

EXISTING PLANT 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 in Exhibit A attached hereto and made a part hereof as if set out in full herein.

The Lessee desires to lease the Site and all improvements now located thereon from the Lessor in order to enable it to provide 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 now located on the Site being herein called the "Existing Plant").

The Lessee has entered into a Ground Lease with Lessor of even date herewith wherein the Lessee has leased certain properly adjacent to the Site upon which Lessee will construct additional treatment facilities (the said additional treatment facilities to be constructed being called herein the "New Plant" and the property leased pursuant to said Ground Lease and the New Plant being herein together called the "Project").

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

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 the respective agreements herein contained, the parties agree as follows:

Section 1. In consideration of the payment of rental of the Lessor by the Lessee in the amount of \$350,000.00 (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 of 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 now or 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 ninety (90) days after the date that the Lessee received notice from the Lessor that the Lessor desires to commence the Lease Term but in no event shall such notice be given later than May 31, 1986. The Lease Term shall continue for a period of twenty-five (25) years or the stated expiration date of the Bonds whichever occurs later; provided, however, that this Existing Plant 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 Existing Plant Lease, the Existing Plant Lease shall remain in full force and effect and shall not otherwise be subject to termination by the Lessor.

Section 3. Title to the Existing Plant and Other Improvements. The Lessor and the Lessee agree that the Existing Plant 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 Existing Plant and all other improvements located on the Site shall vest in the Lessor upon the termination of this Existing Plant 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 Existing Plant Lease shall remain in effect, the Lessee shall have peaceful possession of the Site and neither the Lessor nor anyone else claiming by, through or under the Lessor will interfere with or molest the Lessee in the occupancy and use thereof.

Section 5. Assignment. Subject to the provisions of Section 12 hereof, the Lessee shall have the right to assign its interest in this Existing Plant Lease and sublet all or any portion of the Existing Plant or the Site, 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 to the Lessor in Section 9 of this Existing Plant 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 interest in others, upon or affecting the fee interest in the Site, the Existing Plant 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 the Existing Plant 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 Existing Plant Lease, without the prior consent in writing of the Trustee;

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(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 Existing Plant 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 Existing Plant Lease, but subject to any rights of the Lessee hereunder.

Section 7. Successive Interest. The provisions of this Existing Plant 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 presently on, or 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 Existing Plant 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 Existing Plant Lease shall terminate, and the Lessee's interest in the Existing Plant Lease and the Existing Plant 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 Existing Plant which, by their express terms, are not wholly subject and subordinate to the rights reserved to the Lessor under this Section 9 hereof. Anything in this Existing Plant 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 Existing Plant 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 Existing Plant 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 "Termination Price") the fair market value of the Project only as of the day immediately preceding the notice of exercise of such option is delivered. 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 Existing Plant Lease shall be consummated, unless at or before such termination of 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 Existing Plant 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 Existing Plant, both inside and outside, and acknowledges that the Lessor will acquire same at the termination of this Existing Plant Lease in its then "AS IS" condition, without any representation or warranty, express or implied, as to the condition, suitability or use of the Existing Plant, and any and all such warranties, express or implied, being hereby specifically disclaimed. No termination of this Existing Plant 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 XVI 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 Section 9 with respect to the Site.

(g) Except as set forth in this Section 9, this Existing Plant Lease shall not be 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.

Section 10. Fire, Casualty and Eminent Domain.

(a) If all or any part of the Existing Plant 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 Existing Plant 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 Existing Plant 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 proceeding 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 Existing Plant, but nothing in this paragraph shall be deemed to constitute a waiver by the Lessor of any of its sovereign power.

Section 11. Recordation and Subordination. This Existing Plant Lease may be recorded by either party. The option reserved by the Lessor in Section 9 to terminate this Existing Plant 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 Existing Plant Lease and its rights hereunder, and any mortgage or other secured party shall have all rights granted to the Trustee hereunder.

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Section 12. 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 11, are absolutely subordinate and subject to the right to terminate reserved by the Lessor in Section 9 hereof, and, except as provided in Section 11, 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 the City Clerk, 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 Existing Plant Lease shall also be given to the Trustee under the Indenture in the manner required for notices under the Indenture.

Section 14. Use of the Existing Plant. 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.

Section 15. Entire Agreement. This Existing Plant 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 or any term or provision set forth herein, unless set forth in a written instrument duly executed by such party.

Section 16. Government Law. The Existing Plant Lease shall be construed and enforced in accordance with the laws of the State of Alabama.

Section 17. Captions. The captions to the various Sections of this Existing Plant 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 18. Severability. If any term or provision of this Existing Plant Lease or the application thereof to any person, property or circumstance shall to any extent be invalid or unenforceable, the remainder of this Existing Plant 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 Existing Plant Lease shall be valid and enforced to the fullest extent permitted by law.

Section 19. 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 Existing Plant Lease.

Section 20. 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 21. Change in Exhibit A. The property description set forth in Exhibit A is a legal description of property which encompasses both the Site which is the subject of this Existing Plant Lease and the Site leased pursuant to the Ground Lease between the parties of even date herewith. The parties recognize that the description contained in Exhibit A will be modified to divide property described in Exhibit A between the Site leased hereunder and the site leased under the Ground Lease and the parties hereby consent to substitution of Exhibit A as so modified.

Section 22. Miscellaneous. All representations, warranties and agreements in this Existing Plant 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 irreparable 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

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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 Existing Plant Lease under seal the day and year first above written.

CITY OF PELHAM, ALABAMA

(THE LESSOR)

SEAL

By Bobby Hayes
Its Mayor

ATTEST:

By: [Signature]
Its: City Clerk

PARSONS PELHAM ASSOCIATES,
A California Limited Partnership

By Klin P. Bandy
Its President of its General Partner

ATTEST:

By Felix W. Loya
Its Asst. Secretary of its General Partner

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STATE OF ALABAMA)

COUNTY OF JEFFERSON)

I, Joann R Ferguson, a Notary Public in and for said county in said state, hereby certify that K.P. Barney, Jr., whose name as President of Parsons Municipal Services, Inc., a California 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 within 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 official seal of office, this 13th day of December, 1985.

(NOTARIAL SEAL)

Joann R Ferguson
Notary Public
My Commission Expires October 14, 1987
My commission expires: _____

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 Hayes, 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.

NOTARIAL SEAL

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

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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 4:52

Thomas A. Shumaker, Jr.
JUDGE OF PROBATE

Rec. 1800
Ind. 100
1900

