

1008

GROUND LEASE

GROUND LEASE dated as of December 1, 1985 between the CITY OF PELHAM, ALABAMA, a municipal corporation under the laws of the State of Alabama (herein called the "Lessor"), and PARSONS PELHAM ASSOCIATES, A CALIFORNIA LIMITED PARTNERSHIP (herein called the "Lessee"), a limited partnership under the laws of the State of California;

R E C I T A L S:

The Lessor has heretofore acquired title to certain real property (herein the "Site") located in Shelby County, Alabama, which real property is specifically described on Exhibit A attached hereto and made a part hereof as if set out in full herein.

The Lessee desires to lease the Site from the Lessor in order to enable it to construct facilities for the collection, treatment and disposal of sewage, wastewater, industrial effluent or other fluid waste within the meaning of Chapter 97 of Title 11 of the Code of Alabama of 1975 (the improvements to be constructed thereon being herein called the "Facilities" and the Site and the Facilities being herein together called the "Project").

The Lessee has entered into an Existing Plant Lease with Lessor of even date herewith wherein the Lessee has leased certain property adjacent to the Site containing improvements now located thereon for sewage treatment (the said improvements being called the "Existing Plant" and the property leased pursuant to said Existing Plant Lease and the Existing Plant being together called the "Existing Facility").

The Lessee has made arrangements for the financing of the costs of the Project through the issuance of bonds (the "Bonds") by The Governmental Utilities Services Corporation of the City of Pelham (the "Corporation"). As a condition to the sale of the Bonds, the Lessee will be required to execute and deliver, as security for the Bonds, a mortgage (herein called the "Mortgage"), and certain other security instruments intended to be recorded contemporaneously herewith (herein called the "Security Instruments"), pursuant to which the Lessee will pledge and mortgage, inter alia, as security for the payment of the principal of and interest on the Bonds, the leasehold estate herein created and the revenues and receipts to be derived from or with respect to the property comprising the Project. The Bonds will be issued under the provisions of a Trust Indenture (the "Indenture") from Corporation to AmSouth Bank, N.A., a national banking association (the "Trustee").

Executed in 7 counterparts of
which this is counterpart # 1

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The Lessee, the Lessor, and the Corporation are parties to a certain Service Agreement dated as of December 1, 1985 relating to the Project (the "Service Agreement").

NOW, THEREFORE, in consideration of the premises and of the respective agreements herein contained, the parties agree as follows:

Section 1. Lease of Site. In consideration of the payment of rental to the Lessor by the Lessee in the amount of \$100,000.00 (the receipt of which is hereby acknowledged by the Lessor, and herein called the "Rent"), and other good and valuable consideration (including the rendition of services to the Lessor under the Service Agreement) the Lessor does hereby demise and lease to the Lessee, and in consideration of such lease the Lessee does hereby rent from the Lessor, for and during the lease term hereinafter referred to, the Site, together with all fixtures, equipment, buildings, improvements, appurtenances and all other structures hereafter installed or located on the Site, upon and subject to the following terms and conditions, to each of which the Lessor and the Lessee hereby agrees:

Section 2. Duration of Lease Term. The term of this Existing Plant Lease (the said term being herein called the "Lease Term") shall begin on the date of delivery hereof and shall continue for a period of fifty (50) years; provided, however, that this Ground Lease may be terminated by the Lessor in accordance with the provisions of Section 9 hereof. Except as otherwise expressly provided in Section 9 of this Ground Lease, this Ground Lease shall remain in full force and effect and shall not otherwise be subject to termination by the Lessor.

Section 3. Title to the Facilities and Other Improvements. The Lessor and the Lessee agree that the Facilities and all other improvements now or hereafter located on the Site shall, upon such construction and location, constitute permanent improvements to the Site, and that upon expiration or termination of the Lease Term, all right, title and interest of the Lessee in and to the Site, the Facilities and all other improvements located on the Site shall vest in the Lessor upon the termination of this Ground Lease, whether by expiration or termination pursuant to the provisions hereof.

Section 4. Warranty of Title. The Lessor warrants to the Lessee

(a) that the Lessor is seized of an indefeasible estate in fee simple in and to the Site;

(b) that the Site is free and clear of all restrictions, liens, encumbrances, rights, title and interests other than

those defined as "Permitted Encumbrances" on Exhibit B attached hereto;

(c) that the Lessor shall not transfer, assign, cancel, surrender, lease or sell its interest and rights in said fee; and

(d) that so long as this Ground Lease shall remain in effect, the Lessee shall have peaceful possession of the Sites and neither the Lessor nor anyone else claiming by, through or under the Lessor will interfere with or molest the Lessee in its occupancy and use thereof.

Section 5. Assignment. Subject to the provisions of Section 13 hereof, the Lessee shall have the right to assign its interest in this Ground Lease and sublet all or any portion of the Facilities, to any one or more sublessees, and permit any one or more licensees and others to use, occupy or enjoy same without the consent of the Lessor; provided, however, that any such assignment shall be subject to the option to terminate reserved by the Lessor in Section 9 of this Ground Lease.

Section 6. Mortgages.

(a) The Lessor hereby covenants and agrees that during the entire Lease Term the Lessor shall not at any time or from time to time have the right or power to mortgage or otherwise create or suffer the creation of any restrictions, liens, encumbrances, rights, title or interests in others, upon or affecting the fee interest in the Site, the Facilities or any other buildings, improvements, fixtures, equipment or other property thereon, or any part thereof.

(b) The Lessor agrees that the execution, delivery and recordation by the Lessee and the other parties thereto of the Indenture, the Mortgage and the Security Instruments, and the creation of the liens and consummation of the transactions contemplated thereunder, shall not constitute a default under this Ground Lease.

(c) The Lessor agrees that so long as the Mortgage or the Indenture shall remain unsatisfied of record:

(1) There shall be no cancellation, surrender, acceptance of surrender or modification of this Ground Lease, without the prior consent in writing of the Trustee;

(2) The Lessor shall accept performance, fulfillment, exercise or observance by or at the instigation of the Trustee of all the rights or obligations of the Lessee hereunder as if the same had been done by the Lessee;

(3) Provided that the same shall be permitted by applicable law, in the event of any disaffirmance or rejection of this Ground Lease by the Lessee in a bankruptcy or similar proceeding, the Lessor, upon the request of the Trustee, shall enter into a new agreement with the Trustee or its nominee or designee upon all of the same terms and conditions of this Ground Lease, but subject to any rights of the Lessee hereunder.

Section 7. Successive Interest. The provisions of this Ground Lease shall inure to the benefit of and shall be binding upon the respective successors and assigns of the parties hereto.

Section 8. Utility Easements. The Lessor agrees to execute and deliver to the Lessee any utility easements or permits on, over or under the Site, or any land contiguous to the Site, which the Lessee may deem necessary or appropriate, subject to the Lessor's approval, which shall not be unreasonably withheld, in order to obtain water, electricity, heat, gas, telephone or other utility services for the buildings and improvements hereafter erected or to be erected on the Site.

Section 9. Option to Terminate; Expiration of Agreement.

(a) The Lessor hereby reserves an option to terminate this Ground Lease upon the occurrence of the events and on the terms set forth in Section 12.02(a)(iii)(X) and (Y) of the Service Agreement. Such option may be exercised by the Lessor only upon the occurrence of the events and in the manner set forth in Section 12.02(a)(iii)(X) and (Y) of the Service Agreement. In the event of the exercise of said option and the payment of the Termination Price (as hereinafter defined) as herein provided, this Ground Lease shall terminate, and the Lessee's interest in this Ground Lease and the Facilities shall revert to the Lessor or the Lessor's successors or assigns. The date on which the Termination Price shall be due and payable shall be the thirtieth (30th) day following the determination of the Termination Price, unless said thirtieth (30th) day shall not be a regular business day, in which event such date shall be the next succeeding regular business day.

(b) The Lessee agrees that, except for the Indenture, the Mortgage and the Security Instruments, it shall not create any restrictions, liens, encumbrances, rights, title or interests in others affecting the Facilities which, by their express terms, are not wholly subject and

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subordinate to the rights reserved to the Lessor under this Section 9. Anything in this Ground Lease to the contrary notwithstanding, the Lessor acknowledges that so long as the Bonds are outstanding within the meaning of Article XVI of the Indenture, the Lessor shall have no right to terminate this Ground Lease, pursuant to this Section 9 or otherwise, unless in connection with such termination, and as a condition precedent thereto, the Bonds shall be paid in full or deemed to have been paid in full within the meaning of Article XVI of the Indenture.

(c) As a condition precedent to the termination of this Ground Lease pursuant to this Section 9, the Lessor shall pay as the price necessary to exercise the option to terminate reserved in this Section 9 the fair market value of the Facilities as of the day immediately preceding the notice of exercise of such option is delivered (the "Termination Price"). The Termination Price shall be payable to the Lessee or its nominee or assignee in cash or by certified or bank's cashier's check or checks or in such other manner as is required under the Indenture to pay off the Bonds at the closing of the transaction contemplated hereby; provided, however that, notwithstanding any term or provision herein to the contrary, no termination pursuant to this Ground Lease shall be consummated, unless at or before such termination the Bonds are in fact paid in full or deemed to have been paid in full, as provided in Article XVI of the Indenture.

(d) If there are any type of taxes or recording fees payable to any governmental authority by reason of the termination or expiration of this Ground Lease, the Lessor agrees to pay such taxes.

(e) The Lessor represents that at the time of the exercise of the option the Lessor will have examined the Facilities, both inside and outside, and acknowledges that the Lessor will acquire same at the termination of this Ground Lease in its then "AS IS" condition, without any representation or warranty, express or implied, as to the condition, suitability or use of the Facilities, and any and all such warranties, express or implied, being hereby specifically disclaimed. No termination of this Ground Lease under this Article 9 shall waive any rights of the Lessor under the Service Agreement.

(f) From and after such date as the Bonds shall have been paid in full or deemed to have been paid in full, as provided in Article __ of the Indenture, the Lessor shall have the right, subject to the terms hereof and the terms of the Service Agreement, to exercise the option reserved in this Article 6 with respect to the Site.

(g) Except as set forth in this Section 9, this Ground Lease shall not be otherwise terminated or amended without the prior written consent of both parties and the Trustee, which consent shall not be contrary to the provisions of the Indenture.

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Section 10. Fair Market Value

(a) The fair market value of the Facilities shall be determined by agreement of the parties, or failing agreement within thirty (30) days after exercise of the option reserved in Section 9 hereof, by appraisal as hereinafter provided. The fair market value of the Facilities shall not include any value for the Existing Facility. Either the Lessor or the Lessee may initiate the proceedings for such appraisal by notice given to the other, and in such notice (and as an essential part thereof) the initiating party shall designate the name and address of an appraiser willing to act. Within ten (10) days after the receipt of such notice, the responding party shall by notice to the initiating party designate the name and address of a second appraiser willing to act, and if the responding party shall fail, neglect or refuse within the time provided to designate a second appraiser willing to act, the initiating party shall have the right (upon not less than five (5) days notice to the responding party, stating in such notice the time and place at which application is to be made) to make application to the Appointing Agent (as hereinafter defined) for the appointment of a second appraiser who shall for all purposes have the same standing and power as though he had been seasonably appointed by such responding party. The two appraisers first appointed shall appoint a third appraiser, but if they shall fail, neglect or refuse to appoint a third appraiser within ten (10) days after the appointment of the second appraiser, either appraiser already appointed shall have the right, upon five (5) days' written notice to the other appraiser (stating in such notice the time and place at which the application is to be made) to make application to the Appointing agent for the appointment of a third appraiser, and an appraiser appointed by the Appointing Agent shall have the same standing and power as though he had been seasonably appointed by the two appraisers first appointed. Any appraiser appointed pursuant to these provisions may resign as such by written notice to all the interested parties. In case of the inability or refusal to serve of any person designated as an appraiser, or in case any appraiser for any reason ceases to be such, an appraiser to fill such vacancy shall be appointed by the party or by the two appraisers first appointed or by the Appointing Agent, as the case may be, whichever made the original appointment, or in case such authority making the original appointment fails, neglects or refuses to fill such vacancy, in the manner hereinbefore provided in case such authority has failed, neglected or refused to make the original appointment and the appraiser so appointed to fill such vacancy shall have the same standing and power as though originally appointed.

(b) The Board so constituted (the "Board of Appraisers") shall forthwith upon its appointment hear the parties and their witnesses and determine the fair market value of the Facilities, as set forth above in this Section 10. The Board of Appraisers shall determine the apportionment of the costs of such appraisal among the parties, and shall in writing notify all parties of their determinations in the appraisal proceedings. Any determination by a majority of the Board of Appraisers shall be final and binding upon all interested parties. If any party shall fail, neglect or refuse to appear at the hearings appointed by the appraisers, the Board of Appraisers may act in the absence of such party.

(c) The term "Appointing Agent" as used in this Section means (i) the then President of the Alabama Bar Association, if he is willing and able to act; or (ii) if he is not willing and able to act, the first in the order named of the following then officers of said Association who is willing and able to act: the Vice President (in order of seniority if more than one), the Treasurer or the Secretary; or (iii) if none of said persons is willing or able to act, then the American Arbitration Association.

(d) Subject to the foregoing provisions of this Section, the Board of Appraisers shall conduct its proceedings in accordance with the Commercial Rules of the American Arbitration Association.

(e) Notwithstanding the foregoing provisions, the Lessor and the Lessee may agree upon a single appraiser to conduct said proceedings or may jointly apply to the Appointing Authority for appointment of a single appraiser who would have all and the same power and authority of a Board of Appraisers hereunder.

Section 11. Fire, Casualty and Eminent Domain.

(a) If all or any part of the Facilities or the Site is destroyed or damaged by fire or casualty or taken by any governmental or quasi-governmental entity by exercise of the right of eminent domain or similar right, or if the Facilities or the Site or any part thereof is destroyed or damaged or the use thereof diminished by any other action of any public authority, or by war, enemy action, or civil defense, any condemnation awards, whether for the land included in the Site or otherwise, and the proceeds of any casualty insurance applicable to the Site shall be dealt with solely as provided in the Indenture, the Mortgage and the Security Instruments. It is expressly understood and agreed that so long as the Bonds shall not have been paid in full or deemed to have been paid in full, as provided in Article XVI of the Indenture, the Lessor shall not have any rights to any such condemnation awards or insurance proceeds insofar as this Ground Lease or the Lessor's ownership of the Site is concerned. The Lessor agrees to cooperate reasonably with the Lessee in the settlement and collection of any such awards or proceeds, as the case may be.

(b) The Lessor hereby agrees to give the Lessee notice of any pending condemnation proceedings and full opportunity to participate in all negotiations concerning settlement. The Lessor will not, without the prior written consent of the Lessee, consummate any settlement in any condemnation proceedings affecting the Site.

(c) The Lessor agrees that at no time during the Lease Term shall it take or appropriate for public or quasi-public use under the right of eminent domain all or any portion of the Project, but nothing in this

paragraph shall be deemed to constitute a waiver by the Lessor of any of its sovereign power.

Section 12. Recordation and Subordination. This Ground Lease may be recorded by either party. The option reserved by the Lessor in Section 9 to terminate this Ground Lease shall in any event be subject and subordinate to the lien of the Indenture, the Mortgage and the Security Instruments, and all modifications, amendments, extensions, consolidations and renewals thereof, and shall terminate upon Foreclosure (as such item is defined in Section 19.06 of the Service Agreement), in which event the Lessor hereby agrees that it shall execute and deliver all such documents and instruments, and take all such other action, as the Trustee or the then owner of the Site shall reasonably request in order to effect or give proper notice of the fact of such termination. After Foreclosure, there shall be no restriction on the Lessee's rights to mortgage or encumber this Ground Lease and its rights hereunder, and any mortgagee or other secured party shall have all rights granted to the Trustee hereunder.

Section 13. Notice to Third Parties. Notice is hereby given that the rights of the Lessee hereunder, and the rights of any person claiming through the Lessee, except as provided in Section 12, are absolutely subordinate and subject to the right to terminate reserved by the Lessor in Section 9 hereof, and, except as provided in Section 12, no rights or interests granted pursuant to any assignment, mortgage, or other conveyance by the Lessee shall survive the exercise by the Lessor of the option to terminate reserved in Section 9 hereof.

Section 13. Notice. All notices and other communications hereunder shall be in writing and shall be deemed given and delivered when mailed, by registered or certified mail, postage and registration or certification charges prepaid, addressed, in the case of the Lessee to Lessee in care of Parsons Municipal Services, Inc., 100 West Walnut Street, Pasadena, California 91124, Attention General Counsel, with a copy simultaneously so mailed to Ralph M. Parsons Company, 100 West Walnut Street, Pasadena, California 91124, Attention: President, and in the case of the Lessor, to the Lessor in care of City Hall, Pelham, Alabama, with a copy simultaneously so mailed to City Cler, City Hall, Pelham, Alabama 35124; except that either party may by written notice to the other designate another address which shall thereupon become the effective address of such party for the purposes of this Section. For so long as the Bonds are outstanding, a copy of each notice or other communication given pursuant to this Ground Lease shall also be given to the Trustee under the Indenture in the manner required for notices under the Indenture.

Section 15. Use of the Facilities. The Lessee agrees that it will at all times during the term hereof use the Site solely for one of the purposes specified in and permitted by Chapter 97 of Title 11 of the Code of Alabama of 1975.

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Section 16. Entire Agreement. This Ground Lease sets forth the entire agreement between the parties and no custom, act, forbearance or words or silence at any time shall impose any additional obligation or liability upon either party or waive or release either party from any default in the performance or fulfillment of any obligation or liability or operate as against either party as a supplement, alteration, amendment or change of any term or provision set forth herein, unless set forth in a written instrument duly executed by such party.

Section 17. Government Law. This Ground Lease shall be construed and enforced in accordance with the laws of the State of Alabama.

Section 18. Captions. The captions to the various Sections of this Ground Lease have been inserted for reference only and shall not in any manner be construed as modifying, amending or affecting in any way the express terms and provisions hereof.

Section 19. Severability. If any term or provision of this Ground Lease or the application thereof to any person, property or circumstance shall to any extent be invalid or unenforceable, the remainder of this Ground Lease, or the application of such term or provision to persons, properties and circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Ground Lease shall be valid and enforced to the fullest extent permitted by law.

Section 20. Further Assurances. Each party agrees to execute and deliver any instruments and to perform any acts that may be necessary or reasonably requested in order to give full effect to this Ground Lease.

Section 21. Relationship of the Parties. The relationship between the parties hereto shall always be that of lessor and lessee and neither party shall be deemed to be a partner, agent or legal representative of the other party, nor is there any fiduciary relationship between the parties. Nothing contained herein shall be deemed to constitute a waiver by the Lessor of any of its sovereign statutory powers and authority to enforce all applicable laws, ordinances and regulations in a non-discriminatory manner.

Section 22. Change in Exhibit A. The description set forth in Exhibit A is a legal description of property which encompasses both the Site which is the subject of this Ground Lease and a site leased pursuant to the Existing Plant Lease between the parties of even date herewith. The parties recognize that the description contained in Exhibit A will be

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modified to divide the property described in Exhibit A between the Site leased hereunder and the site leased under the Existing Plant Lease and the parties hereby consent to substitution of Exhibit A as so modified.

Section 23. Miscellaneous. All representations, warranties and agreements in this Ground Lease shall be deemed special, unique and extraordinary and any breach of any provision thereof by either party shall be deemed to cause the other irreparably injury not properly compensable by damages in an action at law, and the rights and remedies of either party hereunder may therefore be enforced both at law or in equity, by injunction or otherwise. All rights and remedies of each party shall be cumulative and not alternative, in addition to and not exclusive of any other right or remedy to which such party may be lawfully entitled in case of any breach or threatened breach of any term or provision herein, except as otherwise expressly provided herein; and not exhausted by any one or more uses thereof, and may be exercised at any time or from time to time and as often as may be expedient; any option or election to enforce any such right or remedy may be exercised or changed at any time or from time to time.

IN WITNESS WHEREOF, the parties hereto have executed this Ground Lease under seal the day and year first above written.

CITY OF PELHAM, ALABAMA

(THE LESSOR)

SEAL

By Bobby Hayes
Its Mayor

ATTEST

By: Lee Lee Kasey
Its: City Clerk

PARSONS PELHAM ASSOCIATES,
A California Limited Partnership

By Kline P. Barry
Its President of its General Partner

ATTEST:

By Felix M. Loya
Its Assistant Secretary to its
General Partner

STATE OF ALABAMA)
 :
COUNTY OF SHELBY)

I, Joann R. Ferguson, a Notary Public in and for said county in said state, hereby certify that Bobby Hays, whose name is Mayor of the City of Pelham, Alabama, a municipal corporation in the State of Alabama, is signed to the foregoing Ground Lease and who is known to me, acknowledged before me on this day that, being informed of the contents of the within Ground Lease, he, as such officer and with full authority, executed the same voluntarily for and as the act of said city.

GIVEN under my hand and official seal of office, this 13th day of December, 1985.



Joann R. Ferguson
Notary Public

My Commission Expires October 14, 1987

STATE OF ALABAMA)
 :
COUNTY OF SHELBY)

I, Jean R Ferguson, a notary public in and for said county in said state, hereby certify that Parsons Municipal Services, Inc. whose name as Kline P Barney, a corporation as general partner of Parsons Pelham Associates, a California Limited Partnership, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he, as such officer, and with full authority, executed the same voluntarily for and as the act of said corporation, acting in its capacity as general partner as aforesaid. Given under my hand and seal of office this 13th day of December, 1985.

Jean R Ferguson
Notary Public
My Commission Expires October 14, 1987.

NOTARIAL SEAL

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EXHIBIT A

LEGAL DESCRIPTION:

A parcel of land located in the Northeast 1/4 of the Southwest 1/4 and the Southeast 1/4 of the Northwest 1/4, both in Section 14, Township 20 South, Range 3 West, Shelby County, Alabama, more particularly described as follows: Commence at the Southwest corner of the Northwest 1/4 of the Southeast 1/4 of said Section; thence in a Northerly directions, along the West line of said 1/4-1/4 Section a distance of 536.56 feet to a point on the Northwest right-of-way line of Parker Drive (extended); thence 41 deg. 28 min. 50 sec. right in a Northeasterly direction along said right-of-way line of Seaboard Coast Line Railroad; thence 90 deg. left, in a Northwesterly direction along said right-of-way line, a distance of 106.0 feet to the beginning of a curve to the left, said curve having a radius of 2774.63 feet and a central angle of 4 deg. 12 min.; thence along arc of said curve, in a Northwesterly direction along said right-of-way line, a distance of 203.39 feet to end of said curve; thence continue in a Northwesterly direction, along said right-of-way line, a distance of 381.84 feet; thence 85 deg. 48 min. left, in a Southwesterly direction along the Northwest property line of Weyerhaeuser Company (extended), a distance of 624.42 feet; thence 90 deg. right, in a Northwesterly direction, a distance of 110.0 feet to the point of beginning; thence 90 deg. left, in a Southwesterly direction, a distance of 410 feet, more or less, to the centerline of Buck Creek; thence in a Northwesterly direction, along the centerline of said Buck Creek, a distance of 1125 feet, more or less, to the intersection of said centerline and the West line of the Southeast 1/4 of the Northwest 1/4 of said Section 14; thence in a Northerly direction, along said West line a distance of 162 feet, more or less, to the intersection of said West line and the South right-of-way line of said Seaboard Coast Line Railroad; thence in a Southeasterly direction, along said right-of-way line, a distance of 1182 feet, more or less; thence in a Southwesterly direction, 250.0 feet Northwest of and parallel to the Northwest property line of Weyerhasuser Company, a distance of 593 feet, more or less; thence 90 deg. left, in a Southeasterly direction, a distance of 140.0 feet to the point of beginning. Said parcel contains 13.00 acres, more or less, and is subject to easements and rights of way of record.

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STATE OF ALA. SHELBY CO.
I CERTIFY THIS
INSTRUMENT WAS FILED

1985 DEC 13 PM 4 51

Thomas A. Snowden, Jr.
JUDGE OF PROBATE

Rec. 21.00
Ind. 1.00
22.00

