

Marguerite McLean

080613-SU

From: Trina Collins [TCollins@RSBattorneys.com]
Sent: Monday, May 24, 2010 4:14 PM
To: Filings@psc.state.fl.us
Cc: Martin Friedman; Christian W. Marcelli; Trina Collins
Subject: Filing in Docket No. 080613-SU; Silver Lake Utilities, Inc.'s Application for Amendment to Wastewater Certificate No. 546-S to Extend its Service Area in Highlands County, Florida
Importance: High
Attachments: PSC Clerk 04 (Lease Agreement & Memorandum).ltr.05-24-2010(5).pdf

- a. Martin S. Friedman, Esq.
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- b. Docket No. 080613-SU; Silver Lake Utilities, Inc.'s Application for Amendment to Wastewater Certificate No. 546-S to Extend its Service Area in Highlands County, Florida - Pursuant to Commission Order Nos.: PSC-09-0086-FOF-SU and PSC-10-0068-PCO-SU, filing the executed Lease Agreement for the Wastewater Treatment Plant site along with the recorded Memorandum of that Lease Agreement.
- c. Silver Lake Utilities, Inc.
- d. 22 pages.
- e. Letter to Commission Clerk - 1 page; Lease Agreement - 18 pages; and Memorandum of Lease - 3 pages.

DOCUMENT NUMBER-DATE

04375 MAY 24 2010

FPSC-COMMISSION CLERK

LAW OFFICES

ROSE, SUNDBSTROM & BENTLEY, LLP

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Please Respond to the Longwood Office

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May 24, 2010

E-FILING

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ROBERT M.C. ROSE, (1924-2006)

Ann Cole, Commission Clerk
Office of Commission Clerk
Florida Public Service Commission
2540 Shumard Oak Boulevard
Tallahassee, FL 32399-0850

RE: Docket No. 080613-SU; Silver Lake Utilities, Inc.'s Application for Amendment to Wastewater Certificate No. 546-S to Extend its Service Area in Highlands County, Florida
Our File No.: 43005.03


Dear Ms. Cole:

Pursuant to Commission Order Nos.: PSC-09-0086-FOF-SU and PSC-10-0068-PCO-SU, enclosed is the executed Lease Agreement for the Wastewater Treatment Plant site along with the recorded Memorandum of that Lease Agreement.

This should complete the requirements of the aforementioned Orders and it would be appropriate to close this docket.

Should you or the Staff have any questions regarding the enclosed, please do not hesitate to give me a call.

Very truly yours,


MARTIN S. FRIEDMAN
For the Firm

MSF/tlc
Enclosures

cc: Christopher Shoemaker, Utilities Manager (w/enclosures) (via e-mail)
Ms. Patricia Daniel, Division of Economic Regulation (w/enclosures) (via e-mail)

M:\1 ALTAMONTE\SILVER LAKE UTILITIES (43005)\(.03) Original Sewer Certificate - Highlands\PSC Clerk 04 (Lease Agreement & Memorandum).ltr.docx

DOCUMENT NUMBER 3477

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FPSC - COMMISSION CLERK

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950 PENINSULA CORPORATE CIRCLE, SUITE 2020, BOCA RATON, FLORIDA 33487 (561) 982-7114 FAX (561) 982-7116

LEASE AGREEMENT

THIS LEASE is made and entered into this 13th day of May, 2010, by and between 7L Lake Placid, LLC, a Delaware limited liability company ("Owner"), and Silver Lake Utilities, Inc., a Florida corporation ("Service Company").

For good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. DESCRIPTION OF THE LEASED PREMISES.

Owner is the owner of a parcel of land located in Lake Placid, Highlands County, State of Florida, as more particularly described in Exhibit A attached hereto and made a part hereof (the "Land"). Owner hereby leases to Service Company and Service Company leases from Owner, approximately twenty (20) acres of the Land and all access and utility easements, if any, as more particularly described in Exhibit B attached hereto and made a part hereof (the "Premises").

2. USE.

The Premises may be used by the Service Company to construct, operate, and maintain a wastewater treatment plant and any reasonably necessary wastewater treatment facilities, including, but not limited to pumps, valves, piping, lift stations, gravity sewer mains, access roads, disposal facilities, offices and maintenance buildings (the "Wastewater Treatment Facilities").

3. TERM.

This Lease shall be effective for a period of ninety-nine (99) years, commencing on May 3, 2010 and ending on May 2, 2109, unless sooner terminated as provided herein.

4. RENT.

The Owner and the Service Company agree that there shall be no rent due hereunder until the commencement of construction of the Wastewater Treatment Facilities. At least ninety (90) days but not earlier than one hundred twenty (120) days prior to the commencement of the construction of the Wastewater Treatment Facilities, Service Company and Owner shall negotiate the terms of the rent to be paid for a three (3) year period commencing upon the commencement of construction of the Wastewater Treatment Facilities. In the event that Service Company and Owner cannot agree upon the terms of the rent for the initial three (3) year term, then the parties shall use the appraisal mechanism set forth below in the discussion of rent renegotiation to establish the rent for the initial three (3) year term. Notwithstanding the fact that rent shall not be due until the commencement of the

Wastewater Treatment Facilities, except as specifically noted herein, all of the other obligations and liabilities of the Service Company shall be effective as of May 3, 2010.

One hundred eighty (180) days prior to the end of the third year of this Lease in which rent has been paid, and within the same period prior to the end of each succeeding 3-year period, Service Company and Owner shall renegotiate the rent to be paid over the next 3-year period. The purpose of renegotiating the rent is to reflect the increase in the fair value of the Premises and the right to continue to operate the Wastewater Treatment Facilities over the last 3-year period. If Service Company and Owner are unable to agree on the amount of increase in the rent to be paid over the subject 3-year period, then at least one hundred and fifty (150) days prior to the commencement of the subject 3-year period, Service Company and Owner shall agree upon a qualified appraiser who will calculate the increase in the rent to be paid over the subject 3-year period. If the parties are unable to agree upon an appraiser to be used, then Service Company and Owner shall select a qualified appraiser of its choice and make the calculations, and the average of the two appraisers shall be binding on the parties. Calculations by the appraiser or appraisers shall in either case be made and delivered to Service Company and Owner at least ninety (90) days prior to the commencement of the subject 3-year period. Neither the calculations of the appraiser or appraisers nor anything contained herein shall operate to reduce the rent below the amount of the rent in effect at the time the negotiations or calculations are conducted as set forth herein or below the then existing rent plus inflation using the compounded index percentage approved for regulated water and wastewater utilities by the Florida Public Service Commission for each intervening year since that last rent amount was set.

In addition to renegotiating the rent every 3 years as set forth above, any time that, in Owner's reasonable opinion, the impact of any local, regional, state, or federal rule, ordinance, law, or policy directly or indirectly affects Owner's use of the Land or its other lands not subject to this Lease by further restricting or requiring changes in land or water uses near the Wastewater Treatment Facilities, or as a result of activities related to Wastewater Treatment Facilities, Service Company and Owner shall renegotiate the rent. The purpose of this renegotiation shall be to reflect the diminution in value of the affected Land or other lands of Owner. At anytime that Owner reasonably deems such diminution in value to have occurred, Owner shall notify Service Company in writing and, within forty-five (45) days thereof, Owner and Service Company shall renegotiate the rent to compensate Owner for the diminution in value. If Owner and Service Company are unable to agree on a renegotiated rent, then Service Company and Owner shall agree upon a qualified appraiser who will calculate such compensation. If the parties are unable to agree upon a qualified appraiser to be used, the Owner and Service Company shall each select a qualified appraiser of its choice to make the necessary calculations, and the average of the two appraisers shall be binding on the parties.

5. PERMITS.

Prior to constructing or operating the Wastewater Treatment Facilities or servicing any customer, Service Company shall obtain, at its sole expense, unless specifically provided otherwise in this Lease, all necessary permits, certificates, and approvals necessary to construct and operate the Wastewater Treatment Facilities and collect tariffs for wastewater services supplied to any customer and any other person or entity, as may be required by any governmental entity, including, without limitation, the applicable water management districts, Public Service Commission, county governments, U.S. Army Corp of Engineers, and the Department of Environmental Protection. The Owner has the right to approve, prior to filing, the identity of the applicant and the form and substance of any such applications.

6. CONSTRUCTION.

Service Company has the right to erect, maintain and operate on the Premises the Wastewater Treatment Facilities. In connection therewith, Service Company has the right to do all work necessary to prepare, maintain and alter the Premises for use and occupancy as Wastewater Treatment Facilities. All of Service Company's construction and installation work shall be performed at Service Company's sole cost and expense, in a good and workmanlike manner in accordance with industry standards, and in accordance with all applicable laws, rules or regulations.

7. MAINTENANCE AND REPAIR.

Service Company shall be responsible for the continuous operation and maintenance of the Wastewater Treatment Facilities during the term of this Lease, unless otherwise agreed in writing by Service Company and Owner. Service Company shall keep the Premises and Wastewater Treatment Facilities in a neat, clean and presentable condition.

8. UTILITIES.

Service Company shall have the right to draw electricity and other utilities from the existing utilities on the Land or the Premises or obtain separate utility service from any utility company that will provide service to the Premises. Owner shall reasonably cooperate with Service Company in assisting Service Company to obtain electrical power and other utilities from the closest source. Owner shall have the right to approve the location of poles, transistors, electrical lines, or other necessary utility installations, and Owner shall not unreasonably withhold such approval. Owner shall have the right to require underground installation of utilities. Service Company shall bear all expenses incurred in connection with the installation and continued service for all electricity and other utilities it consumes in its operations. Service Company shall reimburse Owner for any attorney's fees incurred by Owner in connection with the preparation, review, or negotiation of documents or for consultations in relation to obtaining and maintaining electrical power or other utilities for its operations.

9. INGRESS AND EGRESS.

Owner hereby grants Service Company nonexclusive ingress and egress to the Land and Premises during the period of time this Lease remains in force and subject to the limitations of this Section. Service Company's nonexclusive right of ingress and egress may be exercised only during the times and solely for the purposes set forth in this Lease. If county or state roads provide reasonable means of ingress and egress to the Land and Premises, Service Company shall use such county or state roads. In the event that ingress and egress is available only upon roads other than county or state roads, Service Company shall so notify Owner, and Owner shall specify existing roads or ways for ingress and egress to be used by Service Company. Owner shall make reasonable efforts to specify roads or ways located so as to permit Service Company to exercise and enjoy the privileges created by this Lease without undue interference, but Owner shall have no affirmative obligations to improve, maintain, or repair any such road for use by Service Company. In specifying roads for ingress and egress, Owner shall from time to time instruct Service Company as to specific gates to be used and procedures for locking and unlocking gates. Service Company agrees to comply with such instructions of Owner. Service Company shall be solely responsible for security on all gates used by Service Company for ingress and egress. Any roads or accessways used by Service Company shall be used by Service Company at its own risk and shall be maintained by Service Company so as to permit continued safe vehicular passage and shall be left in a condition at least as good as originally found by Service Company at the commencement of this Lease.

10. LOCKS, GATES, FENCES.

Service Company shall place no new locks on Owner's gates without the prior consent of Owner. If Owner permits Service Company to place locks on its gates, the locks shall be clearly identified to Owner and placed so that they will not prohibit access by others who have locks on the gates. Service Company shall give keys only to authorized employees.

Service Company agrees that it shall immediately close and securely fasten gates or gaps in fences that are opened by Service Company or observed open, whether or not such were opened by someone else. No new gaps or gates shall be made in any fence without the prior consent of Owner.

Service Company shall in no way tamper with, alter, or modify any of Owner's existing fences or cattle or wildlife control equipment or devices without the prior consent of Owner. In the event any fences require repair due to the negligence or other activities of Service Company, Owner shall make such repairs and Service Company shall indemnify Owner for the costs of such repair.

11. PROHIBITED ACTIVITIES.

Service Company shall not make or permit any unlawful use of the Land, Premises, Wastewater Treatment Facilities, or any of Owner's lands. Service Company shall not take or remove, kill, or otherwise molest any livestock or wildlife on any of Owner's lands, nor shall the Service Company take, remove, disturb, or otherwise molest any standing timber on Owner's lands without the prior consent of Owner. Service Company covenants that Service Company will hold Owner harmless from all damage caused by Service Company or its agents or employees to such livestock, wildlife, or timber and to promptly notify and reimburse Owner for any such damage. No hunting or fishing shall be permitted on any of Owner's lands by Service Company, its agents, or employees. Service Company shall at no time have dogs or guns or firearms on any of Owner's lands. Service Company will at no time cause any fires to be set on any of Owner's lands, except for the purposes of disposing of debris and only with the prior written consent of Owner. If Owner grants consent, Service Company shall be solely responsible for obtaining the necessary and required permits and for all expenses related thereto. If any employees, agents, or subcontractors of Service Company shall violate the provisions of this paragraph, Owner shall be entitled to require that such person or persons be prohibited from subsequently coming onto Owner's lands. Should Service Company fail to exercise reasonable measures to prevent such person or persons from subsequently coming onto Owner's lands, such act shall be deemed a default hereunder.

12. INSPECTION BY OWNER.

Owner or Owner's agent may at any time enter upon the Premises to view the condition thereof and to observe Service Company's operations thereon.

13. REAL ESTATE, PERSONAL PROPERTY AND INTANGIBLE TAXES.

Service Company shall pay all real estate, personal property, and intangible taxes, and all increases in real estate taxes on the Premises and Wastewater Treatment Facilities accruing during the time that this Lease remains in force, whether actual payment of such taxes is made during the term of this Lease or thereafter. If this Lease begins other than on the first day of the tax year, or if this Lease ends other than on the last day of the tax year, then the parties shall make appropriate adjustments or prorations. Additionally, Owner and Service Company acknowledge and agree that the taxes imposed upon the Premises and/or Wastewater Treatment Facilities and other taxes shall be computed and based on the most recently available valuations, millages, assessments, and other information (including information included in a "cut-out" customarily prepared by the county) provided by the county in which the Premises is located.

14. OTHER TAXES.

Service Company shall pay all sales taxes, if any, license taxes, and any and all other taxes, except income taxes of Owner, with respect to Service Company's operations hereunder.

15. WARRANTY OF TITLE.

Owner represents that it has good and marketable title to the Land and Premises, subject only to real estate taxes not yet due and payable, matters of public record, and such other matters that do not materially interfere with Service Company's intended uses. Service Company may at any time undertake to examine, at its sole cost and expense, title to Land and Premises. In the event that such examination of title shall result in the determination that there are title defects that are contrary to the status of title as above stated, Service Company may so notify Owner, specifying in writing such defects. Owner shall use diligent effort to remove or cure such defects in title within said time. In the event that Owner shall be unable to remove or cure such title defects within the specified time, Service Company shall have the option of either waiving said title defects or canceling this Lease. In the event that uncured title defects shall adversely affect the Land or Premises to the extent or degree that it materially interferes with Service Company's ability to perform its obligations under the terms of this Lease, Service Company shall be entitled to cancel this Lease and receive a prorata refund of any advance rent paid on the Premises.

16. NO MECHANIC'S LIENS.

It is hereby stipulated and agreed by and between the parties hereto that from the date of the execution of this Lease by the parties and during the entire term hereof, there shall be no mechanic's lien upon Owner's interest in the Land or Premises and in the buildings and improvements located thereon owned by Owner, arising through the act of Service Company or any person claiming under or through Service Company. The mere fact of the existence of a mechanic's lien or materialmen's lien or liens, however, shall not of itself operate as a forfeiture or termination of this Lease, provided Service Company, within thirty (30) days after the receipt by it of written notice of lien from the lienor or the recording of such notice of lien among the public records of the County which the Land or Premises are located, shall cause the same to be canceled, released or extinguished, or the Land or Premises released therefrom by the posting of a bond or by any other method prescribed by law, and proper evidence thereof shall be furnished to Owner, and if such lien or liens appear of record, Service Company shall cause the same to be canceled, satisfied and discharged of record, or the Land and Premises to be released from the effect thereof as above set forth. All persons with whom Service Company may deal are put upon notice that Service Company has no power to subject Owner's interest to any claim for mechanic's or materialmen's lien claims, and all persons dealing with Service Company must look solely to the credit of Service Company and to Service Company's assets and not to Owner or Owner's assets.

17. CONDEMNATION.

In the event of any condemnation of the Land or Premises or any part thereof, Owner shall be entitled to receive all compensation for land and improvements owned by Owner taken together with all damages to the remaining property caused by such taking. Service Company shall not be entitled to participate in or to a proportion of any award for just compensation made to Owner as a result of the taking and shall have no claim against Owner therefor. Nothing contained herein shall prevent Service Company from prosecuting a claim for, and recovering and retaining, any award with respect to the taking of the Wastewater Treatment Facilities. In the event of condemnation of the Premises or any portion thereof that interferes with the operation of the Wastewater Treatment Facilities, Service Company may terminate this Lease by giving written notice to Owner within no more than forty-five (45) days following the date of condemnation. If Service Company does not terminate this Lease, then rent shall be reduced in proportion to the actual reduction or abatement of use of the Premises as a result of the taking.

18. SUBORDINATION AND NONDISTURBANCE.

Service Company agrees and acknowledges that all of Service Company's right, title and interest under this Lease is subordinate to the lien of any existing or future lender, provided that such existing or future lender has agreed in writing that, so long as Service Company complies with the terms, conditions and covenants of this Lease and performs its obligations under this Lease, such existing or future lender will take no action that will interfere with or disturb Service Company's possession or lawful use of the Land or Premises during the term of this Lease. Upon Service Company's request, Owner agrees to obtain a nondisturbance agreement, in form and substance satisfactory to Service Company, from any existing or future lender.

19. LIMITATION OF RIGHTS.

Except for the rights given hereunder with respect to the construction, operation, and maintenance of the Wastewater Treatment Facilities, Service Company shall have no interest in or ownership of the Land or Premises or any rights to any minerals, oil, or gas therein and thereunder or any other sub-surface rights in and to the Land or Premises.

20. INSURANCE.

Service Company shall, commencing upon any access to the Premises and continuing thereafter during the term of this Lease, at its expense, maintain in effect Commercial General Liability Insurance and Environmental Pollution Liability Insurance, with a company or companies authorized to engage in the business of general liability and environmental pollution insurance in the State of Florida and reasonably satisfactory to Owner. Each policy shall be in amounts not less than One Million (\$1,000,000.00) Dollars per occurrence and One Million (\$1,000,000.00) Dollars general aggregate for bodily injury and property

damage. Such policies of insurance shall name Owner as an additional insured. Upon Owner's request, Service Company shall provide Owner with certificates of insurance evidencing coverage required herein naming Owner as an additional insured and confirming that such coverage shall not be amended or modified without thirty (30) days prior written notice to Owner.

Service Company shall also, commencing upon any access to the Premises and continuing thereafter during the term of this Lease, at its expense, maintain in effect Workers' Compensation insurance coverage as required by law, written by an insurance company authorized and qualified to write Workers' Compensation insurance in Florida.

21. COMPLIANCE WITH ENVIRONMENTAL LAW REQUIREMENTS.

(a) In addition to the other agreements of Service Company contained in this Lease, Service Company will strictly comply, at its sole cost and expense, with any and all applicable federal, state and local environmental laws, rules, regulations, permits and orders affecting the Land or Premises, whether now in effect or as may be promulgated hereafter, and as may be amended from time to time (hereinafter referred to as "Environmental Laws"), and Service Company will obtain and strictly comply with, at its sole cost and expense, all federal, state and local permits and other governmental approvals in connection with Service Company's use and occupancy of the Land or Premises. Service Company acknowledges that Owner makes no representations, express or implied, concerning the availability or likelihood of obtaining any required permits or approvals for Service Company to conduct its business operations on the Land or Premises.

(b) Without limiting the generality of subparagraph (a) above, Service Company, at its sole cost and expense, will strictly comply with any and all applicable Environmental Laws relating to the generation, recycling, reuse, sale, storage, handling, transport, disposal and presence of any "Hazardous Materials" on the Land or Premises without Owner's express prior written consent, which consent Owner may grant or withhold in its sole discretion. As used in this Section, the term "Hazardous Materials" shall mean any substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "hazardous materials", "toxic substances", "contaminants" or other pollution under any applicable Environmental Laws. Notwithstanding anything to the contrary contained herein, Owner's consent to any action by Service Company shall not operate to relieve Service Company of the obligation to comply with all of the provisions of this Section. Service Company will not permit or allow, and will take all actions necessary to avoid, the occurrence of any spills of Hazardous Materials on or off the Land or Premises as a result of any construction on or use of the Land or Premises. Service Company shall promptly advise Owner in writing immediately upon becoming aware of (i) the existence of any spills, releases or discharges of Hazardous Materials that occur on or onto the Land or Premises, or off the Land or Premises as the result of any construction on or use of the Land or Premises, and of any existing or threatened violation of this Section; (ii) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened by any governmental

authority with respect to the Land or Premises from time to time under any applicable Environmental Laws; (iii) any and all claims made or threatened by any nongovernmental party against Service Company or the Land or Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials or any violation of applicable Environmental Laws; and (iv) Service Company's discovery of any occurrence or condition on any real property adjoining or in the immediate vicinity of the Land or Premises that could cause the Land or Premises or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of the Land or Premises under any Environmental Laws. Service Company acknowledges that it has inspected the Land and Premises and has undertaken all appropriate inquiry into the present and past uses of the Land and Premises consistent with good commercial practice to minimize potential liability for violations of any and all Environmental Laws.

(c) Without Owner's prior written consent, Service Company shall not enter into any settlement, consent or compromise with respect to any "Environmental Claim(s)," as herein defined, provided, however, that Owner's prior consent shall not be necessary for Service Company to take any remedial action if ordered by a court of competent jurisdiction or if the presence of Hazardous Materials at the Land or Premises poses an immediate, significant threat to the health, safety or welfare of any individual or otherwise requires an immediate remedial response. As used in this Section, "Environmental Claim(s)," shall mean any claim(s) or cause(s) of action resulting from the failure of Service Company or the Land or Premises to comply with any Environmental Law relating to Hazardous Materials, industrial hygiene or environmental conditions. In any event, Service Company shall promptly notify Owner of any action so taken.

(d) Without limiting the generality of subparagraph (a) above, at all times during the term of this Lease, Service Company, at its sole cost and expense, shall comply with any and all applicable laws, regulations, ordinances, permits and orders regulating the type and quantity of waste that may be discharged into Service Company's Wastewater Treatment Facilities, including, but not limited to, all rules, regulations, permits, and orders of the water and sewer authority having jurisdiction over the Service Company's utility operations, or its successor. Service Company agrees to limit its customers' discharges of waste into Service Company's Wastewater Treatment Facilities to "Domestic Waste Water", as such term is defined by Rule 62-6.030(22) of the Florida Administrative Code, as amended from time to time, or as the term may be defined by other laws, regulations, ordinances, permits or orders presently in effect or hereafter enacted, as such laws, regulations, ordinances, permits or orders may be amended from time to time. In no event, however, shall Domestic Waste Water be construed to mean or include any "Non-Domestic Waste Water" that has undergone "Pre-treatment" as the latter term is defined in Rule 62-6.030(63) of the Florida Administrative Code or as defined by other laws, regulations, ordinances, permits or orders presently in effect or hereafter enacted, as such laws, regulations, ordinances, permits or orders may be amended from time to time.

(e) Service Company agrees that Owner and Owner's agents and independent

contractors may enter and inspect the Land, Premises or Wastewater Treatment Facilities at any time, and from time to time, to verify that Service Company's operations on the Land, Premises or in the Wastewater Treatment Facilities do not violate any of the provisions of this Section and that they comply with any and all applicable Environmental Laws. Owner may obtain, from time to time, reports from licensed professional engineers or other environmental scientists with experience in environmental investigations and may require Service Company to permit such licensed professional engineers or other environmental scientists to conduct complete and thorough on-site inspections of the Land, Premises and Wastewater Treatment Facilities, including without limitation, sampling and analysis of the soil, surface water, groundwater and air, to determine whether Service Company is in compliance with the provisions of this Section and all Environmental Laws. Service Company and its agents shall cooperate with Owner and its agents in connection with the conduct of such investigations. In the event such investigations disclose that Service Company is in default under this Section, Service Company shall, immediately upon demand, reimburse Owner for all costs and expenses of such investigations; moreover, Owner may, at its option, undertake such steps as it deems necessary to cure such default and to bring the Land, Premises or Wastewater Treatment Facilities into compliance with the terms of this Section, and Service Company shall, immediately upon demand, reimburse Owner for all costs and expenses incurred in curing such default and bringing the Land, Premises or Wastewater Treatment Facilities into compliance with the terms of this Section.

(f) Service Company shall indemnify and hold Owner harmless from and against any all claims, demands, damages, losses, liens, liabilities, penalties, fines, lawsuits, and other proceedings, costs, and expenses (including without limitation reasonable attorney's fees and costs at trial and all appellate levels), arising directly or indirectly from, or in any way connected with: (i) the presence, or use, generation, treatment or storage on, under or about the Land or Premises of any Hazardous Materials on the Land or Premises, or the disposal or release of Hazardous Materials on the Land or Premises, whether or not expressly approved by Owner in writing, (ii) the presence of any Hazardous Materials off the Land or Premises as the result of any use of the Land or Premises, (iii) any violation or alleged violation of any Environmental Law including, but not limited to, violations of the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980 and regulations promulgated thereunder, as the same may be amended from time to time, (iv) the costs of any necessary inspection, audit, cleanup or detoxification of the Land or Premises under any Environmental Laws, and the preparation and implementation of any closure, remedial or other required plans, consent orders, license applications or the like, or (v) any default by Service Company under this Section. All sums paid and costs incurred by Owner with respect to any Environmental Claim or any other matter indemnified against hereunder shall be due and payable by Service Company immediately upon demand. The indemnification contained herein shall survive the termination of the leasehold estate created hereby and any assignment by Owner of its rights under this Lease.

(g) Any breach of the covenants, representations or warranties contained in this Section shall constitute a default under this Lease, and shall entitle Owner to immediately

terminate this Lease. No waiver of any breach of any provision of this Section shall constitute a waiver of any preceding or succeeding breach of the same, or any other provision hereof.

22. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS.

Service Company shall not violate any laws, ordinances of the United States or the State of Florida or any governing body or any rule, regulation or order of any governmental agency, including but not limited to the U.S. Corps of Engineers, the United States Environmental Protection Agency, the Florida Department of Environmental Protection, the South Florida Water Management District, the Florida Game and Freshwater Fish Commission or any other agency applicable to the Land or Premises or to Service Company's operations or activities thereon and shall hold Owner harmless and indemnify Owner against any and all liabilities as a result of any such violations.

23. DEFAULT.

The occurrence of one or more of the following is an event of default by Service Company: the failure of Service Company to perform any obligation for the payment of money within 15 days after the time within which the payment is to be made as provided in the section of this Lease creating the obligation; the failure of Service Company to perform and comply with any obligation imposed upon Service Company by this Lease, other than the payment of money, and the failure continues beyond a reasonable period of time for curing such failure to perform, after written notice thereof from Owner to Service Company, except that any breach by Service Company of the obligations set forth in Section 11 (Prohibited Activities) and Section 21 (Compliance with Environmental Law Requirements) shall be deemed a default hereunder without any notice, grace, or curative period; proceedings under the Bankruptcy Act for bankruptcy are filed by or against Service Company, and if filed against Service Company, have not been dismissed within thirty (30) days after the filing; assignment of Service Company's property for the benefit of creditors is made; a receiver, conservator, or similar officer is appointed by a court of competent jurisdiction to take charge of all or a substantial part of Service Company's property, and within thirty (30) days after appointment the officer is not discharged and possession of the property is not restored to Service Company; Service Company's interest in the Wastewater Treatment Facilities, or under this Lease is the subject of taking or levy under execution, attachment, or other process of law and the action is not canceled or discharged within thirty (30) days after its occurrence; Service Company abandons the Premises; or Service Company defaults under this Agreement.

If Owner shall default in any of its obligations hereunder, Service Company shall give written notice thereof to Owner, and Owner shall have a reasonable period of time after receipt of such notice in which to cure such default.

Owner and Service Company shall have the right to terminate this Lease for any default of the other; provided that where curative periods are applicable, Owner and Service Company may only terminate if the default remains uncured through the expiration of such curative periods.

24. SURRENDER OF THE PROPERTY.

Upon the termination or expiration of the tenancy created hereby, Service Company shall, if required by Owner by written notice within ninety (90) days of such termination or expiration, remove any or all of the Wastewater Treatment Facilities or other structures or improvements installed by Service Company on the Land or Premises and return the Land or Premises to the condition that existed at the commencement of said Lease or as otherwise agreed to by Owner. In the event that Service Company does not remove the Wastewater Treatment Facilities or other structure or improvements as required by Owner, Owner shall have the right to remove said Wastewater Treatment Facilities or other structure or improvements at Service Company's expense.

25. TERMINATION.

In addition to any other termination provisions set forth herein, this Lease shall terminate should Service Company or its successors no longer use the Premises as a public utility. Further, Owner shall have the right to terminate this Lease at any time upon written notice to Service Company prior to the commencement of the Wastewater Treatment Facilities.

26. TERMINATION IN EVENT OF SALE.

In the event that Owner accepts a bonafide offer to purchase the entire Land and the potential purchaser will not purchase the entire Land subject to this Lease, then notwithstanding anything to the contrary contained in this Lease, Owner shall have the right to terminate this Lease upon ninety (90) days written notice to Service Company and Owner shall not be liable to Service Company for any loss, costs, expenses or damages for said termination. Owner will provide the Service Company with a right of first refusal with respect to any bonafide offer to purchase the Land.

27. NO EXPRESS OR IMPLIED WARRANTY.

Service Company agrees that it has inspected the Premises carefully and is satisfied with its condition and accepts the Premises for lease. SERVICE COMPANY ACCEPTS THE PREMISES AS IS AND WITH ALL FAULTS. OWNER MAKES NO WARRANTIES, EITHER EXPRESS OR IMPLIED, AS TO THE CONDITION, FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER MATTER CONCERNING THE PREMISES, EXCEPT AS TO OWNERSHIP OF THE PREMISES. Service Company

hereby waives any claim it might have against Owner for any loss, damage or expense caused by any defect, use, repair or maintenance of the Premises.

28. HOLD HARMLESS, ATTORNEY'S FEES.

A. Indemnity to Owner.

Service Company shall indemnify and defend Owner and hold Owner harmless from and against every claim or demand with respect to bodily injury, death, property damage, nuisance, or other loss or damage of any kind, including attorney's fees and costs incurred by Owner, arising out of Service Company's negligence in the use or occupancy or operation of the Wastewater Treatment Facilities, or any Service Company's activities on or about the Land or Premises. Service Company's duty to indemnify shall include indemnification from and against any fine, penalty, liability, or cost arising out of Service Company's violation of any law, ordinance, or governmental regulation applicable to Service Company's use or occupancy of the Wastewater Treatment Facilities or Service Company's activities on or about the Land, Premises, or other of Owner's lands.

B. Indemnity to Service Company.

Owner shall indemnify and defend Service Company and hold Service Company harmless from and against every claim or demand with respect to bodily injury, death, property damage, nuisance, or other loss or damage of any kind, including attorney's fees and costs incurred by Service Company, arising out of Owner's negligence in discharging its duties under the lease of the Land or the Premises, or Owner's activities on or about the Land or Premises. Owner's duty to indemnify shall also include indemnification from and against any fine, penalty, liability, or cost arising out of Owner's violation of any law, ordinance, or governmental regulation applicable to Owner's use or occupancy of the Land or Premises, or Owner's activities on or about the Land, Premises, or other of Owner's lands.

C. Costs and Attorney's Fees.

In the event Service Company or Owner brings an action to enforce this Lease by Court proceedings or otherwise, then the prevailing party shall be entitled to recover from the other party all costs incurred, together with reasonable attorney's fees at all levels, including appeals.

29. ASSIGNABILITY.

Service Company may not assign, or otherwise transfer all or any part of its interest in this Lease or in the Premises without the prior written consent of Owner, which shall not be unreasonably withheld. Owner may assign this Agreement upon written notice to Service Company, as set forth above, subject to the assignee assuming all of the Owner's obligations

herein. Notwithstanding anything to the contrary contained in this Lease, Service Company may assign, mortgage, pledge, hypothecate or otherwise transfer without notice or consent its interest in this Lease to any financing entity, or agent on behalf of any financing entity to whom Service Company (i) has obligations for borrowed money or in respect of guaranties thereof, (ii) has obligations evidenced by bonds, debentures, notes or similar instruments, or (iii) has obligations under or with respect to letters of credit, bankers acceptances and similar facilities or in respect of guaranties thereof.

30. RECORDING.

Neither Owner nor Service Company shall record this Lease without prior written consent of the other, which consent shall not be unreasonably withheld.

31 ADDRESSES, NOTICES; TIME.

Notices hereunder shall be given by personal delivery, facsimile with evidence of transmission, certified mail, or overnight courier service, addressed as provided below. For the purpose of this Lease, the addresses of the parties are:

Owner: 7L Lake Placid, LLC
400 N. Tampa Street, Suite 2200
Tampa, FL 33602
Attn: President

Service Company: Silver Lake Utilities, Inc.
106 SW CR 721
Okeechobee, FL 32974
Attn: President

Notice given by facsimile shall be deemed received when noted on the evidence of the transmission of said facsimile. Notice given by certified mail or overnight courier service shall be deemed received when deposited in the United States mails or with the overnight courier service, respectively, postage prepaid. Notice given otherwise shall be deemed received when received at the address to which sent or when actually received by the party to whom addressed. Either party may change its address by giving written notice to the other, but the change shall not become effective until the notice is actually received by the other party. If the last day for giving any notice or performing any act hereunder falls on a Saturday, Sunday, or a day on which the United States post offices are not open for the regular transaction of business, the time shall be extended to the next day that is not a Saturday, Sunday, or post office holiday.

32. **BINDING EFFECT OF LEASE.**

This Lease shall be binding upon and shall inure to the benefit of Owner, Service Company, and their respective assigns and successors by merger, consolidation, conveyance, or otherwise, subject to the limiting terms of this Lease.

33. **DOCUMENTATION.**

Service Company and Owner agree that each shall execute such other documentation as may reasonably be required from time to time to effectuate the intent of this Lease.

34. **INTERPRETATION.**

It is agreed by and between the parties hereto that all words, terms and conditions contained herein are to be read in concert, each with the other, and that a provision contained under one heading may be considered to be equally applicable under another in the interpretation of this Lease.

35. **EFFECTIVE DATE.**

This Lease shall become effective and binding upon Owner and Service Company at the time of execution by both parties.

[Space Intentionally Blank – Agreement continues on next page]

36. STRICT COMPLIANCE.

Failure to insist upon strict compliance of any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such terms, covenants, or conditions, nor shall any waiver or relinquishment of any right or power hereunder at any one time be deemed a waiver or relinquishment of such right or power at any other time or times.

IN WITNESS WHEREOF, Owner and Service Company have caused this Lease, with the named Exhibits attached, to be duly executed in several counterparts, each of which shall be considered an original executed copy for all purposes.

Signed, Sealed and Delivered
in the Presence of:

Richard Chace

7L LAKE PLACID, LLC

By: Lykes Bros. Inc., its sole Manager

By: *Frederick J. Bennett*

Name: Frederick J. Bennett

Title: Executive Vice President & CFO

Signed, Sealed and Delivered
in the Presence of:

Anna Zyzanski

SILVER LAKE UTILITIES, INC.

By: *Charles P. Lykes, Jr.*

Name: Charles P. Lykes, Jr.

Title: President

EXHIBIT A

LAND

A parcel of land lying within Section 11, Township 36 South, Range 29 East, Highlands County, Florida, being more particularly described as follows:

The E1/2 of the SE1/4 of the SW1/4.

Containing 20.0 acres M.O.L.

Subject to easements, restrictions, reservations and rights of way of record.

EXHIBIT B

ACCESS AND UTILITY EASEMENTS

To be determined prior to commencement of construction of the Wastewater Treatment Facilities.

PREPARED BY AND RETURN TO:

Richard Chase
Lykes Bros. Inc.
400 North Tampa Street, Suite 2200
Tampa, FL 33602

MEMORANDUM OF LEASE

THIS MEMORANDUM OF LEASE is entered into on this 13th day of May 2010, by and between **7L LAKE PLACID, LLC**, a Delaware limited liability company, with an office at 400 N. Tampa Street, Suite 2200, Tampa, Florida 33602 ("Landlord"), and **SILVER LAKE UTILITIES, INC.**, a Florida corporation, with an office at 106 SW CR 721, Okeechobee, Florida 32974 ("Tenant").


Landlord and Tenant entered into a Lease Agreement, as amended, modified or supplemented, effective as of May 13, 2010, pursuant to which Landlord agreed to lease to Tenant and Tenant agreed to rent from Landlord, approximately 20.0 acres of land located in Highlands County, Florida, as more particularly described in Exhibit "A" annexed hereto, for the purposes of providing wastewater treatment in connection with Tenant's certification as a wastewater utility by the Florida Public Service Commission, and such other operations as may be approved by Landlord. The parcel identification number of the real property is C11-36-29-A00-0010-0000.

The term of the Lease Agreement is for ninety-nine (99) years commencing on May 3, 2010 and terminating at midnight on May 2, 2109.

The Lease provides that during the entire term thereof there shall be no mechanic's lien upon Landlord's interest in its land or the Premises and in the buildings and improvements located thereon, arising through the act of Tenant or any person claiming under or through Tenant. Further, all persons with whom Tenant may deal are put on notice that Tenant has no power to subject Landlord's interest to any claim for mechanic's or materialmen's lien claims, and all persons dealing with Tenant must look solely to the credit of Tenant and to Tenant's assets and not to Landlord or Landlord's assets.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Lease as of the day and year first written above.

Signed, sealed and delivered in the presence of:


Print Name: Laura Baker

7L LAKE PLACID, LLC
By: Lykes Bros. Inc., Sole Manager


Print Name: Richard Chase

By: 
Frederick Bennett
Chief Financial Officer & EVP

FF
27.00

Lykes Bros Inc, PO Box 1690, Tampa, FL 33601
RETURN TO

STATE OF FLORIDA
COUNTY OF HILLSBOROUGH

The foregoing instrument was acknowledged before me this 13th day of May, 2010, by Frederick Bennett, as Chief Financial Officer and Executive Vice President of Lykes Bros. Inc., a Florida corporation and the Sole Manager of 7L Lake Placid, LLC, a Delaware limited liability company, who is personally known me and who did take an oath.

WITNESS my hand and official seal.

Anna G. Ygual
Notary Public

ANNA G. YGUAL
Notary Public, State of Florida
My comm. exp. Apr. 25, 2013
Comm. No. DD 853819
My commission expires: _____

Signed, sealed and delivered in the presence of:

Laura Baker
Print Name: Laura Baker
Richard Chou
Print Name: Richard Chou

SILVER LAKE UTILITIES, INC.

By: *Charles P. Lykes, Jr.*
Charles P. Lykes, Jr.
President

STATE OF FLORIDA
COUNTY OF Hillsborough

The foregoing instrument was acknowledged before me this 13th day of May, 2010, by Charles P. Lykes, Jr., as President of Silver Lake Utilities, Inc., a Florida corporation, who is personally known me and who did take an oath.

WITNESS my hand and official seal.

Anna G. Ygual
Notary Public

ANNA G. YGUAL
Notary Public, State of Florida
My comm. exp. Apr. 25, 2013
Comm. No. DD 853819
My commission expires: _____

EXHIBIT A

LAND

A parcel of land lying within Section 11, Township 36 South, Range 29 East, Highlands County, Florida, being more particularly described as follows:

The E1/2 of the SE1/4 of the SW1/4.

Containing 20.0 acres M.O.L.

Subject to easements, restrictions, reservations and rights of way of record.