

**ATTACHMENT 1
COMMERCIAL TERMS OF LEASE AGREEMENT
AT GREEN LANE LANDFILL SITE**

Tenant: Toronto Hydro Energy Services Inc. and Ontario Plants Propagation Ltd.

Leased Premises: A portion of the buffer lands, consisting of approximately 0.5 Hectare (53,820 square feet) of land located on the south east corner of Southminster Bourne and Parson Road as illustrated in Attachment 3, described as Part of Lot 24, Concession 3, Township of Southwold, County of Elgin, being part of Part 2 on Plan 11R-7709, together with appurtenant easements as may be necessary for the construction and operation of the project and the pipelines.

Term: Twenty Five (25) years

Option to Extend: Provided that the Tenant is in occupation of the whole of the Leased Premises and is not in default, upon giving prior written notice not more than Eighteen (18) months and not less than Twelve (12) months before the expiry of the Term, the Tenant shall have the option to extend the lease for one additional Ten (10) year period on the same terms and conditions, save and except there will be no further right to extend.

Commencement Date: January 1, 2011

Rental Rate: For the first year of the Term, the Tenant shall pay Basic Rent of \$32,292.00.00 (calculated at \$0.60 per square foot), plus Goods and Services Tax/Harmonized Sales Tax, with the Basic Rent to be increased by 2.5% every year of the original Term and the extended term, if the option to extend is exercised by the Tenant.

Operating Costs and Taxes: Fully net and carefree to the Landlord. The Landlord is not responsible for any costs, charges, expenses, taxes and outlays of any nature or kind whatsoever arising from or relating to the use and occupancy of the Leased Premises. The Tenant is responsible at its costs, for all repairs, maintenance and replacements.

Capital Improvement Costs: The Tenant accepts the Leased Premises in an "as is, where is" condition and shall pay any and all capital improvement costs as required to modify the current site and to construct and maintain the buildings and interconnection pipelines, and any other equipment and machinery required for the operation of the compressor plant and the possible generation plant and process, and to keep in a state of good repair and meet all building code, and environmental regulation requirements.

Use: The Tenant shall use the Leased Premises for the purpose of constructing and operating a compressor plant and an electricity generation plant and associated uses, and for no other purpose whatsoever.

Assignment: The Tenant shall not sublet or assign the Lease, without the City's consent, which may be unreasonably withheld. A transfer of control of THESI/OPPL will constitute an assignment.

Insurance: The Tenant shall take out liability insurance in form and consent satisfactory to the City, together with such other forms of insurance required by the City's Risk Management Division.

Release and Indemnity: The City shall not be liable whatsoever for any death, injury, loss of property, or damage to property located on the Leased Premises. The Tenant shall fully indemnify and save harmless the City and shall release and forever discharge the City from any actions, claims, costs, damages, losses whatsoever, howsoever caused.

Early Termination Conditions: The Lease Agreement is conditional upon the following, failing which the Lease Agreement shall automatically terminate, and any rent and/or any other amounts paid by the Tenant to the Landlord from the Commencement Date to the date that any of the following conditions are not satisfied shall be retained by the Landlord:

- 1) Execution by the Tenant and Ontario Power Authority of the FIT Contract, on or before December 31, 2010;
- 2) Issuance by Ontario Power Authority to the Tenant of the Notice to Proceed, on or before July 1, 2011;
- 3) Issuance by the Ministry of Environment to the Landlord of new or amended approval certificates for air and noise, if required, permitting the construction and operation of the Compressor Plant, on or before July 1, 2011;
- 4) Issuance by the Ministry of Environment to the Landlord of an amendment to the approval certificate for Green Lane Landfill, if required, permitting construction and operation of the Compressor Plant, the On-Site Biogas Pipeline and the Effluent Pipeline, on or before July 1, 2011;
- 5) Final and binding approval of the appropriate municipal authorities and/or the Ontario Municipal Board, as applicable, of any rezoning, site plan and/or minor variance applications the Tenant may be required to submit in order to carry out the Project Work, on or before July 1, 2011; and
- 6) Execution (and registration on title, where applicable) by the Tenant and any necessary third parties of all leases, licenses, permits, easements, encroachment agreements, highway access or crossing agreements, and/or other agreements, as may be necessary, to permit the Tenant to construct and operate the Cogeneration Plant and the Off-site Biogas Pipeline, on or before July 1, 2011.

Documentation: The Lease shall be on the City's standard form, to be prepared by the City Solicitor or her designate, and shall include the City's standard clauses.