

TRANSFER AND ASSUMPTION AGREEMENT

by and between

THE ALABASTER WATER BOARD

and

CITY OF ALABASTER, ALABAMA

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TRANSFER AND ASSUMPTION AGREEMENT

This **TRANSFER AND ASSUMPTION AGREEMENT** (this "Agreement") is entered into as of the 17th day of February, 2026, to be effective as of March 1, 2026 (the "Transfer Date"), by and between **THE ALABASTER WATER BOARD**, a public corporation and instrumentality organized and existing under the laws of the State of Alabama pursuant to the provisions of Title 11, Chapter 50, Article 9 of the Code of Alabama 1975, as amended (the "Board"), with its principal office located at 200 Kent Stone Boulevard, Alabaster, Alabama 35007, and the **CITY OF ALABASTER, ALABAMA**, a municipal corporation organized and existing under the laws of the State of Alabama (the "City"), with its principal office located at 1953 Municipal Way, Alabaster, Alabama 35007.

WITNESSETH:

WHEREAS, the Board was duly created and established on or about May 27, 1955, as a separate public entity known originally as the Alabaster Water & Gas Board, to own, operate, maintain, and manage the public water system serving the City and surrounding areas (the "Water System"), including the acquisition, treatment, distribution, and sale of potable water, all in accordance with applicable provisions of Alabama law;

WHEREAS, the Board has, since its creation, efficiently and effectively provided high-quality water services to the residents and businesses of the City and has maintained the Water System's assets, operations, and financial obligations, including outstanding water revenue bonds;

WHEREAS, in recognition of the benefits of unified municipal governance for improved coordination of infrastructure development, growth initiatives, regulatory compliance, and long-term operational efficiency if the City were to assume full ownership, operation, and responsibility for the Water System, on December 23, 2025, the Board of Directors of the Board duly called a special meeting pursuant to its By-laws and in accordance with Alabama law;

WHEREAS, on January 5, 2026, the Board of Directors of the Board adopted Resolution No. 2026-____ (the "Board Resolution"), authorizing and directing senior staff to initiate the process of negotiating and preparing for the transfer of all assets and liabilities of the Board to the City, finding such transfer to be in the best interest of the citizens served by the Water System by promoting efficient management under municipal oversight, benefiting from additional City resources, and enabling a more coordinated approach to utility and essential public services;

WHEREAS, the Board Resolution further provides that any such transfer shall be subject to final approval by the Board of Directors of the Board and the City Council of the City;

WHEREAS, on January 12, 2026, the City Council of the City adopted a resolution (the "Council Resolution") approving and authorizing the absorption of the Water System by the City, including the transfer to the City of all assets, properties, rights, contracts, permits, records, employees, and operations of the Board related to the Water System, as well as the assumption by the City of all liabilities, obligations, debts (including outstanding water revenue bonds) of or payable from revenues of the Water System, with such transfer to become effective on the Transfer Date;

WHEREAS, the parties intend for the City to integrate the Water System as a department or division within City government (similar to other existing City departments such as Parks and Recreation),

thereby promoting streamlined management, better alignment with municipal planning and development, and continued high-quality service to the public;

WHEREAS, the parties have the full legal authority under Alabama law, including without limitation, Title 11, Chapter 50, Article 9 of the Code of Alabama 1975, as amended (i.e., Sections 11-50-310 et seq.), to enter into this Agreement and to effectuate the transfer and assumption contemplated hereby; and

WHEREAS, the parties desire to set forth the terms and conditions under which the Board will transfer, assign, convey, and deliver to the City, and the City will accept and assume, all assets, liabilities, obligations, employees, and operations of the Water System effective as of the Transfer Date.

NOW, THEREFORE, in consideration of the mutual promises, covenants, and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. Unless the context clearly requires otherwise, the following terms, when used in this Agreement (including the Preamble, Recitals, and all Schedules and Exhibits), shall have the meanings set forth below:

"Act" means Title 11, Chapter 50, Article 9 of the Code of Alabama 1975, as amended (i.e., Sections 11-50-310 et seq.).

"ADEM" means the Alabama Department of Environmental Management, or any successor thereto.

"Agreement" means this Transfer and Assumption Agreement, including all recitals, schedules, exhibits, and amendments hereto.

"Assets" has the meaning given to such term in Section 2.2.

"Board" means the Alabaster Water Board, a public corporation and instrumentality organized and existing under the laws of the State of Alabama pursuant to the Act, with its principal office located in Alabaster, Shelby County, Alabama.

"Bonds" means, collectively, the Series 2019 Bonds, the Series 2021 Bonds, and the Subordinate SRF Bond.

"City" means the City of Alabaster, Alabama, a municipal corporation organized and existing under the laws of the State of Alabama.

"Employees" means the individuals employed by the Board as of the Transfer Date who are engaged in the operation, maintenance, administration, or support of the Water System, including those listed in Schedule C attached hereto.

"Indenture" means that certain Master Trust Indenture dated September 1, 2019, between the Board and Regions Bank, as trustee, as amended and supplemented by that certain First

Supplemental Trust Indenture dated September 1, 2019, and that certain Second Supplemental Trust Indenture dated August 1, 2021.

"Liabilities" has the meaning given to such term in Section 3.2.

"Parties" means the Board and the City, collectively, and **"Party"** means either of them individually.

"Permitted Liens" means any of the following liens, encumbrances, or exceptions:

- (a) All liens created pursuant to the Indenture and the Subordinate SRF Bond Resolution, including liens on net revenues from the Water System thereunder;
- (b) Liens for taxes, assessments, or other governmental charges not yet due and payable or which are being contested in good faith and by appropriate proceedings;
- (c) Easements, rights-of-way, restrictions, covenants, conditions, zoning ordinances, and other similar imperfections of title or encumbrances that do not, individually or in the aggregate, materially interfere with the current use, operation, or value of the Assets or the Water System;
- (d) Mechanics', materialmen's, carriers', workers', repairmen's, or similar liens arising in the ordinary course of business for amounts not yet due and payable or which are being contested in good faith;
- (e) Any other liens, encumbrances, or exceptions expressly disclosed in Schedule A or otherwise disclosed in writing to the City prior to the Closing Date and accepted by the City; and
- (f) Such other liens or encumbrances as are required or permitted under applicable Alabama law, the Indenture, the Subordinate SRF Bond Resolution, or this Agreement for the lawful transfer and assumption of the Water System.

"Series 2019 Bonds" means the \$5,385,000 original principal amount Water Revenue Bonds, Series 2019, dated September 27, 2019, issued by the Board pursuant to the Indenture and presently outstanding in the principal amount of \$4,680,000.

"Series 2021 Bonds" means the \$7,950,000 original principal amount Water Revenue Bonds, Series 2021, dated August 11, 2021, issued by the Board pursuant to the Indenture and presently outstanding in the principal amount of \$7,180,000.

"Subordinate SRF Bond" means the Subordinate Water Revenue Bond, Series 2020-DWSRF-DL, dated February 1, 2020, issued by the Board pursuant to the Subordinate SRF Bond Resolution.

"Subordinate SRF Bond Resolution" means that certain resolution adopted by the Board of Directors of the Board which authorized the issuance by the Board of the Subordinate SRF Bond.

"Transfer Date" means March 1, 2026, or such other date as the Parties may mutually agree in writing.

"Water System" means the public water supply and distribution system owned and operated by the Board, including all plants, facilities, wells, treatment facilities, distribution mains, storage tanks, pumps, meters, hydrants, appurtenances, and related infrastructure for the gathering, treatment, transmission, distribution, and sale of potable water for domestic, commercial,

industrial, and other uses, consistent with the Act, together with all property, rights, easements, franchises, and interests used or useful in connection therewith.

Section 1.2 Schedules and Exhibits. The Schedules and Exhibits attached to this Agreement are hereby incorporated herein by reference and made a part hereof for all purposes. References to Schedules or Exhibits in this Agreement shall mean the Schedules or Exhibits attached hereto, as the same may be amended or supplemented from time to time in accordance with the terms hereof.

ARTICLE II TRANSFER AND ASSIGNMENT OF ASSETS

Section 2.1 Transfer of Assets. Subject to the terms and conditions of this Agreement and effective as of the Transfer Date, the Board hereby irrevocably sells, conveys, assigns, transfers, sets over, and delivers to the City, and the City hereby accepts from the Board, all right, title, and interest of the Board in and to the Assets, free and clear of all liens, claims, encumbrances, and restrictions except for Permitted Liens.

Section 2.2 Description of Assets. The "Assets" include, without limitation, all tangible and intangible property, rights, interests, and assets owned, held, or used by the Board in connection with the Water System as of the Transfer Date, as more particularly described in Schedule A attached hereto (which Schedule A shall be updated and supplemented as necessary prior to the Transfer Date to reflect a complete and accurate inventory). The Assets shall include, but not be limited to:

- (a) All real property, fee simple interests, easements, rights-of-way, leases, licenses, and other interests in land, together with all improvements thereon (including water treatment plants, wells, storage tanks, pump stations, and related facilities);
- (b) All tangible personal property, including pipes, mains, valves, hydrants, meters, pumps, vehicles, equipment, tools, furniture, fixtures, inventory, supplies, and other physical assets;
- (c) All intangible property, including:
 - (i) contracts, agreements, leases, and commitments;
 - (ii) permits, licenses, franchises, approvals, and authorizations (including those issued by ADEM, the Alabama Public Service Commission (if applicable), or other federal, state, or local regulatory authorities);
 - (iii) customer accounts, billing records, deposits, receivables, and rights to collect revenues;
 - (iv) intellectual property, data, books, records, maps, plans, drawings, and electronic files; and
 - (v) any other rights or interests used or useful in the operation of the Water System;
- (d) All cash, reserves, funds (including, without limitation, the Special Funds as defined in and created under the Indenture), investments, deposits, and financial accounts related to the Water System;

(e) All rights to insurance proceeds, warranties, guarantees, and claims arising from or related to the foregoing (whether arising before or after the Transfer Date); and

(f) Any other property, rights, or interests acquired by the Board prior to the Transfer Date that are used or useful in connection with the Water System.

Section 2.3 Delivery of Assets. At or prior to the Transfer Date, the Board shall deliver (or cause to be delivered) to the City the following instruments and documents, in form and substance reasonably satisfactory to the City: (a) one or more bills of sale in substantially the form attached as Exhibit E, conveying all tangible personal property included in the Assets; (b) one or more special warranty deeds (or other appropriate conveyance instruments) in substantially the form attached as Exhibit F, conveying all real property and easements included in the Assets; (c) an assignment and assumption in substantially the form attached as Exhibit G, assigning all contracts, permits, licenses, franchises, and other intangibles included in the Assets; (d) endorsements or transfers of titles for vehicles, equipment, and other titled property; (e) such other deeds, bills of sale, assignments, endorsements, certificates, affidavits, and instruments as may be reasonably necessary or desirable to fully vest title to the Assets in the City and to effectuate the transfer in accordance with applicable law; and (f) possession of the Assets (including physical delivery of keys, access codes, records, and control of facilities).

Section 2.4 As-Is, Where-Is Transfer. Except as expressly provided in Section 7, the Assets are transferred in "AS IS, WHERE IS" condition, without any warranty or representation by the Board as to condition, merchantability, fitness for a particular purpose, environmental status, or otherwise. The City acknowledges that it has had or will have the opportunity to conduct due diligence satisfactory to it prior to the Transfer Date, including inspections, audits, and reviews of title, condition, and compliance.

Section 2.5 Further Assurances. Following the Transfer Date, each Party agrees to execute and deliver, or cause to be executed and delivered, such additional documents and instruments and to take such further actions as may be reasonably requested by the other Party to carry out the intent and purposes of this Agreement and to vest in the City good and marketable title to the Assets.

ARTICLE III ASSUMPTION OF LIABILITIES AND OBLIGATIONS

Section 3.1 Assumption of Liabilities. Subject to the terms and conditions of this Agreement and effective as of the Transfer Date, the City hereby assumes, accepts, and agrees to pay, perform, fulfill, and discharge all Liabilities of the Board related to the Water System, except as expressly excluded herein or limited by applicable law.

Section 3.2 Description of Liabilities. The "Liabilities" include, without limitation, all debts, obligations, claims, contingencies, and responsibilities of the Board related to the Water System as of the Transfer Date, as more particularly described in Schedule B and other relevant Schedules attached hereto. The Liabilities shall include, but not be limited to:

(a) The Bonds, including principal, interest, premiums (if any), and related covenants, trust agreements, indentures, continuing disclosure obligations, and security instruments;

(b) All contracts, leases, vendor agreements, service commitments, developer agreements, and other executory obligations;

- (c) All environmental, regulatory, or compliance liabilities, including those under ADEM, United States Environmental Protection Agency ("EPA"), or other federal, state, or local laws;
- (d) All litigation, claims, judgments, settlements, or potential claims;
- (e) All employee-related obligations, including wages, salaries, accrued leave, benefits, pensions (including continued participation in the Retirement Systems of Alabama without interruption), and other compensation matters for the Employees;
- (f) All accounts payable, accrued expenses, taxes (to the extent not contesting in good faith), and other operational liabilities; and
- (g) Any other obligations or responsibilities arising from or related to the ownership, operation, or maintenance of the Water System.

Section 3.3 Assumption of Bonds and Obligations under the Indenture and Subordinate SRF Bond Resolution. The City hereby expressly assumes (i) the due and punctual payment of the principal of, and interest on, the Bonds according to their tenor, and (ii) the due and punctual performance and observance of all of the agreements and conditions of the Indenture and the Subordinate SRF Bond Resolution to be kept and performed by the Board; provided that in the assumption of the due and punctual payment of the principal of, and interest on, the Bonds according to their tenor and the performance of any of the agreements of the Board and observance of the conditions contained in the Indenture and the Subordinate SRF Bond Resolution, any obligations the City may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely out of the net revenues from the Water System. Anything in this Agreement to the contrary notwithstanding, whether express or implied, the full faith and credit and/or taxing power of the City are not pledged, and will not be pledged for, the payment of the Bonds or the performance by the City of any obligations due under the Indenture and the Subordinate SRF Bond Resolution.

Section 3.4 Assumption of Contracts. The City hereby assumes and agrees to perform all obligations of the Board under the contracts, agreements, permits, licenses, and franchises assigned hereunder from and after the Transfer Date. The Board shall remain liable for all obligations arising under such contracts, agreements, permits, licenses, and franchises prior to the Transfer Date, subject to any indemnification obligations set forth in Section 10.

Section 3.5 Delivery and Further Actions for Liabilities. At or prior to the Transfer Date, the Board shall deliver to the City copies of all documents evidencing the Liabilities (including bond documents, contracts, litigation files, regulatory permits, and employee records). The Parties shall cooperate to obtain necessary consents and execute any additional instruments required for the City to assume the Liabilities in accordance with law.

Section 3.6 Continuity of Obligations and Service. As set forth in Article V, the City affirms its intent that the Water System and all related utility services continue without interruption following the Transfer Date.

Section 3.7 As-Is Assumption. The Liabilities are assumed "AS IS", without warranty by the Board except as expressly provided in Section 7. The City acknowledges the opportunity to conduct due diligence on the Liabilities prior to the Transfer Date.

Section 3.8 Further Assurances. Each Party agrees to execute additional documents and take further actions reasonably requested to effectuate the assumption of Liabilities and ensure compliance with bond covenants and applicable law.

ARTICLE IV EMPLOYEE MATTERS

Section 4.1 Transfer of Employees. On or about the Transfer Date, the City intends to offer employment to the Employees identified in Schedule X or similar, subject to the City's determination of appropriate terms and conditions, including compensation, benefits, position, duties, work location, and other employment terms consistent with City policies and applicable laws. Employment with the City shall be at-will (except as otherwise required by law or specific agreement) and subject to the terms of this Agreement and all City policies.

Section 4.2 Preservation of Seniority and Accrued Benefits. The City shall recognize and preserve the Employees' accrued seniority and accumulated leave balances (including vacation, sick leave, personal leave, and other earned benefits) as of the Transfer Date, subject to:

- (a) Verification of records by the Board and the City;
- (b) Consistent administration under the City's personnel policies, ordinances, and applicable Alabama law; and
- (c) Any adjustments necessary to harmonize with the City's classification, compensation, and benefit plans, provided that no Employee shall suffer a reduction in accrued leave balances or seniority solely due to the transfer.

Section 4.3 Retirement Systems of Alabama Participation. All transferring Employees shall continue participation in the Retirement Systems of Alabama ("RSA") (including the Employees' Retirement System ("ERS")) without interruption or loss of service credit solely as a result of the transfer from the Board to the City. The City, as a participating employer in RSA, shall:

- (a) Assume responsibility for employer contributions and reporting for the Employees from and after the Transfer Date;
- (b) Ensure seamless continuation of membership, accrued service credit, vesting status, and benefit calculations in accordance with RSA rules, regulations, and the Code of Alabama (including Title 36, Chapter 27 for ERS);
- (c) Cooperate with the Board and RSA to provide any necessary notifications, documentation, or elections required to maintain continuity; and
- (d) Take all administrative actions necessary to implement the transfer of payroll deductions, contributions, and records to the City as employer.

Section 4.4 Other Benefits and Compensation.

(a) The City shall provide the transferring Employees with health insurance, workers' compensation, and other fringe benefits on terms no less favorable than those provided to similarly situated City employees, subject to applicable plan documents, City policies, and applicable law.

(b) With the exception of certain employees known to the Board, compensation (including base pay, classifications, and step progression) shall be placed in accordance with the City's pay plan, with recognition of prior service and experience to the extent permitted by City policy and applicable law.

(c) The City shall coordinate payroll transition, tax withholding, and direct deposit changes to minimize disruption.

Section 4.5 Transition Support. The City shall provide orientation, training, and change management support to the transferring Employees to facilitate integration into City operations, including IT systems, HR processes, and departmental procedures. The Board shall cooperate fully in providing personnel records, performance history, and other information necessary for a smooth transition.

Section 4.6 Further Assurances. Each Party agrees to execute any additional documents, provide notices to RSA or other benefit providers, and take further actions reasonably necessary to effectuate the employee transfer provisions of this Article IV, consistent with applicable law.

Section 4.7 Indemnification for Pre-Transfer Employee Claims. The Board shall indemnify, defend, and hold harmless the City (and its directors, officers, and agents) from and against any claims, liabilities, or obligations related to Employees arising solely from events occurring prior to the Transfer Date (e.g., pre-transfer wages, discrimination claims, or workers' compensation injuries), subject to the insurance coverage (including tail endorsements) referenced in Article X.

ARTICLE V OPERATIONAL TRANSITION AND CONTINUITY

Section 5.1 Interim Operations. Until the Transfer Date, the Board shall continue to operate, manage, and maintain the Water System in the ordinary course of business, consistent with past practices, applicable law, and prudent utility standards. The Board shall not take any action that would materially adversely affect the Water System or the Assets without the prior written consent of the City (which consent shall not be unreasonably withheld or delayed).

Section 5.2 Assumption of Operations. Effective as of the Transfer Date, the City shall assume full responsibility for the ownership, operation, maintenance, management, and control of the Water System as a department or division within City government. The City shall use reasonable best efforts to provide continuous, uninterrupted potable water service to all customers of the Water System in accordance with applicable regulatory requirements and standards of care.

Section 5.3 Continuity of Service. Recognizing the compressed timeline for this transfer, the Parties affirm their mutual intent to avoid any material interruption in water supply, treatment, distribution, billing, customer service, or emergency response functions. The City shall use reasonable best efforts to ensure:

(a) Prompt continuation of existing service levels and response times;

(b) As seamless as practicable transfer of customer accounts, meter readings, billing cycles, and payment processing;

(c) Minimal disruption to emergency repairs, leak detection, water quality monitoring, or other critical functions; and

(d) Ongoing protection of public health, safety, and welfare.

The Parties acknowledge that certain integration activities may extend beyond the Transfer Date due to the short timeframe, and they agree to cooperate in good faith to address any such matters promptly and efficiently, with any necessary adjustments or extensions mutually agreed upon in writing.

Section 5.4 Regulatory Compliance and Permits. As of the Transfer Date, the City shall assume responsibility for all regulatory compliance obligations related to the Water System, including but not limited to:

(a) All permits, licenses, approvals, and authorizations issued by ADEM, the EPA, or other federal, state, or local agencies;

(b) Ongoing compliance with the Safe Drinking Water Act, the Clean Water Act, and related regulations;

(c) Submission of required reports, monitoring, and testing; and

(d) Notification to ADEM and other regulators of the ownership change.

The Board shall cooperate fully in transferring all permits and providing necessary documentation or notifications prior to or as soon as practicable after the Transfer Date. The Parties recognize that certain regulatory notifications, approvals, or transitions may be processed after the Transfer Date, and the City shall handle such matters in coordination with the Board as needed.

Section 5.5 Customer Communications and Billing. The City shall develop and implement a communication plan to inform customers of the transfer, including:

(a) Explanation of the change in ownership and administration;

(b) Confirmation that billing and payment processes will continue without material interruption (with any updated City billing address or contact information phased in as feasible);

(c) Updated customer service contact information; and

(d) The City shall assume all rights to collect outstanding customer receivables and deposits as of the Transfer Date, with any transitional billing adjustments handled reasonably and transparently.

Section 5.6 Post-Transfer Cooperation. For a period of at least twelve (12) months following the Transfer Date (or such longer period as the Parties may mutually agree in writing), the Board (or its remaining officers and agents) shall provide reasonable assistance and access to former personnel, records, and institutional knowledge to support the City in operating the Water System and resolving any transitional issues. The City shall reimburse the Board for any reasonable out-of-pocket costs incurred in providing such assistance, subject to prior approval. The Parties may extend this cooperation period as necessary to address any post-transfer operational or integration matters.

Section 5.7 Further Assurances. Each Party agrees to execute additional documents, provide notices to regulatory agencies, and take further actions reasonably requested by the other Party to ensure operational continuity and compliance with law, including any adjustments necessitated by the timeline.

ARTICLE VI CLOSING AND CONDITIONS PRECEDENT

Section 6.1 Time and Place of Closing. The closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place remotely via electronic exchange of documents or at such other place and time as the Parties may mutually agree, on or before the Transfer Date, or such other date as the Parties may agree in writing (the "**Closing Date**"). The Parties acknowledge the compressed timeline and agree to cooperate in good faith to complete Closing as promptly as possible.

Section 6.2 Conditions Precedent to the City's Obligations. The obligations of the City to consummate the Closing and accept the transfer of the Assets and assumption of the Liabilities are subject to the satisfaction (or waiver by the City in writing) of each of the following conditions on or prior to the Closing Date:

- (a) The representations and warranties of the Board set forth in Article VII shall be true and correct in all material respects as of the Closing Date;
- (b) The Board shall have performed and complied in all material respects with all agreements, covenants, and conditions required by this Agreement to be performed or complied with by it prior to or at Closing;
- (c) The Board shall have delivered to the City the closing deliverables set forth in Section 6.4;
- (d) All necessary consents, approvals, or acknowledgments required under the bond documents, trust indentures, or other instruments related to the Bonds (including any required bondholder, trustee, or lender consents) shall have been obtained or waived, or the City shall be reasonably satisfied that such consents are not required or can be obtained post-Closing without material adverse effect;
- (e) No action, suit, or proceeding shall be pending or threatened before any court or governmental authority that seeks to restrain, prohibit, or invalidate the transactions contemplated hereby;
- (f) The Board shall have provided evidence reasonably satisfactory to the City that the Water System is in material compliance with applicable environmental, health, and safety laws as of the Closing Date; and
- (g) Such other conditions as the Parties may mutually agree in writing.

Section 6.3 Conditions Precedent to the Board's Obligations. The obligations of the Board to consummate the Closing and transfer the Assets of each of the following conditions on or prior to the Closing Date:

- (a) The representations and warranties of the City set forth in Article VII shall be true and correct in all material respects as of the Closing Date;
- (b) The City shall have performed and complied in all material respects with all agreements, covenants, and conditions required by this Agreement to be performed or complied with by it prior to or at Closing;
- (c) The City shall have delivered to the Board the closing deliverables set forth in Section 6.5; and
- (d) No action, suit, or proceeding shall be pending or threatened that would materially impair the City's ability to accept and operate the Water System.

Section 6.4 Closing Deliverables of the Board. At Closing, the Board shall deliver (or cause to be delivered) to the City:

- (a) The instruments of transfer and conveyance described in Article II (including bills of sale, special warranty deeds, assignments of contracts/permits, and other documents);
- (b) Copies of all approvals of the Board of Directors of the Alabaster Water Board authorizing this Agreement and the transactions contemplated hereunder;
- (c) Certificates of incumbency and good standing (or equivalent) for the Board;
- (d) Evidence of the new directors and officers liability insurance policy, including tail coverage (run-off endorsement) for at least six (6) years;
- (e) Evidence of tail coverage (extended reporting period) for the general liability insurance policy (and for workers' compensation, to the extent applicable under the policy form);
- (f) Copies of all regulatory permits, licenses, and compliance records;
- (g) Updated Schedules (e.g., A – Assets, B – Bonds/Indebtedness, C – Employees); and
- (h) Such other documents, certificates, or instruments as the City may reasonably request.

Section 6.5 Closing Deliverables of the City. At Closing, the City shall deliver (or cause to be delivered) to the Board:

- (a) An assumption agreement or other instrument confirming the City's assumption of the Liabilities;
- (b) Certified copy of all approvals of the City Council of the City authorizing this Agreement and the transactions contemplated hereunder; and
- (c) Such other documents, certificates, or instruments as the Board may reasonably request.

Section 6.6 Post-Closing Actions. If any condition or deliverable cannot be fully satisfied by the Closing Date due to the compressed timeline, the Parties may proceed to Closing and complete such items post-Closing by mutual agreement in writing, provided that no material adverse effect results and the Parties continue to use reasonable best efforts to satisfy them promptly.

Section 6.7 Termination Prior to Closing. This Agreement may be terminated prior to Closing only by mutual written agreement of the Parties or if a material condition precedent remains unsatisfied (and not waived) as of the Transfer Date, subject to good-faith efforts to cure.

ARTICLE VII REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties of the Board. The Board represents and warrants to the City as follows (each as of the date hereof and as of the Transfer Date):

- (a) The Board is a duly organized and validly existing public corporation under the Act, with full power and authority to own the Assets, conduct its business, and enter into and perform this Agreement.

- (b) The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action of the Board of Directors of the Board, and this Agreement constitutes a valid and binding obligation of the Board, enforceable in accordance with its terms (subject to bankruptcy, insolvency, and equitable principles).
- (c) The Board has good and marketable title to the Assets, free and clear of all liens, claims, and encumbrances except Permitted Liens.
- (d) The Board is in material compliance with all applicable laws, regulations, permits, and orders related to the Water System, including environmental, health, safety, and water quality requirements.
- (e) The execution and performance of this Agreement do not violate any law, contract, or bond covenant applicable to the Board.
- (f) Prior to the Transfer Date, the Board has obtained (or will obtain): (i) a new directors and officers liability insurance policy with tail coverage (run-off endorsement) for at least six (6) years; (ii) tail coverage for its general liability insurance policy; and (iii) tail coverage or extended reporting for workers' compensation (to the extent applicable under the policy form). Evidence of such coverage will be provided at Closing, with terms reasonably satisfactory to the City.
- (g) There has been no material adverse change in the condition of the Water System or Assets since the date of the latest financial statements provided to the City.
- (h) The list of Employees in Schedule C is accurate, and the Board has no undisclosed material labor disputes or obligations that would affect the transfer.
- (i) The Board has obtained all necessary consents, approvals, or acknowledgments required for the execution of this Agreement and the performance of its obligations hereunder, including the transfer of the Water System to the City, including, without limitation, approval of the City Council of the City pursuant to Section 11-50-314(a)(10) of the Act.
- (j) The Board is not in default under the provisions of the Indenture or the Subordinate SRF Bond Resolution and no condition has occurred or exists which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under the provisions of the Indenture or the Subordinate SRF Bond Resolution.
- (k) There is no action, suit or proceeding pending with respect to which service of process on or notice to the Board or any of the Board's officers, employees or agents has been perfected or given, or of which the Board otherwise has notice, and to the best of the Board's officers', employees' or agents' knowledge, information and belief, there is no action, suit or proceeding threatened against or affecting the Board arising out of or relating to the maintenance or operation of the Water System or affecting the properties or transactions contemplated by this Agreement, in law or in equity, in any court or before any federal, state or other governmental authority or agency.
- (l) The transfer of the Water System to the City will not cause or result in any mortgage, charge, encumbrance or other lien being affixed to or imposed on the Water System or the net revenues from the Water System that will be prior to or on a parity with the pledge made in the Indenture for the benefit of the Series 2019 Bonds and the Series 2021 Bonds or in the interest income on any of the Series 2019 Bonds or the Series 2021 Bonds becoming subject to federal or state income taxation.

Section 7.2 Representations and Warranties of the City. The City represents and warrants to the Board as follows (each as of the date hereof and as of the Transfer Date):

- (a) The City is a duly organized municipal corporation under Alabama law with full power to enter into and perform this Agreement.
- (b) The execution, delivery, and performance of this Agreement have been duly authorized by the City Council of the City and all necessary action, and this Agreement constitutes a valid and binding obligation of the City.
- (c) The execution and performance of this Agreement do not violate any law or municipal ordinance applicable to the City.
- (d) The City has the capacity, resources, and authority to operate the Water System as a municipal utility post-transfer.
- (e) The property of the City is not presently subject to taxation by the State of Alabama and the income of the City is not presently subject to federal or Alabama income taxation. The transfer of the Water System to the City will not cause or result in any mortgage, charge, encumbrance or other lien being affixed to or imposed on the Water System or the net revenues from the Water System that will be prior to or on a parity with the pledge made in the Indenture for the benefit of the Series 2019 Bonds and the Series 2021 Bonds or in the interest income on any of the Series 2019 Bonds or the Series 2021 Bonds becoming subject to federal or state income taxation.

Section 7.3 Survival. The representations and warranties in this Article VII shall survive the Transfer Date for a period of sixty (60) months (or longer for fundamental matters like title, authority, and enterprise fund dedication, which shall survive indefinitely).

ARTICLE VIII INDEMNIFICATION

Section 8.1 Indemnification by the Board. To the extent permitted by Alabama law, the Board shall indemnify, defend, and hold harmless the City, its officers, directors, employees, agents, and successors (the "**City Indemnitees**") from and against any and all claims, demands, liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and court costs), actions, suits, or proceedings (collectively, "**Losses**") arising out of or relating to:

- (a) Any breach of any representation, warranty, covenant, or agreement made by the Board in this Agreement;
- (b) Any Liabilities or obligations of the Board that are not expressly assumed by the City hereunder;
- (c) Any events, acts, omissions, or conditions occurring or existing with respect to the Water System, Assets, or Employees prior to the Transfer Date, except to the extent caused by the gross negligence or willful misconduct of the City;
- (d) Any pre-Transfer Date claims by Employees (e.g., wages, benefits, discrimination, workers' compensation injuries) or third parties related to the Board's operations; or (e) Any violation of applicable law by the Board prior to the Transfer Date.

Section 8.2 Indemnification by the City. To the extent permitted by Alabama law, the City shall indemnify, defend, and hold harmless the Board, its directors, officers, employees, agents, and successors (the "**Board Indemnitees**") from and against any and all Losses arising out of or relating to:

- (a) Any breach of any representation, warranty, covenant, or agreement made by the City in this Agreement;
- (b) Any events, acts, omissions, or conditions occurring or existing with respect to the Water System on or after the Transfer Date, except to the extent caused by the gross negligence or willful misconduct of the Board; or
- (c) Any post-Transfer Date claims related to the City's operation of the Water System (including claims arising from the City's management of transferred Employees after the Transfer Date).

Section 8.3 Procedure for Indemnification.

(a) A party seeking indemnification (an "**Indemnitee**") shall give prompt written notice to the indemnifying party (the "**Indemnitor**") of any claim for which indemnification is sought, including the nature of the claim and the estimated amount of Losses. Failure to give prompt notice shall not relieve the Indemnitor of liability except to the extent the Indemnitor is materially prejudiced thereby.

(b) The Indemnitor shall have the right to assume control of the defense of any third-party claim with counsel of its choice (reasonably acceptable to the Indemnitee), provided it acknowledges in writing its obligation to indemnify. The Indemnitee may participate in the defense at its own expense.

(c) The Indemnitor shall not settle any claim without the Indemnitee's prior written consent (not to be unreasonably withheld) if the settlement admits liability by the Indemnitee or imposes obligations on the Indemnitee beyond payment of money.

(d) Each Party shall cooperate in the defense of any claim and provide reasonable access to records and personnel.

Section 8.4 Insurance as Backstop. The indemnification obligations of the Board shall be supported by the new directors and officers liability insurance policy (including tail coverage), general liability tail coverage, and workers' compensation tail coverage (where applicable) obtained by the Board pursuant to Section 7.2(f). The City may, in its discretion, pursue recovery under such insurance policies prior to or in conjunction with seeking indemnification directly from the Board. The City shall maintain appropriate insurance for its post-Transfer Date operations of the Water System.

Section 8.5 Limitations.

(a) No Party shall be liable for indirect, consequential, punitive, or exemplary damages except in cases of gross negligence or willful misconduct.

(b) Indemnification claims must be asserted in writing within the survival period applicable to the underlying representation, warranty, or covenant (per Section 7.3), or within sixty (60) months after the Transfer Date for non-rep related claims.

(c) The obligations under this Article VIII shall survive the Transfer Date indefinitely for fundamental matters (e.g., title, authority, enterprise fund dedication) and for sixty (60) months for other matters.

Section 8.6 Exclusive Remedy. Except for equitable relief (e.g., specific performance) or claims involving fraud or willful misconduct, the indemnification provided in this Article VIII shall be the exclusive remedy for breaches of this Agreement.

ARTICLE IX GOVERNING LAW AND DISPUTE RESOLUTION

Section 9.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama, without regard to its conflict of laws principles. All matters relating to the validity, construction, interpretation, and enforcement of this Agreement shall be determined exclusively under Alabama law.

Section 9.2 Venue and Jurisdiction. Any action, suit, or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be brought exclusively in the state courts of Shelby County, Alabama, or, if federal jurisdiction exists, in the United States District Court for the Northern District of Alabama, Southern Division. Each Party irrevocably submits to the exclusive jurisdiction of such courts and waives any objection based on lack of personal jurisdiction, improper venue, or forum non conveniens.

Section 9.3 Dispute Resolution. In the event of any dispute, controversy, or claim arising out of or relating to this Agreement (a "**Dispute**"), the Parties agree to follow the following procedures in good faith before initiating litigation:

- (a) The Parties shall first attempt to resolve the Dispute through direct discussions between their designated representatives (e.g., the Interim General Manager or authorized officer of the Board and the Mayor or City Attorney of the City). Such discussions shall occur within thirty (30) days after written notice of the Dispute is given by one Party to the other.
- (b) If the Dispute is not resolved through informal negotiation within the thirty (30)-day period, either Party may request non-binding mediation administered by a mutually agreed-upon mediator or, if no agreement is reached, by the American Arbitration Association under its Commercial Mediation Procedures. The mediation shall be conducted in Shelby County, Alabama, and the Parties shall share equally the mediator's fees and administrative costs. Mediation shall be completed within sixty (60) days after the request, unless extended by mutual agreement.
- (c) If the Dispute is not resolved through mediation, either Party may commence litigation in accordance with Section 9.2. Nothing in this Section 9.3 shall prevent a Party from seeking immediate injunctive or equitable relief from a court of competent jurisdiction if necessary to prevent irreparable harm.

Section 9.4 Attorneys' Fees. In any action or proceeding to enforce or interpret this Agreement, the prevailing Party shall be entitled to recover its reasonable attorneys' fees and costs from the non-prevailing Party, in addition to any other relief to which it may be entitled.

Section 9.5 Waiver of Jury Trial. To the fullest extent permitted by law, each Party hereby waives any right to trial by jury in any action, proceeding, or counterclaim arising out of or relating to this Agreement.

ARTICLE X MISCELLANEOUS PROVISIONS

Section 10.1 Entire Agreement. This Agreement, including all recitals, Schedules, and Exhibits attached hereto, constitutes the entire agreement between the Parties with respect to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations, warranties, negotiations, and discussions, whether oral or written, relating to the transfer of the Water System, Assets, Liabilities, Employees, and operations.

Section 10.2 Amendments and Waivers. No amendment, modification, supplement, or waiver of any provision of this Agreement shall be effective unless in writing and signed by authorized representatives of both Parties. No waiver of any breach shall be deemed a waiver of any subsequent or similar breach.

Section 10.3 Severability. If any provision of this Agreement is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the remaining provisions shall continue in full force and effect. The Parties agree to negotiate in good faith to replace the invalid provision with a valid one that most closely achieves the original intent and economic effect.

Section 10.4 Notices. All notices, requests, demands, consents, and other communications required or permitted under this Agreement shall be in writing and shall be deemed effectively given: (a) when delivered personally; (b) one (1) business day after deposit with a nationally recognized overnight courier (e.g., FedEx, UPS); and (c) three (3) business days after deposit in the United States mail, certified or registered, return receipt requested, postage prepaid.

Notices shall be sent to the following addresses (or to such other address as a Party may designate by notice):

If to the Board:

Alabaster Water Board
200 Kent Stone Boulevard
Alabaster, AL 35007
Attention: Board Chairman

If to the City:

City of Alabaster
1953 Municipal Way
Alabaster, Alabama 35007
Attention: Mayor

Section 10.5 Counterparts and Electronic Signatures. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart by facsimile, email (PDF), or electronic signature platform (e.g., DocuSign) shall be as effective as delivery of a manually executed counterpart.

Section 10.6 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns. Neither Party may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other Party, except that the City may assign to a successor municipal entity in the event of consolidation, reorganization, or statutory merger.

Section 10.7 No Third-Party Beneficiaries. Except as expressly provided herein (including any rights of bondholders, trustees, or other secured parties under applicable bond documents or trust agreements), nothing in this Agreement is intended to or shall confer upon any person or entity other than the Parties and their permitted successors and assigns any rights, remedies, or benefits.

Section 10.8 Expenses. Each Party shall bear its own costs and expenses (including legal, accounting, engineering, and other professional fees) incurred in connection with the negotiation, preparation, execution, and performance of this Agreement, except as otherwise expressly provided herein.

Section 10.9 Force Majeure. Neither Party shall be liable for any delay or failure to perform its obligations hereunder (except for payment obligations) if such delay or failure is caused by events beyond its reasonable control, including acts of God, fire, flood, earthquake, war, terrorism, pandemic, governmental action, or labor disputes, provided that: (a) the affected Party gives prompt written notice to the other Party; and (b) the affected Party uses commercially reasonable efforts to mitigate the effects and resume performance as soon as possible.

Section 10.10 Interpretation. The headings and captions in this Agreement are for convenience only and shall not affect its interpretation. Words importing the singular include the plural and vice versa. The Parties acknowledge that each has had the opportunity to review, negotiate, and be advised by counsel regarding this Agreement, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any provision.

[SIGNATURES ON NEXT PAGE]

IN WITNESS WHEREOF, the Parties have caused this Transfer and Assumption Agreement to be executed by their duly authorized representatives as of the date first above written, to be effective as of the Transfer Date.

ALABASTER WATER BOARD

By: _____
Name: Mike Allen
Title: Chairman, Board of Directors

[SEAL]

Attest: _____
Title: Secretary

**STATE OF ALABAMA
COUNTY OF SHELBY**

I, the undersigned Notary Public, do hereby certify that Mike Allen, known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the foregoing instrument as Chairman of the Board of Directors of the Alabaster Water Board, personally appeared before me this day and acknowledged that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the Board executed the instrument.

WITNESS my hand and official seal this _____ day of _____, 2026.

Notary Public My Commission Expires: _____

CITY OF ALABASTER, ALABAMA

By: _____

Name: Scott Brakefield

Title: Mayor

[SEAL]

Attest:

Name: J. Mark Frey

Title: City Clerk

STATE OF ALABAMA COUNTY OF SHELBY

I, the undersigned Notary Public, do hereby certify that Scott Brakefield, known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the foregoing instrument as Mayor of the City of Alabaster, personally appeared before me this day and acknowledged that he executed the same in his authorized capacity, and that by his signature on the instrument the City executed the instrument.

WITNESS my hand and official seal this _____ day of _____, 2026.

Notary Public

My Commission Expires: _____