord determines that Tenant's activities in any way endanger, or reasonably could be anticipated to endanger, the Property, utility facilities, the environment, or the health or safety of any person or persons, Landlord may, at Landlord's sole discretion, temporarily halt Tenant's use and activities until proper and appropriate protective measures may be taken to eliminate such endangerment. Landlord's right to halt activities shall not in any way affect or alter Tenant's obligations under this Lease, nor shall it release Tenant from any of its obligations hereunder that pertain to health, safety, or the protection of the environment.

(n) Tenant shall be responsible for all costs whatsoever associated with the Personal Property.

Section 8. Hazardous Materials.

(a) Tenant, at its expense, shall comply with all Hazardous Material Laws which impose any obligation on Landlord or Tenant with respect to the use, occupancy and Routine Maintenance of the Premises, including, without limitation, any obligation to post so-called "Proposition 65" notices or similar disclosures of the existence of Hazardous Materials in or about the Premises which may be required by the use or occupancy of the Premises or the

circumstances of Tenant's business. Tenant shall not cause or permit any Hazardous Material to be brought upon, kept, used, released, discharged or disposed of in or about the Premises without the prior written consent of Landlord, which consent may be withheld in Landlord's sole and absolute discretion. Notwithstanding the foregoing, Tenant may store or use on the Premises (i) Hazardous Materials specifically allowed, and in the manner specified, by the Rules and Regulations (ii) Hazardous Materials authorized in writing by Landlord, such permission to be at Landlord's sole and absolute discretion and subject to whatever conditions Landlord may impose, and (ii) de minimus quantities of cleaning products, or the gasoline, diesel or other fuel contained within the gas tanks of automobiles or boats on the Premises. Tenant shall maintain Material Safety and Data Sheets (and supply copies thereof to Landlord as requested) for each and every Hazardous Material brought into the Premises. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agents.

(b) If any clean-up, remedial removal or restoration work is required by any federal, state or local governmental agency or political subdivision ("Governmental Agency") because of the presence of Hazardous Materials in or about the Premises, then Tenant shall, at its sole cost, promptly take any and all action necessary to perform such clean-up, remedial removal or restoration in compliance with all Hazardous Material Laws, but only to the extent caused or permitted by Tenant or any of the Tenant Parties and not if the release of Hazardous Materials in or about the Premises occurred prior to the use and occupancy by Tenant or any of the Tenant Parties. The disposal of Hazardous Materials shall be in approved containers which shall be removed from the Premises only by duly licensed carriers. Any removal, manifesting, transport or disposal of Hazardous Materials shall be conducted pursuant to an EPA generator number or other appropriate license obtained by Tenant or its authorized agents. Tenant shall deliver immediately to Landlord a copy of any notice regarding the Premises received from any person, including any Governmental Agency, relating to, or asserting a violation of any Hazardous Material Laws or a claim arising under or relating to any Hazardous Material Laws.

(c) If Landlord has good cause to believe that the Premises have or may have become contaminated by Hazardous Materials permitted by Tenant or any of the Tenant Parties, Landlord may cause tests to be performed, including tests of the air, soil and ground water, to detect the presence of Hazardous Materials and may elect to perform any clean-up, remedial removal or restoration work. The cost of such tests, clean-up, remedial removal or restoration work shall be paid by Tenant upon demand, as Additional Rent.

(d) The rights and obligations of the parties under this Section 8 shall survive the expiration or termination of this Lease and/or Tenant's leasehold estate hereunder.

Section 9. Maintenance; Security; Utilities.

(a) Maintenance. Tenant shall be responsible for costs, including labor and materials, for all Routine Maintenance, and for any and all repair, upkeep, cleaning, maintenance, replacement, reconditioning or renovation of all of the Personal Property, including, without limitation, the floating boat docks, slips and buoys. Tenant shall also repair

and maintain the log booms, which costs shall not be allowed as a Maintenance Credit, as defined below. Except for Routine Maintenance, Landlord shall be responsible for costs, including labor and materials, associated with the repair, maintenance, reconditioning, renovation and replacement of the exterior of the buildings (except painting), roof, foundation, sidewalks, structural elements, heaters, water heaters, cabinets, replacement and/or disposal of logs associated with the log booms, and a one time replacement of floor coverings per each building. Landlord shall also be responsible for major repairs and replacement of the water and septic systems that are capital in nature. Tenant, at Landlord's option, shall perform Landlord's maintenance, repair and replacement responsibilities and shall provide sufficient receipts, tax returns and documentation for any expenditure which shall be credited towards the payment of Percentage Rent for the following year (the "Maintenance Credit"). Prior to Tenant performing any of Landlord's maintenance, repair and replacement responsibilities, Tenant shall provide Landlord with a scope of work and estimated costs to perform the work. Tenant shall acquire written permission from Landlord prior to performing any such work. Any emergency repairs would not require written approval; however, Tenant shall notify Landlord of such emergency repairs and associated costs as soon as possible. If the Maintenance Credit exceeds the payment of Annual Rent Percentage Rent for any given year, no refund will be due Tenant, these credits will carry over to the following year(s) and be deducted from that year's Annual Rent and Percentage Rent payment. If upon expiration or earlier termination of this Lease, there is still any unapplied Maintenance Credit, and Landlord has no other unpaid amounts or claims under this Lease to be paid by Tenant, Landlord shall refund the remaining balance of any Maintenance Credit in cash within thirty (30) days of the date of expiration or termination. If in Landlord's opinion any of the Improvements or Alterations are not being maintained by Tenant as required by this Lease, Landlord shall have the right, but not the obligation, to provide Tenant with written notice to repair, replace, renovate, refurbish or close the affected Improvements and Alterations. Tenant shall make the necessary repairs, replacements, renovations, refurbishments or closures within forty-five (45) days of receipt of Landlord's notice. Tenant shall perform such work in compliance with the provisions of this Lease, including, without limitation, Section 10 below.

(b) Maintenance Schedule. Tenant shall comply with the Maintenance and Operation Schedule attached hereto as Exhibit C. This schedule may be amended as necessary upon review by Tenant and Landlord, at Landlord's sole and absolute discretion.

(c) Security. Tenant shall be responsible for the safety and security of the Tenant Parties or other persons or property in, upon or about the Premises. Landlord does not assume any responsibility for the security of the Premises.

(d) Utilities. Tenant shall pay before delinquency the charges for any and all utilities used by Tenant and the Tenant Parties at the Premises during the Term, including, without limitation, electricity, propane, trash collection and telephone. Landlord shall have no obligation to provide the Premises with electricity, heat, air conditioning, ventilation, water or other utility services whatsoever. Tenant agrees to abide by the Rules and Regulations and any other reasonable requirement that Landlord may prescribe for the proper functioning and protection of utility and other systems.

(e) Interruption of Services. Landlord has no obligation to provide any services to the Premises, and Landlord shall not be liable for any damages directly or indirectly resulting from, nor shall Tenant be entitled to any reduction or abatement of Rent, should there be a failure or interruption in services, including, without limitation, utility service.

(f) No Offset. Tenant acknowledges that Landlord is executing this Lease in its capacity as the owner of the Premises, and not in its capacity as a public utility company or provider of electricity and natural gas. Notwithstanding anything to the contrary contained herein, no act or omission of Pacific Gas and Electric Company or its employees, agents or contractors as a provider of electricity and natural gas shall abrogate, diminish, or otherwise affect the respective rights, obligations and liabilities of Tenant and Landlord under this Lease. Further, Tenant covenants not to raise as a defense to its obligations under this Lease, or assert as a counterclaim or cross-claim in any litigation or arbitration between Tenant and Landlord relating to this Lease, any claim, loss, damage, cause of action, liability, cost or expense (including, without limitation, attorneys' fees) arising from or in connection with Pacific Gas and Electric Company's provision (or failure to provide) electricity and natural gas.

Section 10. Alterations.

(a) Tenant will not make or allow to be made any Alterations without in each instance first obtaining Landlord's written consent to such Alterations, including, without limitation, the installation of up to sixty-two (62) floating boat docks, slips and buoys. When requesting Landlord's consent, Tenant shall furnish complete plans and specifications for the proposed Alterations. Tenant acknowledges and agrees that Landlord has no obligation to be reasonable in connection with its granting or withholding such approval, and Tenant agrees that Landlord's approval may be withheld in Landlord's sole and absolute discretion, for no reason or for any reason (including, among others, that the proposed Alterations, in the opinion of Landlord, are inconsistent or incompatible with the scenic character of the area, or are of a nature that CPUC or FERC approval would be required). Tenant acknowledges that Landlord's approval of any proposed Alterations, if given, may be made contingent upon Tenant's satisfaction of additional terms, covenants and conditions which Landlord may prescribe or impose, without regard to whether such conditions are reasonable.

(b) Landlord may consult with engineers or other professionals to the extent Landlord deems necessary in connection with Landlord's review of Tenant's plans. Tenant acknowledges and agrees that Landlord's sole interest in reviewing and approving Tenant's plans and specifications is to protect Landlord's interests, and that such review and approval by Landlord shall not be deemed to create any liability of any kind on the part of Landlord, or to constitute a representation on the part of Landlord that such plans and specifications are correct or accurate, or comply with any applicable Legal Requirements.

(c) All work of constructing or installing Alterations shall be performed diligently, in a good and professional manner, at Tenant's sole cost and expense, in accordance with plans and specifications previously approved in writing by Landlord. All Alterations shall comply with all applicable Legal Requirements and the Rules and Regulations. Tenant shall provide Landlord with at least fifteen (15) days prior written notice before commencing any construction of Alterations to allow Landlord to post appropriate notices of non-responsibility.

Prior to the commencement of construction of any Alterations by Tenant or Tenant's contractor, Tenant shall (i) deliver to Landlord the building permit, (ii) furnish to Landlord satisfactory evidence of such types of insurance, in such forms, with such companies, for such periods and in such amounts as Landlord reasonably may require, and (iii) upon request, furnish to Landlord satisfactory evidence of such payment and performance and/or completion bonds as Landlord reasonably considers necessary with respect to construction of the Alterations. Tenant shall comply with Section 15 below in regard to compliance with Legal Requirements and the process of obtaining permits and other governmental authorizations related to any Alterations.

(d) Upon completion of construction of any Alterations, Tenant shall record a notice of completion in accordance with the provisions of Civil Code Section 3093, and shall furnish to Landlord "as-built" plans for the completed Alterations and a copy of the building permit, showing all final inspection approvals.

(e) Tenant shall not have the right to install, operate and maintain antennas, microwave dishes and other telecommunications equipment on the roof of any building without first acquiring written permission from Landlord, which permission shall be at Landlord's sole and absolute discretion.

(f) Prior to the expiration, or upon earlier termination, of this Lease, Tenant shall surrender the Premises in the condition required by Section 25 of this Lease.

Section 11. Liens. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by or for the benefit of Tenant. Should Tenant fail to remove any such lien within five (5) business days after notice to do so from Landlord, Landlord may, in addition to any other remedies, record a bond pursuant to California Civil Code Section 3143 and all costs incurred by Landlord in so doing, plus all other amounts which Landlord shall become obligated to pay the surety issuing such bond, shall be due and payable by Tenant to Landlord upon demand as Additional Rent.

Section 12. Destruction or Damage.

(a) If an Insured Loss occurs, then Tenant shall, at Tenant's expense, repair such damage, including the Improvements and Alterations, as soon as reasonably possible and this Lease shall continue in full force and effect, and, in such event, Landlord shall make any applicable insurance proceeds available to Tenant for that purpose.

(b) In the event the Improvements or Alterations are damaged by fire or other casualty that does not constitute an Insured Loss, neither Landlord or Tenant shall have any obligation to repair and restore any damage. Landlord shall send a notice to Tenant stating whether Landlord elects to repair and restore, and if Landlord does not elect to repair and restore, then Tenant shall send a notice to Landlord stating whether Tenant elects to repair and restore. In the event that the damage or other casualty is such that Tenant can not continue the Permitted Use, and neither Landlord nor Tenant elects to repair and restore, Tenant may, at its option, terminate this Lease by delivering written notice of termination to Landlord, such termination to be effective ninety (90) days following the date Tenant receives Landlord's notice that Landlord elects not to repair and restore. In the event this Lease is not terminated by Tenant, this Lease

shall remain in full force and effect notwithstanding such damage, and the Annual Rent shall be equitably reduced by Landlord as Landlord deems reasonable considering the impact, if any, on Tenant's business, as determined by Landlord in Landlord's sole and absolute discretion.

(c) Landlord and Tenant acknowledge that this Lease constitutes the entire agreement of the parties regarding events of damage or destruction, and Tenant waives the provisions of California Civil Code Sections 1932(2) and 1933(4) and any similar statute now or hereafter in force.

Section 13. Insurance.

(a) At all times during the Term, Tenant, at its sole expense, shall procure and maintain, and shall cause any subtenant, licensee or contractor to procure and maintain, the following types of insurance coverage:

(1) Commercial general liability insurance with coverage at least as broad as the Insurance Services Office (ISO) Commercial General Liability Coverage "occurrence" form, with no coverage deletions, insuring against any and all damages and liability, including attorneys' fees and other costs and expenses, on account of or arising out of injuries to or the death of any person or damage to property, however occasioned, in, on, or about the Premises, in the minimum amount of Five Million Dollars (\$5,000,000) per occurrence and Five Million Dollars (\$5,000,000) annually in the aggregate for all claims. Watercraft liability shall be endorsed to the insurance policy to the satisfaction of Landlord's insurance department. In addition, such insurance shall insure the performance by Tenant of its indemnity and other contractual obligations set forth in this Lease;

(2) Insurance against damage by fire and other perils, for damage to the main lodge building only (PG&E Building number 8963), included within standard fire and extended coverage insurance policies in an amount not less than the full replacement cost of the applicable Improvements and Alterations;

(3) Workers' compensation coverage as required by law, including employer's liability insurance, with a limit not less than One Million Dollars (\$1,000,000) for injury or death, each accident;

(4) Business Auto with coverage at least as broad as the Insurance Services Office (ISO) Business Auto Coverage from covering automobile liability, code 1 "any auto," with a limit not less than One Million Dollars (\$1,000,000) for each accident for bodily injury and property damage; and,

(5) Such other insurance as shall reasonably be deemed necessary by Landlord from time to time.

(b) The insurance required under this Section 13 and all renewals thereof shall be issued by companies qualified to do business in the State of California and rated A: X or better in "Best's Key Rating Guide." The insurance described in Sections 13(a)(1) and 13(a)(4) shall be endorsed to include Landlord and any mortgagees, property managers and other parties

as Landlord may specify from time to time, as additional insureds, as their interests may appear. Each policy shall provide expressly, in the form of such policy or by endorsement, (i) that the policy shall not be cancelled or altered in such a manner as adversely to affect the coverage afforded thereby without thirty (30) days' prior written notice to Landlord, (ii) that the coverage shall be primary and noncontributing with any insurance that may be carried by Landlord, (iii) that any loss shall be payable notwithstanding any act of negligence of any additional insured that might otherwise result in a forfeiture of coverage, (iv) that the word "Insured" is used therein severally and not collectively and insurance coverage hereunder shall apply as though a separate policy were issued to each insured, although the inclusion of more than one insured party shall not operate to increase the limits of the insurer's liability, and (v) with respect to the insurance described in Section 13(a)(2), for waiver of the insurer's rights to subrogation against Landlord. If at any time or from time to time, the insurance coverage specified herein is no longer adequate in the opinion of Landlord's insurance department, Tenant shall increase the coverage to the amount specified by Landlord within thirty (30) days after notice from Landlord, provided that Tenant shall not be required to increase its coverage more often than once in any 24-month period.

(c) No later than the Effective Date of this Lease, and upon renewal not fewer than ten (10) days prior to the expiration of such coverage, Tenant shall deliver to Landlord two (2) duplicate original policies, certified copies, or certificates of insurance evidencing each policy of insurance required to be carried under this Section 13, with copies of all endorsements to each policy of insurance. One such copy or duplicate original shall be delivered to Landlord at Landlord's Notice Address, as specified in the Summary of Lease Terms, and the other such copy or duplicate original shall be delivered to Landlord's insurance department, at Pacific Gas and Electric Company, Insurance Department, One Market Street, Spear Tower, Suite 2400, San Francisco, California 94105, or such other address for Landlord's insurance department as Landlord may specify from time to time. In the event that Tenant shall fail to insure or shall fail to furnish Landlord satisfactory evidence of any such policy as herein required, Landlord may from time to time effect such insurance for the benefit of Tenant or Landlord or both of them for a period not exceeding one year, and any premium paid by Landlord shall be recoverable from Tenant as Additional Rent on demand. Tenant's compliance with the provisions of this Section 13 shall in no way limit Tenant's liability under any of the other provisions of this Lease.

(d) With respect to loss or damage resulting from any cause insured against by the insurance carried by Tenant, or required to be carried by Tenant pursuant to the terms of Sections 13(a)(2) hereof, Tenant waives any and all rights of subrogation against Landlord, and Tenant hereby agrees that it shall not make any claim against Landlord, or seek to recover from Landlord, for loss or damage to Tenant, or its property, or property of others under its control, which may be insured against by such insurance, and Tenant shall give notice to any insurance carrier of the foregoing waiver of subrogation, and obtain a waiver of the right to recovery against Landlord, its agents and employees. In furtherance of the foregoing, Tenant agrees that in the event of a sale of the Premises by Landlord, the hereinabove waiver of subrogation shall continue in favor of the original Landlord hereunder, and any subsequent landlord, as well as be in favor of any such purchaser, and their respective successors and assigns.

Section 14. Indemnification; Release.

(a) Tenant shall indemnify, defend and hold Landlord and Landlord's directors, officers, employees, successors, assigns and agents (collectively, "Indemnitees") harmless from and against any and all claims, demands, obligations (including remedial obligations, removal of Hazardous Materials, clean-up or restoration work, including all materials), damages (including consequential and/or punitive damages), losses, lost profits, costs and liabilities, including attorneys' fees and costs (collectively, "Claims"), including, without limitation, Claims for injury or damage to persons or property, and Claims for penalties, fines and reasonable attorneys' fees and costs (including attorneys' fees and costs incurred to enforce this indemnity), incurred in connection with or arising from this Lease, however the same may have been caused (including, without limitation, if caused in whole or in part by the act, omission, or active or passive negligence of Indemnatee, except with respect to any Indemnatee, to the extent caused by the gross negligence or willful or criminal misconduct of such Indemnatee), and including, without limiting the generality of the foregoing, Claims arising out of or in connection with: (i) any default by Tenant in the observance or performance of any of the terms, covenants or conditions of this Lease on Tenant's part to be observed or performed, or (ii) the use or occupancy or manner of use or occupancy of the Premises by Tenant, the Tenant Parties or any person or entity claiming through or under Tenant, or (iii) the condition of the Premises or any occurrence or happening on the Premises from any cause whatsoever, including, without limitation, any theft, burglary, vandalism or property damage, or (iv) any act, omission or negligence of Tenant, the Tenant Parties or any person or entity claiming through or under Tenant, occurring in, on or about the Premises or the Property, either prior to the commencement of, during, or after the expiration of the Term, including without limitation any acts, omissions or negligence in the construction of the Improvements or in the making or performing of any Alterations, or (v) the actual or alleged presence of Hazardous Materials in or about the Premises to the extent caused or permitted by Tenant or any of the Tenant Parties, or (vi) any violation of any Legal Requirement, including, without limitation, violation of any Hazardous Materials Laws, by Tenant or any of the Tenant Parties, or (vii) any delay or action caused or taken by Landlord to temporarily halt Tenant's use and activities under Section 7(m) of this Lease, or (viii) any failure to surrender possession upon the Expiration Date or sooner termination of the Term as required by Section 25 of this Lease, or (ix) any broker, agent or finder claiming any commissions or fees on the basis of contacts or dealings with Tenant. Tenant further agrees to indemnify, defend, and save harmless Indemnitees from and against any and all Claims arising from or occasioned by any use, occupancy, condition, occurrence, happening, act, omission or negligence referred to in the preceding sentence. In the event any action or proceeding is brought against any Indemnatee for any Claim against which Tenant is obligated to indemnify or provide a defense to an Indemnatee hereunder, Tenant upon notice from Landlord shall defend such action or proceeding at Tenant's sole expense by counsel approved by Landlord, which approval shall not be unreasonably withheld. Notwithstanding the above, Tenant shall not indemnify Landlord for Claims arising from an occurrence prior to the commencement of use or occupancy of the Premises by Tenant or any of the Tenant Parties.

(b) Tenant accepts all risk relating to its occupancy and use of the Premises. Landlord shall not be liable to Tenant for, and Tenant hereby waives and fully and forever releases, exonerates, discharges and covenants not to sue Landlord, the other Indemnitees and/or each and all of Landlord's past, present and future officers, directors, partners, employees, agents, representatives, shareholders, attorneys, affiliates, parent and subsidiary corporations, divisions, insurance carriers, heirs, legal representatives, beneficiaries, executors, administrators,

predecessors, transferees, successors (including, without limitation, lenders who become successors-in-title) and assigns, from and for any and all Claims, based in whole or in part on any and all liability, whether in contract, tort or on any other basis, for any injury, damage, or loss resulting from or attributable to any occurrence on or about the Premises, the condition of Premises or the Property, or the use or occupancy of the Premises, arising prior to, during or subsequent to the expiration or termination of this Lease, including, without limitation, liability related to (i) fluctuation of the water level of the lake, (ii) theft, burglary, trespass or vandalism, (iii) damage to Tenant's water supply which may occur while Landlord is performing work in conjunction with Landlord's business, (iv) disposal of sewage, (v) the need for CPUC approval or the failure of the CPUC to grant such approval, and (vi) termination of this Lease due to FERC requirements or otherwise as set forth in this Lease.

(c) The provisions of this Section 14 shall survive the expiration or earlier termination of this Lease.

Section 15. Compliance With Legal Requirements.

(a) Tenant, at Tenant's sole cost and expense, shall promptly comply with all Legal Requirements, regardless of when they become effective, insofar as they relate to the use, occupancy or Routine Maintenance of the Premises, Improvements and Alterations. If compliance with such Legal Requirements will cost Tenant in excess of Five Thousand Dollars (\$5,000.00), Tenant shall have the right to terminate this Lease on sixty (60) days written notice to Landlord. If there are any capital improvements to the Premises required by any local, state or federal governmental entity, agency or regulatory authority, including but not limited to the ADA, Tenant shall not be responsible for such compliance. If capital improvements are required, Landlord at Landlord's sole discretion shall determine whether or not to proceed with such improvements and/or removal of the individual Improvements from the Premises. If Landlord's cost of compliance exceeds One Hundred Thousand Dollars (\$100,000.00), Landlord shall have the right to terminate this Lease on sixty (60) days written notice to Tenant. Tenant shall obtain and maintain, at no cost to Landlord, all permits, approvals and authorizations from all local, state and federal governmental or permitting authorities and shall provide all notifications to all such authorities as required for Tenant's Permitted Use and any proposed Alterations.

(b) Tenant shall not seek any change or amendment related to subdivisions or zoning. Tenant shall not attempt to record any document against the Property, including, but not limited to, any parcel map. Tenant shall not obtain or apply for any zoning variance. Landlord makes no representation regarding compliance with any and all subdivision laws.

(c) Tenant shall collect samples and data for water, monitoring well samplings and septic systems and submit all necessary reports and samples as required by any local, state or federal governmental entity, agency or regulatory authority to Landlord or directly to the appropriate agency if directed to do so by the Landlord, provided that such testing is required due to Tenant's use or occupancy.

Section 16. Day Use Area. Tenant, at Tenant's sole cost and expense, shall construct, install and maintain a public Day Use Area on the east side of the lodge as shown on Exhibit E,

including six (6) picnic tables, one of which will be ADA compliant, three (3) barbeques and one (1) ADA parking space, with appropriate signage. Tenant shall comply with all the requirements of Section 10 on Alterations in connection with this construction; provided, however, that the improvements, tables, barbeques and signage on the Day Use Area shall constitute Improvements and personal property owned by Landlord as constructed or installed.

Section 17. Assignment or Subletting.

(a) Tenant acknowledges that Tenant's identity, reputation and experience, the specific character of Tenant's business and anticipated use of the Premises and the relationship between such anticipated use and other present and/or future planned uses of the Property have been a material consideration to Landlord's entry into this Lease. Tenant is prohibited from assigning the Lease separate from a sale of the entire resort. Tenant may assign this Lease only in connection with the sale of the entire resort with Landlord's prior written consent, which consent shall not be unreasonably withheld. Tenant shall not mortgage, pledge, encumber or otherwise hypothecate or create any security interest in this Lease or the Premises or any part thereof in any manner whatsoever, without Landlord's written consent, which may be withheld in Landlord's sole and absolute discretion. It shall be reasonable for Landlord to withhold its consent to any assignment, mortgage, pledge, encumbrance or other transfer of this Lease that (i) is not associated with a sale of the resort business, or (ii) requires CPUC or FERC approval in the sole opinion of Landlord. Tenant may sublease, license or allow third party use of all or any part of the Premises only with Landlord's prior written consent, which consent shall not be unreasonably withheld; provided, however, that it shall be reasonable for Landlord to withhold its consent to any sublease, license or third party use that requires CPUC or FERC approval in the sole opinion of Landlord. Landlord hereby consents to Tenant's lease, license or right of use to customers of the resort in the ordinary course of business. Tenant shall remain primarily liable for all of its obligations under this Lease, notwithstanding any assignment, sublease, license, third party use, mortgage, pledge, encumbrance or other transfer ("Transfer"). Any Transfer violating the requirements of this Section 17 shall be voidable at Landlord's election, and, at the option of Landlord, shall constitute an Event of Default hereunder.

(b) Regardless of Landlord's consent, no Transfer shall release Tenant of Tenant's obligations or alter the primary liability of Tenant to pay Rent and to perform all other obligations to be performed by Tenant hereunder. At the option of Landlord, any transferee of Tenant shall become directly liable to Landlord for all obligations of Tenant hereunder, but no Transfer by Tenant shall release Tenant from its obligations hereunder. The acceptance of Rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one Transfer shall not be deemed consent to any further Transfer. In the event of default by any transferee or successor of Tenant, in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against said transferee or successor. Landlord may consent to subsequent Transfers of this Lease or amendments or modifications to this Lease with transferees or successors of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto and such action shall not relieve Tenant or any successor of Tenant of liability under this Lease.

Section 18. Rights Reserved to Landlord.

(a) Landlord reserves the right to restrict access to the Premises or any portion or portions thereof in the event of civil disturbance, fire, earthquake or other casualty or emergency, or in connection with Landlord's response thereto, or otherwise when Landlord deems it advisable to do so, including in connection with events and emergencies occurring or affecting Landlord's business operations located outside the immediate vicinity of the Premises.

(b) Landlord may enter the Premises at any time to (i) inspect the same, (ii) exhibit the same to prospective purchasers, lenders, easement holders or tenants, (iii) determine whether Tenant is complying with all its obligations hereunder, (iv) perform geotechnical, biological, environmental or other surveys, tests, or investigations, both non-invasive and invasive, (v) post notices of nonresponsibility, and (vi) enforce the provisions of this Lease or the Rules and Regulations.

(c) Landlord reserves the right to access the Premises to construct, reconstruct, maintain, operate and use such facilities on the Premises as Landlord deems appropriate for the conduct of Landlord's business, including, without limitation, aqueducts, electric lines, telecommunication lines and pipelines.

(d) In addition to the Conservation Easement as more specifically described and limited in Section 3 above, Landlord also reserves the right to grant easements and rights of way in, on and across the Premises to third parties to the extent that such easement and rights of way do not unreasonably and materially interfere with Tenant's use of the Premises.

(e) Landlord also reserves the rights to all forest product interests on the Premises, including, without limitation, the right to harvest any timber or forest product and to otherwise designate the disposition of any timber or forest products located on the Premises, provided that any such harvest does not substantially interfere with Tenant's Permitted Use and that Landlord shall repair any damage to the Improvements caused by such harvesting.

(f) Landlord reserves the right to make use the Premises for such purposes as it may deem necessary or appropriate if, and whenever, in the interest of its service to its patrons or consumers or the public, it shall appear necessary or desirable to do so. Tenant acknowledges that the Premises are a part of a FERC Project as described above in Section 7(g). Landlord reserves the right to use the Property, including the Premises, in all ways and for all purposes necessary or appropriate to its obligations as licensee under said FERC Project. Landlord shall have the right to construct, reconstruct, maintain, operate and use such facilities on the Premises as Landlord deems appropriate to comply with Landlord's obligations under its FERC License.

Section 19. Events of Default. The occurrence of any one or more of the following events (each, an "Event of Default") shall constitute a breach of this Lease by Tenant for which Landlord may exercise any of the remedies set forth in Section 20 of this Lease or provided by law or equity: (i) if Tenant shall fail to pay any Rent when due and payable hereunder and such failure shall continue for thirty (30) days after written notice thereof from Landlord; or (ii) if Tenant shall fail to perform or observe any other term, covenant or obligation to be performed or observed by Tenant under this Lease or the Rules and Regulations, and such failure shall not have been cured by Tenant within thirty (30) days after notice thereof from Landlord, or (iii) if Tenant underreports Gross Sales or underpays Percentage Rent by more than six percent (6%) in

any one calendar year or by more than two percent (2%) two (2) times or more during any five (5) consecutive calendar years.

Section 20. Remedies for Default. Upon the occurrence of any Event of Default, Landlord shall have the option to pursue any one or more of the following remedies available to Landlord under California law:

(a) Landlord may terminate this Lease and recover possession of the Premises. Upon such termination of this Lease, Landlord may recover from Tenant damages in the amounts set forth in Civil Code Section 1951.2, including, without limitation, the worth at the time of the award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided.

(b) Even though Tenant has breached this Lease, this Lease shall continue in effect for so long as the Landlord does not terminate Tenant's right to possession, and the Landlord shall have the right to enforce all its rights and remedies under this Lease, including the remedies described in California Civil Code Section 1951.4.

(c) The remedies provided for in this Lease are in addition to all other remedies available to Landlord at law or in equity, by statute or otherwise.

Section 21. Landlord's Right to Cure Default. All agreements and provisions to be performed by Tenant under any of the terms of this Lease shall be at its sole cost and expense and without abatement of Rent. If Tenant shall fail to pay any sum of money, other than Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder and such failure shall not be cured within the applicable cure period provided for herein, Landlord may, but shall not be obligated so to do, and without waiving or releasing Tenant from any obligations of Tenant, make any such payment or perform any such other act on Tenant's part to be made or performed as provided in this Lease. All sums so paid by Landlord and all necessary incidental costs shall be deemed Additional Rent hereunder and shall be payable to Landlord on demand.

Section 22. Attorneys' Fees. If as a result of any breach or default on the part of Tenant under this Lease, Landlord uses the services of an attorney in order to secure compliance with this Lease, Tenant shall reimburse Landlord within ten (10) days following demand, as Additional Rent, for any and all attorneys' fees and expenses incurred by Landlord, whether or not formal legal proceedings are instituted. Should either party bring an action or other proceeding against the other party, arising from or related to this Lease, whether for declaratory or other relief, then the party which prevails in such action shall be entitled, in addition to any other recovery or relief, to its reasonable attorneys' fees (of both in-house and outside counsel), costs and expenses incurred in the action or proceeding, including any appeal thereof. Tenant shall also pay all attorneys' fees and costs Landlord incurs in defending this Lease or otherwise protecting Landlord's rights in any voluntary or involuntary bankruptcy case, assignment for the benefit of creditors, or other insolvency, liquidation or reorganization proceeding involving Tenant or this Lease. For purposes hereof, the reasonable fees of Landlord's in-house attorneys who perform services in connection with any such action or proceeding are recoverable, and

shall be based on the fees regularly charged by private attorneys with the equivalent number of years of experience in the relevant subject matter of the law, in law firms in the City and County of San Francisco with approximately the same number of attorneys as are employed by Landlord's law department.

Section 23. Sale. In the event the original Landlord hereunder, or any successor owner of the Premises, shall sell, convey or otherwise transfer the Premises, the original Landlord, or such successor owner, shall thereupon be released from any and all covenants, liabilities and obligations (express or implied) on the part of Landlord under this Lease, accruing from or after the date of such sale or conveyance, and Tenant shall look solely to the successor in interest of the transferor for performance of the obligations of Landlord under this Lease. This Lease shall not be affected by such sale or conveyance, and Tenant agrees to attorn to the transferee, such attornment to be effective and self-operative without the execution of any further instrument by the parties to this Lease.

Section 24. Estoppel Certificates and Rights of Mortgagees. At any time and from time to time, Tenant shall execute, acknowledge and deliver to Landlord, within ten (10) days after receipt thereof, a certificate certifying (i) that this Lease is unmodified and in full force and effect (or, if there have been modifications, that this Lease is in full force and effect, as modified, and stating the date and nature of each modification), (ii) the date, if any, to Annual Rent and other sums payable hereunder have been paid, (iii) that no notice has been received by Tenant of any default which has not been cured, except as to defaults specified in said certificate, (iv) that Tenant does not claim the existence of any default on the part of Landlord, except as specified in such certificate, and (v) such other matters as reasonably may be requested by Landlord, or any mortgagee, beneficiary, purchaser or prospective purchaser of the Property or any interest therein. Any such certificate may be relied upon by Landlord and any mortgagee, beneficiary, purchaser or prospective purchaser of the Property or any interest therein. Tenant's failure to execute, acknowledge and deliver such certificate within such period of time shall, at the option of Landlord, and without further notice, constitute an Event of Default hereunder. In addition, Tenant hereby irrevocably appoints Landlord as its agent and attorney-in-fact to execute, acknowledge and deliver any such certificate in the name of and on behalf of Tenant in the event that Tenant fails to so execute, acknowledge and deliver any such certificate within ten (10) days after receipt thereof.

Section 25. Surrender. Upon the expiration or earlier termination of this Lease, Tenant shall surrender the Premises to Landlord in the condition required by this Section 25. Tenant agrees that prior to the expiration or termination of this Lease, Tenant, at its sole cost and expense, shall remove promptly all Personal Property, debris and waste material resulting from the use and occupancy of the Premises by Tenant and/or any of the Tenant Parties, and Tenant shall promptly repair, at its sole cost and expense, any damage to the Premises caused by such removal. To the extent Tenant fails to perform the obligations under this Section 25, Landlord may, but need not, remove any Personal Property, debris and waste material, and restore the Premises to the condition that existed prior to Tenant's original entry upon the Premises, and Tenant shall pay the cost thereof within thirty (30) days of receipt of an invoice therefor. Tenant's obligations under this Section 25 shall survive the termination of this Lease. (Tenant to initial here: _____)

Section 26. Holdover. Tenant shall have no right to holdover possession of the Premises after the expiration or termination of this Lease without Landlord's prior written consent, which Landlord may withhold in its sole and absolute discretion. If Tenant retains possession of any part of the Premises after expiration or termination, with or without the written consent of Landlord, Tenant shall become a month-to-month tenant only, for the entire Premises upon all of the terms of this Lease as might be applicable to such tenancy, except that Tenant shall pay the greater of (i) One Thousand Five Hundred Dollars (\$1,500) per month, or (ii) Annual Rent at one hundred and fifty percent (150%) of the Annual Rent and Percentage Rent combined paid in the previous year, computed on a monthly basis for each full or partial month Tenant remains in possession. Tenant shall also pay Landlord all of Landlord's direct and consequential damages resulting from Tenant's holdover. No acceptance of Rent or other payments by Landlord under this holdover provision shall operate as a waiver of Landlord's right to regain possession or any other of Landlord's remedies.

Section 27. Waiver. The waiver by Landlord or Tenant of any agreement, condition or provision herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other agreement, condition or provision herein contained, nor shall any custom or practice which may grow up between the parties in the administration of the terms hereof be construed to waive or to lessen the right of Landlord or Tenant to insist upon the performance by Tenant or Landlord in strict accordance with said terms. The subsequent acceptance of Rent hereunder by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any agreement, condition or provision of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Rent.

Section 28. Notices. Notices to be given under this Lease shall be in writing, sent as specified in the Summary of Lease Terms, and either sent by: (a) personal delivery, in which case notice shall be deemed delivered upon actual receipt, or (b) sent by certified mail, return receipt requested, in which case notice shall be deemed delivered upon actual receipt, or (c) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with this courier, or (d) sent by telecopy or similar means, if a copy of the notice is also sent by United States Certified Mail, in which case notice shall be deemed delivered upon receipt of the notice sent by United States Certified Mail. The addresses set forth in the Summary of Lease Terms may be changed by written notice to the other party.

Section 29. Complete Agreement. There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease shall constitute the entire agreement between the parties relative to the subject matter hereof, and supersedes and cancels any and all prior negotiations, including but not limited to that certain Boat Dock Agreement dated May 23, 2006, arrangements, correspondence, communications, leases, licenses, agreements and understandings, if any, whether oral or written, between Landlord and Tenant with respect to the subject matter of this Lease or the Premises. There are no representations between Landlord and Tenant other than those contained in this Lease and all reliance with respect to any representations is based solely upon the terms of this Lease. Landlord specifically disclaims that Landlord has made any representations whatsoever about the Conservation Documents, the Conservation Easement or any potential Easement Grantee, as well as the impact thereof on this Lease. No amendment or modification of this Lease shall be binding or valid unless expressed in

writing and executed and delivered by Landlord and Tenant. Subject to the limitations provided herein, the terms, covenants and conditions contained in this Lease shall bind and inure to the benefit of the respective heirs, successors, executors, administrators and assigns of each of the parties hereto.

Section 30. Limitation of Liability. Tenant agrees to look only to the interest of Landlord in the Premises and not to Landlord, its directors, officers, shareholders, employees, or agents personally with respect to any obligations or payments due or which may become due from Landlord to Tenant hereunder, or for the satisfaction of any of Tenant's remedies hereunder.

Section 31. Broker. Tenant represents and warrants to Landlord that no real estate broker, agent or finder negotiated or was instrumental in negotiating or representing Tenant in the negotiation of this Lease or the consummation hereof. Tenant shall pay the commission or fee of any broker, agent or finder acting for Tenant or claiming any commissions or fees on the basis of contacts or dealings with Tenant.

Section 32. Quiet Possession. Landlord agrees that Tenant, upon paying Rent and performing the terms, covenants and conditions of this Lease, may quietly have, hold and enjoy the Premises without disturbance by Landlord or any person claiming under Landlord during the Term of this Lease, subject, however, to the rights of Landlord set forth in this Lease, and any mortgages, deeds of trust, agreements and encumbrances to which this Lease is subordinate.

Section 33. Miscellaneous.

(a) The word "Tenant" as used herein shall include the plural as well as the singular.

(b) If a partnership or more than one legal person is at any time Tenant, each partner and each legal person is jointly and severally liable for the keeping, observing and performing of all of the terms, covenants, conditions, provisions and agreements of this Lease to be kept, observed or performed by Tenant, and the term "Tenant" as used in this Lease shall mean and include each of them jointly and severally and the act of or notice from, or notice or refund to, or the signature of, any one or more of them, with respect to the tenancy or this Lease, including but not limited to, any renewal, extension, expiration, termination or modification of this Lease, shall be binding upon each and all of the persons executing this Lease as Tenant with the same force and effect as if each and all of them had so acted or so given or received such notice or refund or so signed.

(c) Time is of the essence of this Lease and each and all of its provisions.

(d) Submission of this instrument for examination or signature by Tenant does not constitute an offer to lease or a reservation of or option to lease. Landlord shall not be bound by this Lease until Landlord has executed and delivered this Lease to Tenant, notwithstanding Tenant's execution and delivery of this Lease to Landlord.

(e) The waivers of claims or rights, the releases and the obligations under this Lease to indemnify, protect, defend and hold harmless Landlord and other Indemnitees shall

survive the expiration or earlier termination of this Lease, and so shall all other obligations or agreements hereunder which by their terms survive the expiration or earlier termination of this Lease.

(f) Subject to the provisions of this Lease as to assignment, the agreements, conditions and provisions herein contained shall apply to and bind the heirs, executors, administrators, successors and assigns of the parties hereto.

(g) If any provisions of this Lease shall be determined to be illegal or unenforceable, such determination shall not affect any other provision of this Lease and all such other provisions shall remain in full force and effect.

(h) This Lease shall be governed by and construed pursuant to the laws of the State of California.

(i) The language in all parts of this Lease shall be construed according to its normal and usual meaning and not strictly for or against either Landlord or Tenant.

(j) Neither this Lease, nor any notice nor memorandum regarding the terms hereof, shall be recorded by Tenant. Any such unauthorized recording shall give Landlord the right to declare a breach of this Lease and pursue the remedies provided herein.

Section 34. Exhibits. The exhibits attached to this Lease are hereby incorporated into this Lease and made a part hereof.

IN WITNESS WHEREOF, the parties have executed this Lease on the respective dates indicated below, to be effective upon the Effective Date.

TENANT:

DeWitt Henderson

Kimberly Henderson

Date of Execution
by Tenant: _____

LANDLORD:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

Loren Loo
Manager, Land Asset Management
Technical and Land Services

Date of Execution
by Landlord: _____

Note: Tenant also to initial Sections 2(c), 3, 7(a) and 25

Area 6
Chico Land Service Office
Operating Department: Hydro
T. 23 N., R. 7 E., Sec. 2, SE4 of NW4, SW4 of NE4
MDB&M
FERC License Number: 619
PG&E Drawing Number: N/A
LD of any affected documents: 2123-07-1061
LD of any Cross-referenced documents: N/A
Type of Interest: 11L, 24
SBE Parcel Number: 113-32-001, Parcel 4
(For Quitclaims, % being quitclaimed): N/A
Order# 2011151
JCN: N/A
County: Plumas
Utility Notice Numbers: N/A
Prepared By: JMC
Checked By:
Date: 7/22/2008
Revision Number: N/A
File: Lakeshore Resort – Henderson Lease Version 6v9 Clean.doc

Exhibit A

MAP OF PREMISES

Exhibit A
MAP OF PREMISES

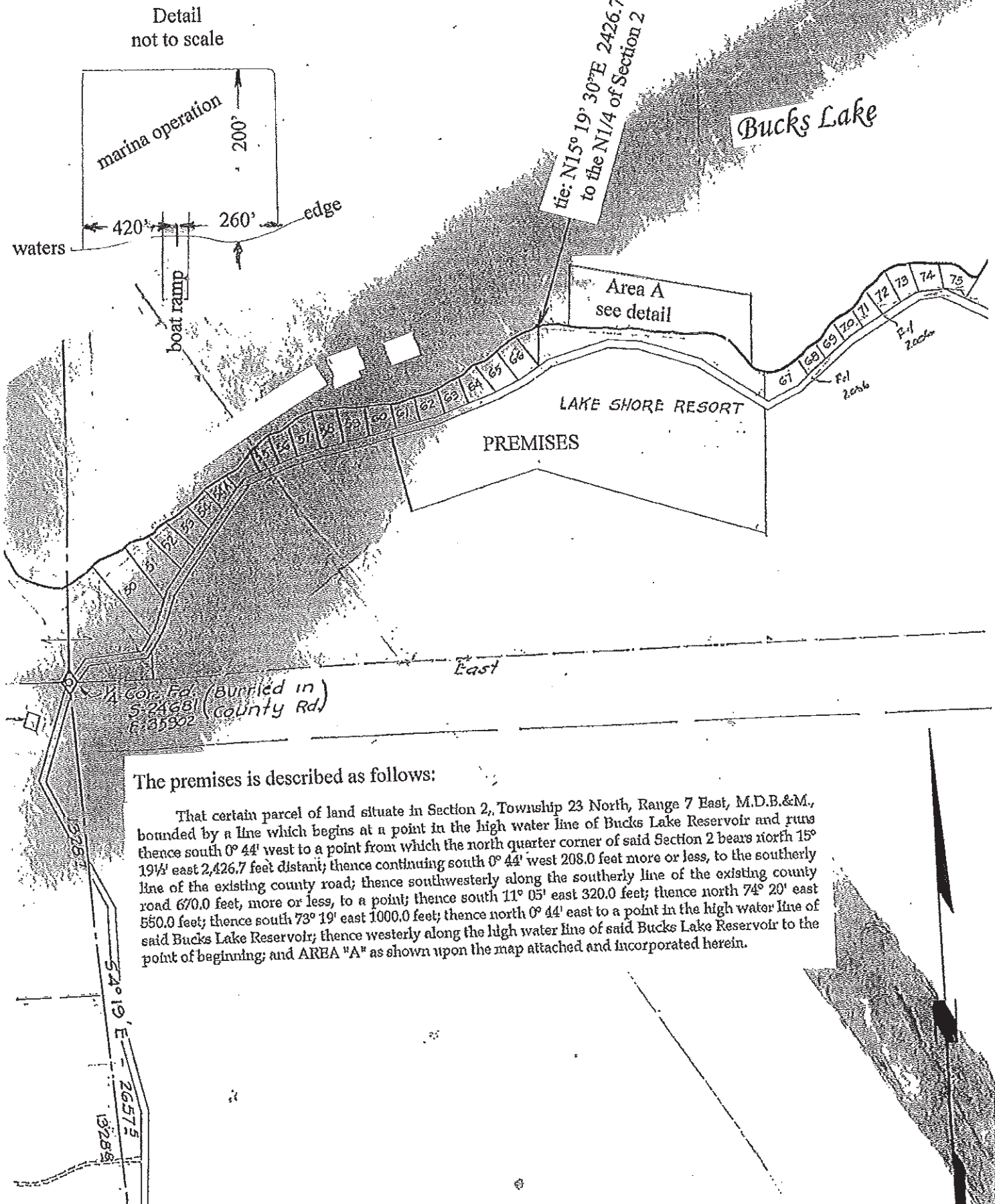


Exhibit B

F.E.R.C Project #619

COMMERCIAL USE RULES AND REGULATIONS

Exhibit B

F.E.R.C. PROJECT # 619

COMMERICAL USE
RULES AND REGULATIONS

7/12/2006

PACIFIC GAS AND ELECTRIC COMPANY

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OVERVIEW:

There are presently a number of commercial resorts on Pacific Gas and Electric Company ("PG&E") land abutting the shoreline of Bucks Lake in Plumas County, California (the "Lake"). These commercial resorts are located inside or adjacent to the boundaries of PG&E's Hydroelectric Project as established by the Federal Energy Regulatory Commission ("FERC") under license No. 619 as issued to PG&E. A condition of that license requires PG&E to be responsible for the enhancement and protection of the environmental resources within licensed project boundaries. PG&E has adopted the following Rules and Regulations to govern the use of the Property, to assure compliance with PG&E's FERC license, and to promote environmental, biological, and cultural resources.

MODIFICATIONS:

PG&E reserves the right to amend or modify these Rules and Regulations at any time. Past practices, policies or occurrences have not established precedence, and no activity or improvements should be assumed acceptable based on past actions or prior approval by PG&E.

DEFINITIONS:

The "High Water Elevation" is defined as the line on the shore of the Lake to which the lake level reaches at maximum operating capacity under normal weather conditions.

The real property located at Bucks Lake, Plumas County, California, that is owned by PG&E, including, without limitation, the Premises, as defined below, together with all easements and rights appurtenant thereto, is referred to in these Rules and Regulations as the "Property."

The portion of the Property leased to Tenant in the Applicable Lease, as defined below, is referred to herein as the "Premises."

Unless otherwise defined in these Rules and Regulations, all terms shall have the meanings given them in the applicable lease to which these Rules and Regulations are attached as an exhibit (the "Applicable Lease"), as such Rules and Regulations may be amended from time to time.

1. COMMERCIAL USE OF PG&E PROPERTY

1.1 Authorized Structures - Improvements:

Tenant's improvements include existing structures, out buildings, cottages, decks, campsites, log boom and boat ramp.

New construction, reconstruction of existing structures or enlargement of existing structures may be allowed only with PG&E's prior written consent, which consent shall be at PG&E's sole and absolute discretion, according to the procedure set forth in these Rules and Regulations and the Applicable Lease.

1.2 Drawings and Plans:

In connection with any proposal for new construction, alteration, addition, or substantial repair of existing improvements, Tenant is required to submit design and layout plans to the authorized PG&E representative, and otherwise comply with all requirements set forth in the Applicable Lease. The design and layout plans should provide enough detail to allow an in depth analysis. Details including features such as roads, trees, rock outcrops, location of planned and existing improvements, proposed minor cuts and fills and delineation of lot boundaries should be shown as accurately as possible. The total size of the structure, individual floor spacing, foundation dimensions, etc., should always be indicated as accurately as possible.

All proposed new construction, alterations, additions, or substantial repair of existing improvements must be authorized by PG&E in writing, which approval is at PG&E's sole and absolute discretion. In the event that PG&E's designated representative grants PG&E's written approval-in-concept of the proposed new construction, alteration, addition, or substantial repair of existing improvements, Tenant will submit their construction plans to the applicable County Building Department for final approval as required by law to insure compliance with all pertinent and applicable construction code standards. Tenant must also obtain required permits from other agencies (if applicable) before any project can start. The form of all permits and any conditions related thereto, shall be submitted to PG&E for approval, which approval may be withheld at PG&E's sole and absolute discretion. Copies of the final permits will be sent to PG&E for inclusion in its files.

1.3 Campgrounds and Decks:

Camping on PG&E property or within its FERC boundaries at the Lake is considered a seasonal use. Consequently, camp trailers or recreational vehicles used for camping purposes shall only be utilized or allowed to remain on PG&E property between May 1 and October 31 of each year. At all other times these items will not be permitted on PG&E property and shall be removed by Tenant or Tenants guests.

Decks and patio locations must be approved by PG&E's representative, at PG&E's sole and absolute discretion, and must be outside the 25 foot designated setback, measured horizontally, from the High Water Elevation of the Lake. Existing decks within this setback shall be phased out over time, however, Tenant may make repairs as necessary for safety purposes, but they shall be removed upon demand by PG&E or at such time as the deck needs to be replaced.

1.4 Grading and Site Preparation:

In preparing a lot for construction, Tenant must be guided by the principle that the slope and configuration of the land should always be preserved in as near a natural condition as practical. Effort must be made to minimize cuts and fills and an attempt should be made to balance grading activities so as to avoid the removal or excessive importation of topsoil. PG&E will require a grading plan for review and the representative in charge shall make a determination as to whether proposed cuts and fills are beyond that which is necessary to accommodate the proposed construction. If PG&E grants its approval to the grading plan,

Tenant will then submit grading plans to the applicable County Planning Department for final approval as required by law to insure compliance with all pertinent and applicable construction code standards.

1.5 Landscaping:

Landscaping is authorized only to restore natural conditions. Urban-like flower beds, lawns, ivy, and decorations such as birdbaths, statues and plastic flowers are not acceptable and will not be allowed. Walks should be gravel or native material. The use of non-native rocks or trees and other types of decorations foreign to the natural environment are not allowed. Removal of vegetation and trees solely to improve views and visibility is prohibited. No underground sprinkler systems will be allowed.

Attachments of any objects to trees by any means will not be allowed. Such objects include, but are not limited to: gates, yard lights, private power lines, benches, signs, clotheslines and wires.

1.6 Set Backs:

No structures or improvements will be allowed on the Premises within 25 feet, measured horizontally, of the High Water Elevation, excepting therefrom those existing structures currently in place, however, if these structures are destroyed or in need of a major rebuild they will be relocated or rebuilt in another location as designated by PG&E subject to the requirements set forth in the Applicable Lease and these Rules and Regulations.

1.7 Signage:

No signage shall be placed on the Property without PG&E's prior written consent to a drawing of such signage, which consent shall be at PG&E's sole and absolute discretion. No signs will be approved unless such signs are of a rustic design and consistent with the natural surroundings. Tenant shall not install or erect any flashing or blinking illuminated signs, neon signs, or signs constructed on non-durable material. Signs may not be nailed or otherwise attached to trees.

1.8 Water Quality Degradation:

PG&E and applicable agencies may prosecute anyone contributing to the degradation of water quality at the Lake. Sewage and drainage systems must be in compliance with all applicable governmental regulations and these Rules and Regulations. Septic systems shall be installed and operated so that effluent never reaches the water of the Lake. Portable or pump out restrooms are not allowed, except on a case by case basis reviewed and authorized by PG&E.

1.9 Accumulation of Debris:

Tenant shall not allow the accumulation of landscape debris, tree trimmings, debris or trash on the Property. In no event shall the Tenant dispose or allow the disposal of any debris, trash, waste or personal property on the Property or in the Lake. All refuse shall be removed from the Property either by Tenant or by a contracted local waste management service, at

Tenant's sole cost. Routine and occasional collection of drifting debris is permissible provided such refuse is promptly removed from the Property.

1.10 Burning Debris and Campfires:

Tenant shall not burn natural debris (twigs, pine needles, leaves, limbs, etc.) within 25 feet, measured horizontally, of the High Water Elevation. Tenant shall comply with all applicable state and county rules and regulations associated with any burning, take all precautions to prevent and suppress fires, and obtain all necessary burning permits from the appropriate agency.

Campfires will be allowed in designated campground areas, utilizing a metal or rock fire ring, but in no event shall they be allowed within the 25 foot, measured horizontally, of the High Water Elevation.

1.11 Repairs:

Tenant shall have the obligation to perform usual, necessary and ordinary repairs to buildings, fences, water pipelines and other structures to keep such improvements in good condition to the satisfaction of PG&E. Tenant shall periodically paint the exterior of all buildings in a color approved by PG&E. An approved list of colors may be obtained by contacting PG&E's Technical and Land Services Department, 350 Salem Street, Chico, CA 95928, telephone number (530) 896-4256.

1.12 Tree Trimming and Removal:

Tenants are responsible for the removal or trimming of trees or brush that are dead or hazardous, at Tenant's sole expense. Tenant should contact PG&E if Tenant is concerned about a particular tree; otherwise, PG&E will identify hazardous trees or brush during inspections and require Tenant to remove or trim them as PG&E deems appropriate. Tenant must obtain PG&E's written authorization before removing or trimming any tree(s) or brush, which authorization shall specify the manner of such removal and disposal.

1.13 Operation of Motorized Vehicles:

Tenant shall not operate motorized vehicles of any nature on the Property outside of the boundary lines of the Premises; except upon existing roads required for ingress to and egress from the Premises. Permission for vehicular access to any existing domestic water system lying outside the boundary lines the Premises must be obtained by contacting PG&E's Technical and Land Services Department, 350 Salem Street, Chico, CA 95928, telephone number (530) 896-4256.

1.14 Transfer of Lease:

Assignment, subletting and other transfers shall be allowed only with PG&E's written consent, and in the case of assignment only in conjunction with the sale of the resort operation, as more specifically set forth in the Applicable Lease. An administrative fee of a minimum of \$1,000 will be levied for a request for the assignment, subletting or other transfer of the

Applicable Lease, the amount to be determined at PG&E's sole and absolute discretion depending on the complexity of the particular assignment, subletting or transfer. This fee is subject to change. If PG&E elects to do so, Tenant shall also pay PG&E's reasonable attorneys' fees and any other costs incurred in connection with Tenant's request, payable within thirty (30) days of receipt by Tenant of an invoice therefor.

1.15 Septic Systems: Intentionally Deleted

2. PERMIT REQUIREMENTS AND FEES

2.1 Permit Requirements:

Tenants are responsible for securing any and all applicable permits according to law from the appropriate federal, state and local agencies including, but not limited to: The California Department of Fish and Game, United States Corps of Engineers, and the United States Forest Service.

Tenants should contact the local PG&E representative prior to any planned activity to determine whether a Permit is required from PG&E. Permits are valid for a specific period from the date of issuance as set forth in the Permit. If the facilities are not installed within the time frame set forth in the Permit, then the consent will be void. Below is a partial list of items that will require written permission or Permits from PG&E:

- A. excavation, grading, dredging, rip rap placement, stump and rock removal, and other forms of shoreline alterations;
- B. storage of materials outside structures previously approved by PG&E for such use;
- C. construction or reconstruction of buildings, docks, buoys, stairways, walkways or other improvements;
- D. vehicular access to any existing domestic water system lying outside the boundary lines of the Premises; and,
- E. other activities that may affect water storage, water rights, cultural resources, the environment, etc.

2.2 Permit Fees:

An administration fee may be charged for Permits and other consents and approvals issued for review of applications for activities or construction on the Property. Such fee will cover preparation of the Permit, consent and/or approval, routing for approval, and administrative expenses. Currently the minimum fee is \$350.00 per application, and is subject to change.

3. USE OF THE LAKE

3.1 Camping/Boating Restrictions:

Houseboats shall not be permitted on the Lake. Patio boats, cabin cruisers and sailboats are acceptable on a day-use basis only and shall not be utilized for overnight lodging purposes. Boat camping or other forms of camping, which would utilize the Lake or its shoreline in areas other than designated campgrounds or resorts shall not be permitted.

3.2 Marina Facilities:

Tenants may, if authorized by the Applicable Lease, install, maintain, and operate a marina with sixty-two (62) docks or buoys as a part of their resort business. PG&E may, however, limit the number of docks and buoys based upon issues relating to the safety, congestion, and proximity to adjoining properties, facilities or pursuant to directives issued by FERC. Said marina facilities will remain the personal property of the Tenant.

Tenant's use of the marina area, designated AREA "A" on the Exhibit "A" shall be limited to the operation and maintenance of Tenant's existing floating docks with associated walkways and Landlord's boat ramp and log booms. Use of AREA "A" is further subject to the terms and conditions set forth as follows:

- A. Tenant confirms and warrants that all existing buoy supports presently in use for boat dock facilities are clean and free from contaminated material. Floatation devices shall not be of corrosive barrels or drums or toxic material and shall not consist of containers that once had been used for storage of corrosive or toxic material. Floatation material utilized in the construction or selection of docks shall have a rigid outer shell that will not deteriorate due to natural causes or be easily penetrable. Styrofoam shall be fully encased by an outer shell and the entire unit shall be maintained to ensure that foam is not exposed. Devices used to anchor said dock shall not be of corrosive or toxic material and shall not incorporate containers that once had been used for storage of corrosive or toxic material.
- B. Log booms and or docks shall not at any time extend more than 200 feet from the waters edge of the Lake and shall be anchored in the same manner as boat docks. Additional cables or anchorage to the shoreline will be permitted only during the winter months (October 1 through May 15). No cable or anchorage system shall obstruct access into a cove, or neighboring dock or mooring buoy, or obstruct access to or along the shoreline. Tenant shall insure that logs are appropriately anchored and maintained so as to avoid a safety hazard. Tenant shall clearly mark each log boom at entrance points to marinas or docking facilities, at 50 foot intervals, and at each angle point with the prescribed marker designated the County Sheriff Department. The markers may be installed either on the logs or on buoys adjacent to the logs. Log booms shall be located so

as not to unreasonably interfere with or obstruct navigation. Tenant should also consider placing lighted markers on log booms for nighttime safety.

- C. Tenant may use additional cables or ropes anchored to the Premises for the purpose of securing Tenant's docks during the winter months (October 1 through May 15).
- D. Tenant shall clearly mark each boat dock facility and log boom with the following identification marks "LSC" and locate such marks in a manner so as to be clearly visible to boat patrols. Tenant shall be responsible for retaining said facilities within said AREA "A". Docks or logs that break loose shall be retrieved by Tenant within 24 hours of notification. In the event Tenant's facilities are not retrieved in the allotted time period, PG&E shall have the right and option of retrieving, removing, or destroying said facilities at Tenant's sole cost and expense. Should any of Tenant's loose dock or log boom facilities cause any damage whatsoever to the Lake or associated operations of PG&E, Tenant shall assume sole financial liability for any and all such damages and repairs.
- E. Reconstruction or enlargement of existing boat dock facilities may be permitted only with PG&E's approval, which will be at PG&E's sole and absolute discretion, subject to the provisions of the Applicable Lease and these Rules and Regulations, provided plans and specifications are submitted to PG&E for review and approval prior to commencement of work. Such enlargement or expansion may require the adjustment of Tenant's rents.
- F. Tenant shall at his own expense, maintain the facilities in said AREA "A" in a safe and reasonable manner, and when in PG&E's opinion said facilities are not safely maintained, Tenant shall, when required by PG&E, remove or repair said facilities at Tenant's sole cost and expense. PG&E reserves the right to require Tenant to change the location of the boat dock and/or buoy based upon reasonable concerns related to safety or congestion of said facilities with other facilities being installed in the Lake.
- G. Docks located in areas designated by PG&E as coves or inlets, shall not extend more than one third of the distance across the cove or inlet areas current shoreline. If in the opinion of PG&E any dock causes congestion, presents a safety problem, or overburdens an area of use, PG&E reserves the right to remove or determine alternate locations, numbers and/or sizes of docks. Docks shall not be placed where they will obstruct navigation, cause confusion, or constitute a hazard.
- H. If fueling systems are allowed, no fuel tanks will be permitted below the High Water Line of the Lake and are subject to the provisions of these

Rules and Regulations. Fuel lines to the marina pumps, shall have secondary containment for their entire length. Fuel pumps located below the High Water Line of the Lake shall also have secondary containment that can be visually inspected. Notwithstanding these provisions, any standards, orders or directives now or hereafter established by PG&E, the State Water Resources Control Board or the Northern Sierra Air Quality Management District, or any other local, state or federal agency, will be complied with at all times.

- I If fueling systems are allowed, Tenant shall install and maintain a control valve in the gasoline line above the High Water Line of the Lake and at the dispenser pump to control the flow of gasoline during repairs to the system or in the event of a leak in the system. Trigger locking mechanisms are not allowed on any fuel dispenser pump handles.
- J. Boat ramp installation shall be limited to commercial resorts or public operations only, and shall be constructed of concrete. Asphalt compounds or petroleum-based products are prohibited.
- K. Tenant, at Tenant's sole cost and expense, shall reserve one dock slip for use by the Plumas County Sheriffs Department free of charge. (Revised 7/17/2008)

3.3 Shoreline Alteration, Cutting and Filling:

In order to promote fishery and/or environmental projects or to provide erosion control measures along the shoreline, stump and rock removal, excavation, grading, cutting or other forms of shoreline alteration are prohibited, unless approved in writing and permitted by PG&E and applicable agencies. No fill material will be allowed below the High Water Elevation. Earth filling of the Lake decreases the storage capacity and can be detrimental to water quality.

3.4 Rip Rap:

Rip rap for erosion control will generally be permitted/consented to providing it is aesthetically acceptable and the material to be used is approved in writing by PG&E prior to installation. Tenant shall provide PG&E with plans and specifications for proposed rip rap installations as part of any request package. PG&E will, upon request, provide a suggested method for the installation of rip rap. No concrete retaining walls, concrete blocks, broken concrete, bricks, building materials, or non-authorized material may be used as rip rap below the High Water Elevation.

3.5 Boating Law Compliance:

Navigable crafts shall comply with all legal requirements applicable to boating safety.

3.6 Public Recreation Use:

The shoreline of the Lake below the FERC Project boundary line is open to the public for boating, fishing and general recreation, pursuant to applicable county, state and federal laws. Docks, buoys, etc., are permitted by PG&E and are the personal property of those tenants. Public uses of those facilities shall be governed by such tenants.

3.7 Security:

Gates may be installed on driveways, etc. for the safety or security as necessary for the resort operations at locations mutually agreed upon by Tenant & PG&E. Fences are not allowed.

3.8 Water Use:

Tenant shall not use any water from the Lake or from any other source on or adjacent to the Premises except such water as Tenant may develop by means of wells on the Premises for Tenant's domestic use thereon, as approved and permitted by PG&E. Water systems or water lines located outside of the Premises, require written permission authorizing such use from the appropriate property owner. PG&E in no way guarantees or shall be held liable for the quality or quantity of water used by Tenant. Tenant agrees that PG&E shall not be responsible for any damage to Tenant's water supply system while performing work in the course of PG&E's business.

3.9 Lake Level:

Tenants are hereby notified that the primary use of the Property is for generation of hydroelectric power and lake levels can vary dramatically according to PG&E's operational needs, consistent with applicable FERC requirements. PG&E has no obligation to maintain the water level of the Lake at any particular level regardless of any improvements installed by any Tenant, or the occupancy of any area by any Tenant.

Exhibit C

MAINTENANCE AND OPERATION PLAN FOR THE NEXT FOUR YEARS

Exhibit C

MAINTENANCE AND OPERATION PLAN FOR THE NEXT FOUR YEARS

	2009/Action	2010/Action
Lodge, building # 8963, which includes the bar, restaurant and store.	Open if possible, refurbish as necessary (1), (3)	Open, if not opened in 2009, maintenance as necessary
Bar, within building # 8963	Open if possible, refurbish as necessary (1), (3)	Open, if not opened in 2009, maintenance as necessary
Store, within building # 8963	Open if possible, refurbish as necessary (1), (3)	Open, if not opened in 2009, maintenance as necessary
Marina, building # 8965	Open, maintenance as necessary	(2)
Day Use		Construction 50%
Cabin 1, building # 8966	Open, refurbish as necessary	(2)
Cabin 2, building # 8967	Open, refurbish as necessary	(2)
Cabin 3, building # 8968	Open, refurbish as necessary	(2)
Cabin 4, building # 8969	Repair 50%	Repair 50%
Cabin 5, building # 8970	Repair 50%	Repair 50%
Cabin 7, building # 8972		Open, refurbish as necessary
Cabin 8, building # 8973		Open, refurbish as necessary
Cabin 9, building # 8974		Open, refurbish as necessary
Cabin 12, building # 8976		
Cabin 14, building # 8977		
Bathhouse, building # 8964	(2)	(2)
Campground	(2)	(2)

	2011/Action	2012/Action
Lodge, building # 8963	Exterior Painting, (2)	(2)
Bar, within building # 8963	(2)	(2)
Store, within building # 8963	(2)	(2)
Marina, building # 8965	(2)	(2)
Day Use	Construction 50%	(2)
Cabin 1, building # 8966	Exterior Painting, if necessary	(2)
Cabin 2, building # 8967	Exterior Painting, if necessary	(2)
Cabin 3, building # 8968	Exterior Painting, if necessary	(2)
Cabin 4, building # 8969	(2)	Exterior Painting, if necessary
Cabin 5, building # 8970	(2)	Exterior Painting, if necessary
Cabin 7, building # 8972	Exterior Painting, if necessary	(2)
Cabin 8, building # 8973	(2)	Exterior Painting, if necessary
Cabin 9, building # 8974	(2)	Exterior Painting, if necessary
Cabin 12, building # 8976	Open, if septic plan approved	Exterior Painting, if necessary
Cabin 14, building # 8977	Open, if septic plan approved	Exterior Painting, if necessary
Bathhouse, building # 8964	(2)	(2)
Campground	(2)	(2)

- (1) Septic and Water systems improvements would be pursued, as soon as practical, to acquire necessary permits to open and operate additional buildings. This may impact opening dates.
- (2) Maintenance as necessary.
- (3) Tenant to acquire all necessary state, local permits for operation.

Exhibit D

COMMENCEMENT DATE MEMORANDUM

Exhibit D

COMMENCEMENT DATE MEMORANDUM

THIS COMMENCEMENT DATE MEMORANDUM (this "Memorandum") is entered into as of _____, 20__ by and between KIMBERLY HENDERSON AND DEWITT HENDERSON, as individuals ("Tenant"), and PACIFIC GAS AND ELECTRIC COMPANY, a California corporation ("Landlord"), in connection with that certain Lease dated as of _____, 20__ (the "Lease") respecting certain premises (the "Premises") known as Lakeshore Resort, Bucks Lake, California. All capitalized terms not defined herein shall have the respective meanings ascribed to them in the Lease.

Pursuant to Section 2 (a) of the Lease, Landlord and Tenant hereby confirm and agree that the Commencement Date is _____, 20__ and that the scheduled Expiration Date of the Term is _____, 20__.

This Memorandum supplements, and shall be a part of, the Lease.

IN WITNESS WHEREOF, Landlord and Tenant have executed and delivered this Memorandum as of the day and year first above written.

LANDLORD:

TENANT:

PACIFIC GAS AND ELECTRIC COMPANY,
a California corporation

DEWITT HENDERSON

Loren Loo
Manager, Land Asset Management
Technical and Land Services

KIMBERLY HENDERSON

Date of Execution
by Landlord: _____

Date of Execution
by Tenant: _____

Exhibit E

MAP OF DAY USE AREA

Exhibit E

Day Use Area



Advice No. 3471-E

Attachment 2

(STEWARDSHIP COUNCIL APPROVAL LETTER)

April 29, 2009

Kay Orange
VP, Environmental, Technical and Land Services
Pacific Gas & Electric Company
77 Beale Street Mail Code B26U
San Francisco, CA 94105



Subject: Third Party Use Request for New Lease Agreement for Lakeshore Resort, Bucks Lake, Plumas County

Dear Ms. Orange:

On April 22, 2009, we received a notice from PG&E (Notice) for a Third Party Use Request (Request) affecting a portion of the Bucks Lake Planning Unit within the Feather River Watershed located in Plumas County, California. The Bucks Lake Planning Unit is subject to the Settlement Agreement and Stipulation between PG&E and the California Public Utility Commission. The Notice is for a new lease agreement (Agreement) for the Lakeshore Resort (Resort). Additional information regarding the Request was shared by Mr. Steve Koop of PG&E by phone and a draft of the proposed Agreement was provided to the Stewardship Council via email on April 23, 2009.

According to information provided by PG&E to the Stewardship Council, we understand that:

- PG&E is proposing to reestablish the Resort and enter into a new 20-year Agreement. The extended term of the Agreement is necessary to amortize the significant investment being made by the tenant.
- The leased area for the Resort is approximately 25 acres, all of which is located within the boundaries of the Bucks Creek-Grizzly Project (FERC Project No. 619), which will be retained by PG&E as part of the Land Conservation Commitment.
- PG&E currently owns, and will continue to own, the Resort improvements including a sewer system and water delivery system. PG&E is responsible for major repairs and replacement of the water and septic systems that are capital in nature.
- The tenant will be required to construct improvements to the Resort including the construction, installation, and maintenance of a public day use area on the east side of the Resort.
- When the existing marina agreement terminates on May 22, 2011, it will be merged with the proposed Agreement.
- The final Agreement will contain language similar to the recently developed language for the Kennedy Meadows Resort lease, whereby the tenant acknowledges that (a) the leased premises are subject to the Settlement Agreement, (b) pursuant to the Settlement Agreement, a Land Conservation and Conveyance Plan (LCCP) is being developed by the Stewardship Council, and (c) the LCCP, when adopted, may potentially require modifications in the way the tenant's business operates on the leased premises, including potential financial impacts, in order to preserve and enhance beneficial public values.

The Agreement contains terms and conditions requiring the tenant to promptly comply with all legal requirements as they relate to the use, occupancy or routine maintenance of the premises, improvements and alterations, and to allow PG&E to take appropriate action to maintain water quality as required by regulatory agencies having jurisdiction. The Notice states that the public day use area will include at a minimum, six picnic tables (one of which will be ADA compliant), three barbeques and one ADA compliant parking space, with appropriate signage.

Of note, the Lakeshore Resort has historically been one of three existing commercial recreation facilities operated by PG&E under a commercial lease. The facility has provided visitors to Bucks Lake with boat docks, boat rentals, lodging, camping, a restaurant and a store. The reestablishment of the facility and the proposed new public day use area along the south shore of the lake will contribute to one of the management objectives established by the Stewardship Council in its Land Conservation Plan- "Outdoor Recreation: Enhance recreational facilities in order to provide additional public access and enhance the recreation experience."

Pursuant to: (1) the Third Party Use Request Guidelines and Procedure adopted by the Stewardship Council in 2004 and amended on September 26, 2007, (2) the Stewardship Council's staff review of the information provided by PG&E, including the proposed lease language, and terms and conditions referenced above, and (3) the contribution of the reestablishment of this facility and the proposed new public day use area to the management objective on outdoor recreation in the land Conservation Plan, the Stewardship Council staff believes that there is no reasonable possibility that the proposed use will have an adverse impact on the long term planning and management objectives for the Bucks Lake Planning Unit.

Sincerely,



Allene Zanger
Executive Director

cc: Soapy Mulholland, Watershed Planning Committee Chair, Stewardship Council Board of Directors
Dave Sutton, Watershed Planning Committee Co-Chair

**PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV**

Aglet	Department of the Army	Northern California Power Association
Agnews Developmental Center	Dept of General Services	Occidental Energy Marketing, Inc.
Alcantar & Kahl	Division of Business Advisory Services	OnGrid Solar
Ancillary Services Coalition	Douglas & Liddell	PPL EnergyPlus, LLC
Anderson & Poole	Douglass & Liddell	Pinnacle CNG Company
Arizona Public Service Company	Downey & Brand	Praxair
BART	Duke Energy	R. W. Beck & Associates
BP Energy Company	Duncan, Virgil E.	RCS, Inc.
Barkovich & Yap, Inc.	Dutcher, John	RMC Lonestar
Bartle Wells Associates	Ellison Schneider & Harris LLP	Recon Research
Blue Ridge Gas	Energy Management Services, LLC	SCD Energy Solutions
Braun & Associates	FPL Energy Project Management, Inc.	SCE
C & H Sugar Co.	Foster Farms	SESCO
CA Bldg Industry Association	Foster, Wheeler, Martinez	SMUD
CAISO	Franciscan Mobilehome	SPURR
CLECA Law Office	G. A. Krause & Assoc.	Santa Fe Jets
CSC Energy Services	GLJ Publications	Seattle City Light
	Goodin, MacBride, Squeri, Schlotz & Ritchie	Sempra Utilities
California Cotton Ginners & Growers Assn	Green Power Institute	Sequoia Union HS Dist
California Energy Commission	Hanna & Morton	Sierra Pacific Power Company
California League of Food Processors	Heeg, Peggy A.	Silicon Valley Power
California Public Utilities Commission	Hitachi	Smurfit Stone Container Corp
Calpine	Hogan Manufacturing, Inc.	Southern California Edison Company
Cameron McKenna	Imperial Irrigation District	St. Paul Assoc.
Cardinal Cogen	Innercite	Sunshine Design
Casner, Steve	International Power Technology	Sutherland, Asbill & Brennan
Cerox	Intestate Gas Services, Inc.	TFS Energy
Chamberlain, Eric	J. R. Wood, Inc.	Tabors Caramanis & Associates
Chevron Company	JTM, Inc.	Tecogen, Inc.
Chris, King	Los Angeles Dept of Water & Power	Tiger Natural Gas, Inc.
City of Glendale	Luce, Forward, Hamilton & Scripps LLP	Tioga Energy
City of Palo Alto	MBMC, Inc.	TransCanada
City of San Jose	MRW & Associates	Turlock Irrigation District
Clean Energy Fuels	Manatt Phelps Phillips	U S Borax, Inc.
Coast Economic Consulting	Matthew V. Brady & Associates	United Cogen
Commerce Energy	McKenzie & Associates	Utility Cost Management
Commercial Energy	Meek, Daniel W.	Utility Resource Network
Constellation	Merced Irrigation District	Utility Specialists
Constellation New Energy	Mirant	Vandenberg Air Force
Consumer Federation of California	Modesto Irrigation District	Verizon
Crossborder Energy	Morgan Stanley	Wellhead Electric Company
Davis Wright Tremaine LLP	Morrison & Foerster	Western Manufactured Housing Communities Association (WMA)
		White & Case
Day Carter Murphy	New United Motor Mfg., Inc.	eMeter Corporation
Defense Energy Support Center	Norris & Wong Associates	
Department of Water Resources	North Coast SolarResources	