

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2026

NEW ISSUE – BOOK-ENTRY ONLY
(DTC)

RATING: S&P: "A-"

(See "RATING" herein)

In the opinion of Bond Counsel, under existing law, interest on the Series 2026 Bonds (i) will be excludable from gross income for federal income tax purposes if each of The Public Building Authority of the City of Ashville (the "Issuer") and City of Ashville, Alabama (the "City") complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be and remain excludable from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that, under existing law, interest on the Series 2026 Bonds will be exempt from State of Alabama income taxation. See "TAX MATTERS" herein for further information and certain other tax consequences arising with respect to the Series 2026 Bonds.

\$5,660,000*

THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE
Building Revenue Bonds, Series 2026

Dated: Date of Delivery

Due: July 1, as shown on the
inside cover page

The Series 2026 Bonds are issuable as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 2026 Bonds will be made so long as Cede & Co. is the registered owner of the Series 2026 Bonds. Individual purchases of the Series 2026 Bonds will be made in book-entry only form, and individual purchasers ("Beneficial Owners") of the Series 2026 Bonds will not receive physical delivery of bond certificates.

Interest will be payable on the Series 2026 Bonds each July 1 and January 1, beginning January 1, 2027. Payment of debt service on Series 2026 Bonds not in book-entry only form shall be made by check or draft, provided that payment of principal of Series 2026 Bonds shall be made only upon surrender of such Series 2026 Bonds at the office of the Trustee, Regions Bank, Birmingham, Alabama. So long as DTC or its nominee is the registered owner of the Series 2026 Bonds, disbursement of such payments to DTC is the responsibility of the Trustee, disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owner is the responsibility of DTC Participants or Indirect Participants as more fully described herein.

The Series 2026 Bonds are issued pursuant to a Trust Indenture (the "Indenture") between the Issuer and Regions Bank, as Trustee, as limited obligations of the Issuer payable solely from, and secured by a pledge of, the within-referenced Trust Estate, including the revenues derived from the lease of the within-referenced Building. The Issuer has reserved the right to issue additional bonds secured on a parity with the Series 2026 Bonds. The Series 2026 Bonds will not constitute a personal or pecuniary liability, or charge against the revenues, assets, general credit or taxing powers, of the State of Alabama or the City. See "INTRODUCTION" and "SECURITY AND SOURCE OF PAYMENT" herein for further information about the security and source of payment for the Series 2026 Bonds. For a description of certain risk factors and other considerations involved in an investment in the Series 2026 Bonds, including certain limitations on the levy of ad valorem taxes within the City, see "RISK FACTORS" and "AD VALOREM TAXATION" herein.

The Series 2026 Bonds will be subject to redemption prior to their respective maturities as described herein.

FOR MATURITIES, AMOUNTS, RATES, PRICES, AND CUSIP NUMBERS, SEE INSIDE COVER.

The Series 2026 Bonds are offered when, as and if issued, subject to approval of validity by Bond Counsel, Maynard Nexsen, PC, Birmingham, Alabama. Certain legal matters will be passed on for the Issuer and the City by its counsel, Hill, Gossett, Kemp, Barrentine & Seay, PC, Moody, Alabama. It is expected that the Series 2026 Bonds in definitive form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about _____, 2026.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.



* Preliminary; subject to change.

Dated: _____, 2026

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

MATURITIES, AMOUNTS, RATES, PRICES, AND CUSIP NUMBERS^{*(1)}

\$5,660,000*
THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE
Building Revenue Bonds, Series 2026

Maturity (July 1)	Principal Amount*	Interest Rate	Yields	CUSIP ⁽¹⁾
2027	\$30,000			
2028	30,000			
2029	75,000			
2030	80,000			
2031	80,000			
2032	115,000			
2033	120,000			
2034	130,000			
2035	135,000			
2036	140,000			
2037	150,000			
2038	155,000			
2039	165,000			
2040	170,000			
2041	180,000			
2042	190,000			
2043	200,000			
2044	205,000			
2045	215,000			
2046	225,000			
2047	235,000			
2048	245,000			
2049	255,000			
2050	265,000			
2051	280,000			
2052	290,000			
2053	305,000			
2054	320,000			
2055	330,000			
2056	345,000			

\$ _____ . ____ % Term Series 2026 Bonds maturing on ____, 20__ (Yield: __. ____%), CUSIP No.
 \$ _____ . ____ % Term Series 2026 Bonds maturing on ____, 20__ (Yield: __. ____%), CUSIP No.

* Preliminary; subject to change.

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”). CGS is managed by S&P Global Market Intelligence on behalf of the American Bankers Association. Copyright © CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the Issuer or the City or the Underwriter or the agents or counsel thereof assume responsibility for the accuracy of such numbers.

THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE

Thomas Darryl Griffith
William C. Thomas
Baisha Woody

CITY OF ASHVILLE, ALABAMA

Mayor

Derrick L. Mostella, Mayor

City Council

Shirley Smith
Denise Williams
Adam S. Abernathy
Robin Bowlin
Edward R. Lane

City Clerk/Treasurer

Chrystal St. John

**COUNSEL FOR THE ISSUER
AND THE CITY**

Hill, Gossett, Kemp, Barrentine & Seay, PC
Moody, Alabama

BOND COUNSEL

Maynard Nexsen PC
Birmingham, Alabama

UNDERWRITER

Raymond James & Associates, Inc.
Birmingham, Alabama

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OFFICIAL STATEMENT

Regarding
\$5,660,000*
BUILDING REVENUE BONDS, SERIES 2026
of the
THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE

INTRODUCTION

General

This Official Statement is furnished in connection with the issuance of the Series 2026 Bonds referred to above (the "Series 2026 Bonds") by The Public Building Authority of the City of Ashville (the "Issuer").

The Issuer is a public corporation organized under the laws of the State of Alabama. The Series 2026 Bonds will be issued pursuant to a Trust Indenture dated as of July 1, 2026 (the "Indenture") between the Issuer and Regions Bank (the "Trustee"). Certain provisions of the Indenture are described herein under "DESCRIPTION OF THE SERIES 2026 BONDS" and "SECURITY AND SOURCE OF PAYMENT". For a description of certain other provisions of the Indenture, see "Appendix E – Forms of the Indenture and Lease Agreement".

The Series 2026 Bonds are special, limited obligations of the Issuer, payable solely from, and secured by a pledge of, the revenues and receipts derived by the Issuer from leasing certain public facilities described herein. Such facilities will be leased to City of Ashville, Alabama (the "City"), pursuant to a Lease Agreement dated as of July 1, 2026 (the "Lease Agreement"). See "SECURITY AND SOURCE OF PAYMENT".

Pursuant to the Indenture, the Issuer will assign and pledge to the Trustee all the Issuer's rights under the Lease Agreement to secure the payment of debt service on the Series 2026 Bonds; provided, however, the Indenture shall not be subject to foreclosure and shall not be construed so as to authorize the sale of the facilities financed with the Series 2026 Bonds. See "SECURITY AND SOURCE OF PAYMENT".

The Series 2026 Bonds are being issued for the purpose of (i) financing the costs of acquiring, constructing and equipping certain public facilities and (ii) paying the costs of issuing the Series 2026 Bonds. See "THE PLAN OF FINANCING".

The Issuer will reserve the right to issue additional parity obligations subject to the terms and conditions of the Indenture. See "SECURITY AND SOURCE OF PAYMENT".

The Series 2026 Bonds are subject to optional and mandatory redemption at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2026 BONDS—Redemption Prior to Maturity". The Series 2026 Bonds are being offered in the denomination of \$5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2026 BONDS".

The City (but not the Issuer) has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

This Official Statement speaks only as of its date, and the information contained herein is subject to change. For further information during the initial offering period with respect to the Series 2026 Bonds, contact Matt Adams, Raymond James & Associates, Inc., 2900 Highway 280, Suite 100, Birmingham, Alabama 35223, Telephone: 205.802.4275.

Changes to Preliminary Official Statement

This Preliminary Official Statement is subject to change, completion and amendment. A final, definitive Official Statement will be made available prior to the delivery of the Series 2026 Bonds.

For purposes of this Preliminary Official Statement, selling compensation, delivery dates, and certain other information dependent upon pricing of the Series 2026 Bonds have been omitted. Further, for purposes of this Preliminary Official Statement, offering prices, interest rates, aggregate principal amount, principal amount per maturity, and certain other information dependent on pricing of the Series 2026 Bonds have been estimated. Actual information dependent on pricing will be established after pricing of the Series 2026 Bonds and will be reflected in the final Official Statement. Such actual information will vary from the estimates.

Investors should check under the heading "INTRODUCTION – Changes to the Preliminary Official Statement" in the final Official Statement for guidance regarding information dependent on pricing of the Series 2026 Bonds and for guidance regarding other information that is changed between the date of this Preliminary Official Statement and the date of the final Official Statement.

No Registration under Federal or State Securities Laws

The Series 2026 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws, and neither the Securities and Exchange Commission nor any federal, state or other governmental regulatory agency will approve or confirm the accuracy, completeness or adequacy of this Official Statement.

The within-referenced Indenture has not been qualified under the Trust Indenture Act of 1939, as amended.

Any representation of any of the foregoing to the contrary may be a criminal offense.

GLOSSARY

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement.

"**Additional Bonds**" means bonds, if any, issued under the Indenture in one or more series on a parity with the Series 2026 Bonds.

"**Authorized Denomination**" or "**Denominations**" shall mean with respect to all Series 2026 Bonds the amount of \$5,000 and any integral multiple thereof for each maturity.

"**Available Current Revenues**" means and includes, as provided in the Enabling Law and for any Fiscal Year for which the Lease Agreement is in effect, the revenues actually received by the City in such Fiscal Year which remain after payment of the reasonable and necessary governmental expenses of the City for such Fiscal Year.

"**Beneficial Owners**" shall mean the owners of beneficial interests in Series 2026 Bonds held pursuant to a Book-Entry System.

"**Book-Entry System**" shall mean a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Series 2026 Bonds.

"**City**" means the City of Ashville, an Alabama municipal corporation.

"**Direct Participant**" or "**Direct Participants**" shall mean securities brokers and dealers, banks, trust companies and clearing corporations and other financial institutions which have access to the Book-Entry System.

"**Enabling Law**" shall mean Chapter 56 of Title 11 of the Code of Alabama 1975, as amended from time to time, and any successor statute thereto.

"**Fiscal Year**" shall mean the fiscal year of the City (currently, October 1 to September 30) as established from time to time.

"**Fully Discharged**" shall have the meaning assigned in "Appendix E – Forms of the Indenture and Lease Agreement".

"**Governmental Authority**" shall mean any federal, state, county, municipal, or other government, domestic or foreign, and any agency, authority, department, commission, bureau, court or other instrumentality thereof, having jurisdiction in the premises.

"**Indenture**" means the Trust Indenture dated as of July 1, 2026 between the Issuer and the Trustee pursuant to which the Series 2026 Bonds will be issued.

"**Indirect Participants**":* shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and other financial institutions for which the Securities Depository holds Series 2026 Bonds as securities depository through a Direct Participant.

"**Internal Revenue Code**" means the Internal Revenue Code of 1986, as amended.

"**Issuer**" means The Public Building Authority of the City of Ashville, a public corporation under the laws of the State of Alabama.

"**Lease Agreement**" or "**Lease**" means the Lease Agreement dated as of July 1, 2026 between the Issuer and the City, which is described more particularly under "SECURITY AND SOURCE OF PAYMENT".

"**Lease Obligations**" means the obligations of payment of the City pursuant to the Lease Agreement.

"**Lease Term**" means the Fiscal Year ending September 30, 2026 and any subsequent Fiscal Year for which the City shall have exercised the option to renew under the Lease Agreement.

"**Net Loss Proceeds**" shall have the meaning assigned in the Lease Agreement.

"**Owner**" when used with respect to any Series 2026 Bond shall mean the Person in whose name such Series 2026 Bond is registered in the Series 2026 Bond Register, including without limitation the Securities Depository or Securities Depository Nominee with respect to any Series 2026 Bond held under the Book-Entry System.

"**Person**" shall mean and include any individual, corporation, general or limited partnership, limited liability company or partnership, joint venture, association, trust, unincorporated organization and any Governmental Authority.

"**Project**" shall mean the facilities of the Issuer financed with the Series 2026 Bonds, which are described more particularly under "THE PLAN OF FINANCING".

"**Securities Depository**" shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Series 2026 Bonds.

"**Securities Depository Nominee**" shall mean the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Series 2026 Bond Register the Series 2026 Bonds to be delivered to such Securities Depository during a period in which the Series 2026 Bonds are held pursuant to the Book-Entry System.

* Preliminary, subject to change.

"**Series 2026 Bonds**" means the Issuer's \$5,660,000* Building Revenue Bonds, Series 2026, which are being offered by this Official Statement.

"**State**" shall mean the State of Alabama.

"**Trustee**" means Regions Bank, Birmingham, which is the trustee, paying agent, and registrar for the Series 2026 Bonds.

"**Trust Estate**" shall have the meaning assigned in "SECURITY AND SOURCE OF PAYMENT - Trust Estate; Certain Provisions of the Indenture".

"**U.S. Government Obligations**" shall mean direct and general obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America, including without limitation a fund consisting solely of such obligations.

"**Series 2026 Bond Register**" shall mean the register or registers for the registration and transfer of Series 2026 Bonds maintained by the Trustee pursuant to the Indenture.

DESCRIPTION OF THE SERIES 2026 BONDS

General Provisions

The Series 2026 Bonds will be fully registered bonds in the Denomination of \$5,000 or any multiple thereof, will be dated their date of delivery, and will be numbered separately from 1 upward.

The Series 2026 Bonds will mature annually on July 1 in the amounts and years set forth on the inside cover page hereof. The Series 2026 Bonds will bear interest at the applicable per annum rates set forth on the inside cover page hereof. All Series 2026 Bonds with the same maturity will bear interest at the same rate. Interest shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest on the Series 2026 Bonds will be payable on each July 1 and January 1, beginning January 1, 2027.

The Series 2026 Bonds will be issued pursuant to the Indenture. Certain provisions of the Indenture are described herein under "DESCRIPTION OF THE SERIES 2026 BONDS" and "SECURITY AND SOURCE OF PAYMENT". For a description of certain other provisions of the Indenture, see "Appendix E – Forms of the Indenture and Lease Agreement".

Method and Place of Payment

The Series 2026 Bonds will be issued in book-entry only form, as described below under "Book-Entry System", and the method and place of payment will be as provided in the Book-Entry System. The provisions set forth in this section below will apply in the event that the use of the Book-Entry System for the Series 2026 Bonds is discontinued.

Payment of interest due on each interest payment date will be made by check or draft mailed on such interest payment date to the persons who were registered Owners of the Series 2026 Bonds on the regular record date for such interest payment date, which will be the 15th day of the month next preceding such interest payment date. Payment of the principal of (and premium, if any, on) the Series 2026 Bonds and payment of accrued interest due upon redemption on any date other than an interest payment date will be made only upon surrender of the Series 2026 Bonds at the office of the Trustee (Regions Bank) in Birmingham, Alabama.

* Preliminary, subject to change.

Redemption Prior to Maturity

The Series 2026 Bonds are subject to redemption and retirement in advance of stated maturity, in whole, or in part in Authorized Denominations as selected therefor pursuant to the Indenture, upon the notice and in the manner as provided in the Indenture and set forth in "Appendix E – Forms of the Indenture and Lease Agreement", as follows:

Optional Redemption. Series 2026 Bonds maturing on ____, 20__ or thereafter, or any smaller principal amount of such Series 2026 Bonds that is a multiple of the smallest Authorized Denomination, may be redeemed at the option of the Issuer, upon the written direction of the City, on ____, 20__ or any date thereafter at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty.

Mandatory Redemption of 20__ Term Bonds. The Series 2026 Bonds maturing on ____, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty on ____ in years and principal amounts as follows:

Year	Amount

\$ ____ of the 20__ Term Bonds will be retired at maturity

Mandatory Redemption of 20__ Term Bonds. The Series 2026 Bonds maturing on ____, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty on ____ in years and principal amounts as follows:

Year	Amount

\$ ____ of the 20__ Term Bonds will be retired at maturity

Mandatory Redemption of 20__ Term Bonds. The Series 2026 Bonds maturing on ____, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty on June 1 in years and principal amounts as follows:

Year	Amount

\$ _____ of the 20__ Term Bonds will be retired at maturity

Mandatory Redemption of 20__ Term Bonds. The Series 2026 Bonds maturing on ____, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty on ____ in years and principal amounts as follows:

Year	Amount

\$ _____ of the 20__ Term Bonds will be retired at maturity

Mandatory Redemption of 20__ Term Bonds. The Series 2026 Bonds maturing on ____, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, by lot, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty on ____ in years and principal amounts as follows:

Year	Amount

\$ _____ of the 20__ Term Bonds will be retired at maturity

Optional Redemption Upon Occurrence of Certain Calamities. As described more particularly in "Appendix E – Forms of the Indenture and Lease Agreement", all (but not less all) Series 2026 Bonds may be redeemed at the option of the Issuer, upon the written direction of the City, at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, without premium or penalty, in the event:

(i) the Project or any part thereof shall have been damaged or destroyed (A) to such extent that, in the opinion of the City, it cannot be reasonably restored within a period of six consecutive months substantially to the condition thereof immediately preceding such damage or destruction, or (B) to such extent that, in the opinion of the City, the City is thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months, or (C) to such extent that the cost of restoration thereof would exceed by more than \$10,000 the Net Loss Proceeds of insurance carried thereon pursuant to the requirements of this Lease Agreement; or

(ii) title to the Project or any part thereof or the leasehold estate of the City in the Project created by the Lease Agreement or any part thereof shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority, which taking may result, in the opinion of the City, in the City being thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months; or

(iii) as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether State or federal), or by final decree, judgment or order of any court or administrative body (whether State or federal) entered after the contest thereof by the City in good faith, the Lease Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein, or unreasonable burdens or excessive liabilities shall have been imposed on the Issuer or the City, including without limitation, the imposition of taxes of any kind on the Project or the income or profits of the Issuer therefrom or upon the interest of the City therein, which taxes were not being imposed on the date of the Lease Agreement; or

(iv) termination of the Lease Agreement pursuant to the provisions thereof.

Registration and Transfer

The Series 2026 Bonds are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by Cede & Co., as Securities Depository Nominee. During the period in which Cede & Co. is the registered owner of the Series 2026 Bonds, purchases and transfers of ownership of beneficial interests in the Series 2026 Bonds will be evidenced by book-entry only and all payments of principal of, premium (if any) and interest on the Series 2026 Bonds will be made by the Trustee to Cede & Co. (as registered owner) for the Securities Depository for disbursement by the Securities Depository to the Direct Participants of the Securities Depository and for subsequent disbursement by the Direct Participants (and, where appropriate, by the Indirect Securities Depository Participants) to the owners of beneficial interests in the Series 2026 Bonds, as more particularly provided in the Indenture and described herein in Appendix C – "Book-Entry System".

In the event the Book-Entry System for the Series 2026 Bonds is discontinued, Series 2026 Bonds in certificated form in Authorized Denomination will be physically distributed to the owners of beneficial interests in the Series 2026 Bonds, the Series 2026 Bonds will be registered in the names of the owners thereof on the registration books of the Trustee pertaining thereto, the Trustee shall make payments of principal of, premium (if any) and interest on the Series 2026 Bonds to the registered owners thereof as provided in the Series 2026 Bonds and the Indenture, and the provisions with respect to registration, transfer and exchange of the Series 2026 Bonds by the registered owners thereof shall apply. See "Appendix E – Forms of the Indenture and Lease Agreement".

Book-Entry System

The Series 2026 Bonds will be issued in book-entry only form, as described more particularly in Appendix C to this Official Statement.

Authority for Issuance

The Series 2026 Bonds are being issued by the Issuer under the authority of the constitution and laws of the State of Alabama, including particularly Chapter 56 of Title 11 of the Code of Alabama (1975), as amended from time

to time (the "Enabling Law"). The City's obligations under the Lease Agreement are authorized under the authority of the constitution and laws of the State of Alabama, including particularly the Enabling Law.

SECURITY AND SOURCE OF PAYMENT

Limited Obligations of Issuer

The Series 2026 Bonds are special limited obligations of the Issuer payable solely out of, and secured by, the Trust Estate as provided in the Indenture. The Issuer is a conduit financing authority for the City and has no authority, jurisdiction, or power under the laws of the State of Alabama (including without limitation the Enabling Law) to produce income or revenue by the imposition of any exaction, fee, or tax.

The Indenture provides the Series 2026 Bonds and the Indenture shall never constitute or create (i) a personal or pecuniary liability or charge against the general assets, credit or revenues of the Issuer; or (ii) an indebtedness or pecuniary liability payable from, or a charge against, the revenues, assets, general credit, or taxing powers of City, or of the State of Alabama or any political subdivision thereof, within the meaning of any constitutional provision or statutory limitation. The Owners therefore have no recourse in law or equity to compel the exercise of the taxing power of the City, or of the State of Alabama or of any political subdivision thereof, to provide funds to pay the principal of or interest on the Series 2026 Bonds.

The Indenture further provides that, as a condition of and in consideration for, the delivery of the Indenture and the issuance of the Series 2026 Bonds, each Owner and each Beneficial Owner agrees that no personal liability shall attach to, or be incurred by, any incorporator, director, officer, employee or agent of the Issuer under any provision of law, or by virtue of any action, with respect to the agreements and covenants of the Issuer in the Indenture or the Series 2026 Bonds and all such liability of any thereof is expressly and irrevocably released.

Issuance of Additional Bonds

In the Indenture, the Issuer will reserve the right to issue bonds or other obligations ("Additional Bonds") as completion indebtedness for or to make capital improvements to the Project, without limit as to aggregate principal amount, payable from and secured by a pledge of the Trust Estate equally and ratably with the Series 2026 Bonds. Prior to the issuance of such Additional Bonds the Issuer must deliver to the Trustee certain prescribed documents, which are described more particularly in "Appendix E– Forms of the Indenture and the Lease Agreement".

The Lease Agreement

Simultaneously with the issuance of the Series 2026 Bonds the Issuer and the City will deliver the Lease Agreement which provides for the acquisition, construction and equipping of the Project by the City and the payment of revenues for the occupancy and use thereof by the City to the Trustee, for the account of the Issuer, at times and in amounts sufficient to pay in full when due the principal of and interest on the Series 2026 Bonds in each Fiscal Year in which the Lease Agreement is in effect.

The Lease Agreement provides that the Lease Obligations becoming due and payable under the Lease Agreement in any Fiscal Year during which the Lease Agreement is in effect are limited obligations of the City payable solely from the Available Current Revenues for such Fiscal Year and shall never constitute or create (i) an obligation of the City payable from the general assets or revenues of the City accruing or to be received in a subsequent Fiscal Year or (ii) an indebtedness or pecuniary liability of the City within the meaning of any constitutional provision.

The term of the Lease Agreement consists of successive annual periods of 12 months each coextensive with the then current Fiscal Year of the City.

The initial term of the Lease Agreement shall commence on the date of delivery of the Lease Agreement and end on September 30, 2026. The Lease Agreement contains a grant to the City of successive options to renew the term thereof for the then next succeeding Fiscal Year, until the Series 2026 Bonds are Fully Discharged, each of which options is automatically exercised by the City unless the City gives affirmative notice, in accordance with the terms of the Lease Agreement, that it will not renew the term of the Lease Agreement.

The City has no direct, indirect, contingent or moral obligation to renew the Lease Agreement for any Fiscal Year after September 30, 2026.

The Lease Agreement provides that the City may, in its sole discretion, terminate the Lease Agreement as of September 30 of any year without penalty, and without acceleration or advancement of maturity or due date of any principal of or interest on the Series 2026 Bonds then Outstanding or any other amount of the Lease Obligations, and without recourse against the City for the payment of any amount which would otherwise become due under the Lease Agreement in any year subsequent to such termination of the Lease Agreement.

Project is an Essential Facility; Continued Use of Project

The Project will be used by the City as a fire station and constitutes an essential use facility for the City.

The Lease Agreement provides that (i) if any space in the Project becomes vacant after acquisition of the Project by the Issuer, then until such time as all vacant space in the Project shall have been utilized, none of the City, or any officer, department or agency thereof, shall enter into any agreement, or renew any existing agreement, with respect to use by the City of other space in or about City of Ashville, Alabama, to be used for the same purpose for which such vacant space in the Project is capable of being used and (ii) none of the City, or any officer, department or agency thereof, shall purchase, acquire, construct or authorize the purchase, acquisition or construction of, any facilities suitable for the purposes for which the Project is used, other than as additions and extension to the Project, so long as any of the Series 2026 Bonds are outstanding.

Trust Estate; Certain Provisions of the Indenture

Trust Estate. Pursuant to the Indenture, the Issuer will, for the benefit of the Owners and to secure payment of the Series 2026 Bonds, assign, mortgage, and pledge to the Trustee, subject to the “Permitted Encumbrances” (as defined in the Indenture), the following properties, rights and interests (collectively, the “Trust Estate”):

- (a) All right, title and interest of the Issuer in and to the Lease Agreement including all amounts payable thereunder and all rights of administration and enforcement thereof.
- (b) All right, title and interest of the Issuer in and to the Project.
- (c) Money and investments from time to time on deposit in, or credited to, the funds created under the Indenture, subject to the provisions thereof permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
- (d) Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien of the Indenture.

Indenture Not Subject to Foreclosure. The Indenture provides that, anything therein to the contrary notwithstanding, in accordance with the Enabling Law, the Indenture shall not be subject to foreclosure and shall not be construed so as to compel the sale of the Project or any part thereof in satisfaction of the Series 2026 Bonds.

Investment Risks

An investment in the Series 2026 Bonds involves certain risks. See "RISK FACTORS" herein.

THE PLAN OF FINANCING

The Series 2026 Bonds are being issued for the purpose of (i) financing the Project described below and (ii) paying the costs of issuing the Series 2026 Bonds. The Issuer, however, has reserved the right under the Indenture to use the proceeds of the Series 2026 Bonds for other legally permissible purposes.

The Project will consist of a new fire department. Pursuant to the Lease Agreement, the Issuer will cause the Project to be constructed in accordance with plans and specifications to be furnished by the City.

SOURCES AND USES OF FUNDS

The expected sources and uses of funds for the plan of financing are as follows:

Sources of Funds

Principal amount of Series 2026 Bonds	\$5,660,000*
Plus/Less: original issue premium/discount	(_____)
Total	\$_____

Uses of Funds

Cost of Project.....	\$_____
Expenses of issuance (including underwriter's discount, legal, accounting and other issuance expenses)	_____
Total	\$_____

* Preliminary; subject to change.

DEBT SERVICE REQUIREMENTS

The following table contains debt service requirements on the Series 2026 Bonds. For a description of the debt service requirements on all general obligation indebtedness of the City, see "Appendix A–Information on City of Ashville, Alabama".

Fiscal Year Ending September 30	Principal*⁽¹⁾	Interest*	Total*
2027	\$30,000.00	\$236,282.29	\$266,282.29
2028	30,000.00	256,562.50	286,562.50
2029	75,000.00	255,362.50	330,362.50
2030	80,000.00	252,362.50	332,362.50
2031	80,000.00	249,162.50	329,162.50
2032	115,000.00	245,962.50	360,962.50
2033	120,000.00	240,212.50	360,212.50
2034	130,000.00	234,212.50	364,212.50
2035	135,000.00	227,712.50	362,712.50
2036	140,000.00	220,962.50	360,962.50
2037	150,000.00	213,962.50	363,962.50
2038	155,000.00	206,462.50	361,462.50
2039	165,000.00	198,712.50	363,712.50
2040	170,000.00	190,462.50	360,462.50
2041	180,000.00	181,962.50	361,962.50
2042	190,000.00	172,962.50	362,962.50
2043	200,000.00	163,462.50	363,462.50
2044	205,000.00	154,962.50	359,962.50
2045	215,000.00	146,250.00	361,250.00
2046	225,000.00	137,112.50	362,112.50
2047	235,000.00	127,550.00	362,550.00
2048	245,000.00	117,268.76	362,268.76
2049	255,000.00	106,550.00	361,550.00
2050	265,000.00	95,393.76	360,393.76
2051	280,000.00	83,800.00	363,800.00
2052	290,000.00	71,550.00	361,550.00
2053	305,000.00	58,500.00	363,500.00
2054	320,000.00	44,775.00	364,775.00
2055	330,000.00	30,375.00	360,375.00
2056	345,000.00	15,525.00	360,525.00
Total:	\$5,660,000.00	\$4,936,394.81	\$10,596,394.81

* Preliminary; subject to change.

⁽¹⁾ For purposes of this table the principal amount of Series 2026 Bonds to be retired in a fiscal year pursuant to mandatory redemption provisions is shown as maturing in that fiscal year.

THE ISSUER

The Issuer is a public corporation of the State of Alabama incorporated pursuant to a resolution adopted by the governing body of the City under the Enabling Law for the purpose of constructing, renovating, owning and leasing public buildings to the City.

The Issuer is a conduit financing authority for the City and has no authority, jurisdiction, or power under the laws of the State of Alabama (including without limitation the Enabling Law) to produce income or revenue by the imposition of any exaction, fee, or tax.

The Issuer is governed by a Board of Directors, consisting of three (3) persons elected by the governing body of the City.

INFORMATION ON CITY OF ASHVILLE, ALABAMA

The City is an Alabama municipal corporation. For information on the City, see "Appendix A–Information on City of Ashville, Alabama".

LITIGATION RELATING TO THE SERIES 2026 BONDS

There is no litigation pending or, to the knowledge of the Issuer, threatened questioning the validity of the Series 2026 Bonds, the proceedings under which they are to be issued, the security for the Series 2026 Bonds provided by the Indenture or the Lease Agreement, the consummation of the transactions contemplated by the Indenture or the Lease Agreement, the organization of the Issuer, or the election or qualification of the Issuer's officers. For certain additional information concerning litigation relating to the City, see "Appendix A–Information on City of Ashville, Alabama".

RISK FACTORS

General

An investment in the Series 2026 Bonds involves certain risks which should be carefully considered by investors. Prospective investors should carefully examine this Official Statement and their own financial condition in order to make a judgment as to their ability to bear the economic risk of such an investment and whether or not the Series 2026 Bonds are an appropriate investment for them.

Continued Performance of the Lease Agreement

The ability of the Issuer to pay the principal of and interest on the Series 2026 Bonds is dependent upon the annual renewal of the Lease Agreement by the City, and the due and punctual payment by the City pursuant thereto of amounts sufficient to pay in full when due the principal of and interest on the Series 2026 Bonds, until the Series 2026 Bonds are Fully Discharged.

The Issuer makes no representation and provides no assurance that (i) the City will exercise its option to renew the Lease Agreement for any Fiscal Year subsequent to the Fiscal Year ending September 30, 2026 or (ii) the City will have sufficient revenues in any Fiscal Year to pay in full when due the principal of and interest on the Series 2026 Bonds in such Fiscal Year.

The City has no direct, indirect, contingent or moral obligation to renew the Lease Agreement for any Fiscal Year subsequent to the Fiscal Year ending September 30, 2026.

The Lease Agreement provides that the City may terminate the Lease Agreement as of September 30 of any year without penalty, and without acceleration or advancement of maturity or due date of any principal of or interest on the Series 2026 Bonds or amount payable under the Lease Agreement, and without recourse against the City for the payment of any amount which would otherwise become due under the Lease Agreement in any year subsequent to such termination of the Lease Agreement.

IF THE CITY TERMINATES THE LEASE AGREEMENT IN ANY YEAR, OR DEFAULTS IN THE PAYMENT OR PERFORMANCE OF ANY AGREEMENT THEREUNDER, THE ISSUER WILL HAVE NO FUNDS, AND WILL HAVE NO SOURCE OF FUNDS, WITH WHICH TO PAY DEBT SERVICE ON THE SERIES 2026 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2026 BONDS SHOULD ASSUME THE ISSUER WILL NOT BE ABLE TO LEASE THE PROJECT, OR ANY PART THEREOF, TO ANY PERSON WHO WOULD (I) PAY NET RENTALS SUFFICIENT TO PROVIDE FOR PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES 2026 BONDS AS THE SAME BECOMES DUE AND PAYABLE AND (II) BE A PUBLIC OR GOVERNMENTAL CORPORATION OR AGENCY THE STATUS AND OPERATIONS OF WHICH WOULD CAUSE THE INTEREST ON THE SERIES 2026 BONDS TO CONTINUE TO BE EXCLUDABLE FROM GROSS INCOME UNDER SECTION 103 OF THE CODE.

Insurance proceeds or other funds of the City under the Lease Agreement may be inadequate to repair the Project or to redeem and retire all of the Series 2026 Bonds.

Financial Ability of City to Make Payments under Lease Agreement

General

The sufficiency of funds of the City to pay the principal of and interest on the Series 2026 Bonds when due may be affected by events and conditions relating generally to, among other things, population trends and economic developments in and around the City and the overriding and prior expenses of operating the City and providing governmental services by the City, the exact nature and extent of all of which are not presently determinable.

Prospective purchasers of the Series 2026 Bonds must read and understand the information set forth hereinbefore under "SECURITY AND SOURCE OF PAYMENT".

General Fund of the City

The General Fund of the City is the primary source of payment of general obligation indebtedness of the City. The primary sources of revenue for the General Fund are sales and use taxes, ad valorem taxes and local privilege license and excise taxes and licenses and permits. See "Appendix A – Information on City of Ashville, Alabama".

Prior Claims upon Revenues

Pursuant to Alabama law, all revenues of the City available for general purposes (and not dedicated or levied pursuant to law for a specific purpose) are subject to the law-imposed requirement that, if necessary, there must first be paid from such revenues the legitimate and necessary governmental expenses of operating the City, prior to the payment therefrom of the principal of or interest on contractual obligations of the City, including, without limitation, payments under the Lease Agreement with respect to the Series 2026 Bonds during each Fiscal Year in which the Lease Agreement is in effect.

Limited Taxing Authority of City

The City has a limited corporate and demographic base upon which to increase local taxes of any kind to produce revenues for the General Fund of the City. The City can increase ad valorem taxes only after the prior approval of the legislature of the State of Alabama and the majority vote in favor thereof of the qualified electors of the City voting at an election held therefor. The City may increase certain privilege license and excise taxes without legislative approval or an election, but the City currently levies sales and use taxes, business license taxes, and similar privilege license taxes at rates commensurate with county and municipal jurisdictions and taxing authorities in the regional trade area of the City.

Enforceability of Remedies

The remedies available to the Trustee and the owners of the Series 2026 Bonds are in many respects dependent upon regulatory and judicial actions and enforcement thereof may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity applicable to the availability of specific performance.

Under existing law and judicial decisions, the remedies provided for under the Indenture not be readily available, or may be limited, or may be substantially delayed in the event of litigation or statutory remedy procedures

Cybersecurity

The City, as a local government, is cognizant that the City is subject to impairment or invasion of its information technology system by various means. In such an event, certain public services provided by the City may be adversely affected, and certain personal or proprietary information with respect to private citizens and enterprises which is confidential and protected from disclosure by law, and which is obtained and held by the City in the lawful course of its public activities (such as employment, revenue collection and law enforcement), may be subject to unlawful disclosure or use for harmful or illegal purposes. The City maintains the cybersecurity of its information systems but cannot represent or make any assurance that the occurrence of an impairment or invasion of such systems would not create a pecuniary liability, or otherwise have a material and adverse effect on the financial condition, of the City.

Communication with, and Payments to, the Beneficial Owners under Book-Entry System

The Issuer, the City, the Trustee and the Underwriter cannot and do not give any assurances that any Direct or Indirect Participant will distribute to the Beneficial Owners of the Series 2026 Bonds (1) payments of principal or redemption price, premium, if any, or interest on, the Series 2026 Bonds, (2) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2026 Bonds, or (3) redemption or other notices sent to the Securities Depository or Cede & Co., as the registered owner of the Series 2026 Bonds, or that they will do so on a timely basis or that the Securities Depository or Cede & Co., any Direct or Indirect Participant will serve and act in the manner described in this Official Statement. All such payments to the Securities Depository or Cede & Co. of principal, interest, or redemption price on behalf of the Issuer, the City, and the Trustee shall be valid and effectual to satisfy and discharge the liability of the Issuer, the City and the Trustee to the extent of the amounts so paid, and the Issuer, the City and the Trustee shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or any Direct or Indirect Participant.

The Issuer, the City, the Trustee and the Underwriter will not have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant; (2) the payment by the Securities Depository, any Direct Participant or Indirect Participant, of any amount due to any Beneficial Owner in respect of the principal or redemption price, premium, if any, and interest on the Series 2026 Bonds; (3) the delivery or timeliness of delivery by the Securities Depository, any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository or Cede & Co., as owner.

The United States Bankruptcy Code

Chapter 9 of the United States Bankruptcy Code permits political subdivisions and public agencies or instrumentalities of a state that are insolvent or unable to meet their debts as they come due to file petitions for relief in the federal bankruptcy courts if it is specifically authorized to do so by state law and can satisfy certain statutory requirements related to pre-filing negotiations with their creditors. While the matter is not entirely free from doubt, prospective purchasers of the Series 2026 Bonds should assume that existing Alabama statutes do not authorize the Issuer to file a petition for relief. However, the United States Bankruptcy Code or Alabama law could be changed during the life of the Series 2026 Bonds to permit the Issuer to file such a petition for relief.

Chapter 9 defines "special revenues" to include receipts derived from an entity's ownership, operation or disposition of projects or systems. If the Issuer commenced Chapter 9 proceedings, the holders of Series 2026 Bonds likely would retain their lien on any "special revenues" pledged to secure the Series 2026 Bonds, subject to the necessary operating expenses of the project generating such revenues. Bankruptcy proceedings by the Issuer, if authorized, could, however, have adverse effects on holders of the Series 2026 Bonds, including (i) delay in the enforcement of their remedies, (ii) delay in their receipt of scheduled payments during such proceedings, (iii) subordination of their claims to the claims of those supplying goods and services to the Issuer after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (iv) imposition without their consent of a plan for the adjustment of the debtor's debts that reduces or delays payment on the Series 2026 Bonds. Such a plan of adjustment, when confirmed by the bankruptcy court, binds all creditors who had notice or actual knowledge of the proceedings, even if they vote against confirmation, and discharges all claims against the political subdivision unless excepted from discharge by the plan or the order confirming the plan. Among other conditions for confirmation, the plan must either be accepted by each class of claims or interests that is impaired under the plan, or accepted by at least one impaired class if the plan is otherwise confirmable, does not discriminate unfairly, and is fair and equitable. An impaired class accepts a plan only if it has been accepted by at least 2/3 in amount and more than 50% in number of the allowed claims of such class that vote to accept or reject the plan.

Under existing law, a petition filed under Chapter 9 of the Bankruptcy Code does not operate as a stay of application of pledged special revenues to payment of debt secured by such revenues. Thus, the stay of certain actions that arises automatically when a Chapter 9 proceeding is commenced would not be effective to prevent the application of payments of principal and interest received on the Series 2026 Bonds from any special revenues after a Chapter 9 petition is filed.

The provisions of Chapter 9 do not expressly require that pledged special revenues be paid to the holders of obligations secured by such revenues after a Chapter 9 petition is filed. Municipal debtors typically have continued to pay pledged special revenues to the holders of obligations secured thereby during Chapter 9 proceedings, net of necessary post-petition operating expenses of the project or system generating such revenues. The United States Court of Appeals for the First Circuit has recently held, however, that a trustee or holders of obligations cannot compel such payment by a municipal debtor. The extent, if any, to which such opinion might be followed by courts outside the First Circuit – that is, outside the federal district courts of Maine, Massachusetts, New Hampshire, Rhode Island and Puerto Rico – remains unknown.

Further, while the matter is not entirely free from doubt, prospective purchasers of the Series 2026 Bonds should assume that existing Alabama statutes do authorize the City to file a petition for relief. Bankruptcy proceedings by the City could have an adverse effect on the Issuer, and in turn the registered owners of the Series 2026 Bonds, including (i) delay in the enforcement of remedies; (ii) subordination of claims to claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings or to other claims of creditors of the City; (iii) subordination of liens; (iv) avoidance of liens or preferential transfers; (v) the issuance, with the approval of the court, of certificates of indebtedness having priority over pre-existing obligations; and (vi) imposition without their consent of a reorganization plan reducing or delaying or extinguishing payment on the Lease Agreement.

Tax-Exempt Status of Series 2026 Bonds

It is expected that the Series 2026 Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance. See "TAX MATTERS". It is anticipated that Bond Counsel will render opinions substantially in the form attached hereto as Appendix D, which should be read in its entirety for a complete

understanding of the scope of the opinions and the conclusions expressed therein. A legal opinion expresses the professional judgment of the attorney rendering the opinion as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

The tax status of the Series 2026 Bonds could be affected by post-issuance events. There are various requirements of the Internal Revenue Code that must be observed or satisfied after the issuance of the Series 2026 Bonds in order for the Series 2026 Bonds to qualify for, and retain, tax-exempt status. These requirements include appropriate use of the proceeds of the Series 2026 Bonds, use of the facilities financed by the Series 2026 Bonds, investment of warrant proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the City.

The Internal Revenue Service conducts an audit program to examine compliance with the requirements regarding tax-exempt status. Under current IRS procedures, in the initial stages of an audit with respect to the Series 2026 Bonds, the Issuer would be treated as the taxpayer, and the owners of the Series 2026 Bonds may have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2026 Bonds could adversely affect the market value and liquidity of the Series 2026 Bonds, even though no final determination about the tax-exempt status has been made. If an audit results in a final determination that the Series 2026 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2026 Bonds.

In addition to post-issuance compliance, a change in law after the date of issuance of the Series 2026 Bonds could affect the tax-exempt status of the Series 2026 Bonds or the effect of investing in the Series 2026 Bonds. For example, the United States Congress could eliminate the exemption for interest on the Series 2026 Bonds, or it could reduce or eliminate the federal income tax, or it could adopt a so-called flat tax.

The Indenture for the Series 2026 Bonds does not provide for the payment of any additional interest or penalty if a determination is made that the Series 2026 Bonds do not comply with the existing requirements of the Internal Revenue Code or if a subsequent change in law adversely affects the tax-exempt status of the Series 2026 Bonds or the effect of investing in the Series 2026 Bonds.

Legislative Changes Affecting Tax Status of the Series 2026 Bonds

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, to alter certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2026 Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2026 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2026 Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Series 2026 Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2026 Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2026 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Qualification of Legal Opinions

The various legal opinions to be delivered concurrently with delivery of the Series 2026 Bonds (1) will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency, or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally and (2) will express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor

of that expression of professional judgment, of the transaction opined upon, or the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

Secondary Market

If and when a Bondholder elects to sell a Series 2026 Bond prior to its maturity, there is no assurance that a market shall have been established, maintained and be in existence for the sale of such Series 2026 Bond subsequent to its issuance.

Downgrade or Withdrawal of Rating

The downgrade or withdrawal of the rating of the Series 2026 Bonds may have an adverse effect on the market value of the Series 2026 Bonds.

Tort Liability

Municipalities and counties in Alabama may be liable for damages for injuries to persons and property resulting from their negligence in the performance of governmental functions.

Chapter 93 of Title 11 of the Code of Alabama 1975, as amended, prescribes certain maximum limits on the liability of local governmental units (such as the City) for bodily injury, sickness, disease or death sustained by a person, and for injury or destruction of tangible property, in the present amounts of (i) \$100,000 in the case of bodily injury or death of one person in any single occurrence, (ii) \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence, and (iii) \$100,000 in the case of property damage arising out of a single occurrence. The Alabama Supreme Court has held the limitations upon liability under Chapter 93 are valid under the Constitution of Alabama of 2022, as amended.

Prospective purchasers of the Series 2026 Bonds should assume, however, that the liability limitations of Chapter 93 are not applicable to causes of action under Section 1983 of Title 42 of the United States Code for alleged denials of civil rights under the provisions of Section 1983.

LEGAL MATTERS

The legality and validity of the Series 2026 Bonds will be approved by Bond Counsel, Maynard Nexsen PC, Birmingham, Alabama. Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2026 Bonds have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2026 Bonds and the exemption of interest thereon from federal and State of Alabama income taxes. Certain legal matters will be passed upon for the Issuer and the City by its counsel, Hill, Gossett, Kemp, Barrentine & Seay, PC of Moody, Alabama.

It is anticipated that Bond Counsel will render an opinion substantially in the form attached hereto as Appendix D. In connection with the rendering of such opinion, Bond Counsel is serving as counsel to the Issuer.

The various legal opinions to be delivered concurrently with the delivery of the Series 2026 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General

In the opinion of Bond Counsel, under existing law, interest on the Series 2026 Bonds will be excludable from gross income for federal income tax purposes if the Issuer and the City comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that interest thereon be and remain excludable from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2026 Bonds to be included in gross income, retroactive to the date of issuance of the Series 2026 Bonds. The Issuer and the City have covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2026 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax. However, interest on the Series 2026 Bonds may be taken into account for purposes of the alternative minimum tax imposed on applicable corporations pursuant to Section 55(b)(2) of the Code.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2026 Bonds other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel's opinion is expected to be substantially as set forth in Appendix D to this Official Statement.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2026 Bonds will be exempt from State of Alabama income taxation.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of a Series 2026 Bond, to the extent properly allocable to each owner of such Series 2026 Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2026 Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2026 Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2026 Bond during any accrual period generally equals (i) the issue price of such Series 2026 Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2026 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Series 2026 Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2026 Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2026 Bond will be treated as gain from the sale or exchange of such Series 2026 Bond.

Collateral Tax Consequences

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state tax consequences of acquiring, carrying, owning, or disposing of the Series 2026 Bonds. Prospective purchasers of the Series 2026 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2026 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

BANK QUALIFICATION

Section 265 of the Code provides that, as a general rule, banks, thrifts, and other financial institutions may not deduct that portion of their interest expense that is allocable to tax-exempt obligations acquired after August 7, 1986. There is a specific exception in Section 265 for interest income from a "qualified tax-exempt obligation" which is defined as an obligation (not a private activity bond) that has been designated by the issuer for purposes of the Code as a "qualified tax-exempt obligation." Under the exception, interest allocable to qualified tax-exempt obligations is subject to the 20% disallowance rule effective prior to the Tax Reform Act of 1986. Section 265 provides that not more than \$10,000,000 of obligations may be designated by an issuer as "qualified tax-exempt obligations" during any calendar year and that obligations may not be designated as "qualified tax-exempt obligations" unless the issuer reasonably anticipates that the amount of qualified tax-exempt obligations issued by such issuer during such calendar year will not exceed \$10,000,000.

The Series 2026 Bonds are designated as "qualified tax-exempt obligations" under Section 265 of the Code.

UNDERWRITING

The Series 2026 Bonds are being purchased from the Issuer by Raymond James & Associates, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series 2026 Bonds for an aggregate purchase price of \$_____ (which represents the face amount of the Series 2026 Bonds plus/less underwriter's premium/discount of \$_____ and less original issue discount of \$_____). The initial public offering price set forth on the inside cover page may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2026 Bonds to certain dealers (including dealers depositing the Series 2026 Bonds into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriter will purchase all the Series 2026 Bonds if any are purchased.

CONTINUING DISCLOSURE

General

The City has covenanted for the benefit of the Owners of the Series 2026 Bonds to provide the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA") with (i) certain financial information and operating data relating to the City on an annual basis (the "Annual Financial Information") within 270 days after the end of its fiscal year and (ii) notices ("Material Event Notices") of the occurrence of the following events in a timely manner not in excess of 10 business days after the occurrence of the event:

1. A delinquency in payment of principal of or interest on the Series 2026 Bonds.
2. Non-payment related defaults under the proceedings of the City authorizing the Series 2026 Bonds, whether or not such defaults constitute an event of default thereunder, if material.
3. Unscheduled draws on any debt service reserve fund reflecting financial difficulties of the City.
4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2026 Bonds reflecting financial difficulties of the City.
5. Substitution of a credit enhancer for the one originally described in the Official Statement (if any), or the failure of any credit enhancer respecting the Series 2026 Bonds to perform its obligations under the agreement between the City and such credit enhancer.
6. The existence of any adverse tax opinion with respect to the Series 2026 Bonds, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2026 Bonds, or other material events affecting the tax status of the Series 2026 Bonds.

7. Any modification of the rights of the registered owners of the Series 2026 Bonds, if material.
8. Redemption of any of the Series 2026 Bonds prior to the stated maturity or mandatory redemption date thereof, if material, and tender offers with respect to the Series 2026 Bonds.
9. Defeasance of the lien of any of the Series 2026 Bonds or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2026 Bonds, or any of them, to be no longer regarded as outstanding thereunder.
10. The release, substitution or sale of the property securing repayment of the Series 2026 Bonds, if material.
11. Any changes in published ratings affecting the Series 2026 Bonds.
12. Bankruptcy, insolvency, receivership or similar event of the City.
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
15. Incurrence of a financial obligation (defined below) of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

For purposes of Item 15 above, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

In addition, the City has covenanted to provide in a timely manner to EMMA notice of the City's failure to provide the Annual Financial Information on or before the date specified herein.

The Annual Financial Information will include financial information and operating data relating to the City, specifically the tabular information in Appendix A of this Official Statement under the headings (i) "RESULTS OF OPERATIONS - Comparative Statement of General Fund Revenues and Expenditures" and (ii) "FINANCIAL SYSTEM - Description of Major Sources of General Fund Revenues." In addition, the City will provide to EMMA, when and if available, audited financial statements prepared in accordance with accounting principles described in the audited financial statements included in this Official Statement as an appendix.

The City shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the Owners of the Series 2026 Bonds for breach by the City of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the City. The failure by the City to provide the required information shall not be an event of default with respect to the Series 2026 Bonds. A failure by the City to comply with its obligations to provide the required information must be reported as described above and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Series 2026 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2026 Bonds and their market price.

No person other than the City shall have any liability or responsibility for compliance by the City with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures.

The City retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

Compliance with Prior Undertakings

The City has been subject to a continuing disclosure agreement in connection with the issuance of long-term obligations of the City issued in 2012 (the "Previous CDA Agreement"). Pursuant to the Previous CDA Agreement, the City covenanted to file certain annual financial information and operating data (the "Annual Financial Information") relating to the City; to file the audited financial statements of the City, when available; and (iii) to file notice of the occurrence of certain enumerated events. All such information required to be filed pursuant to the Previous CDA Agreement was to be posted on EMMA.

During the preceding five years, the City did not make any of the filings required under the Previous CDA Agreement, nor did the City post notice of its failure to file the information, as required by the Previous CDA Agreement.

RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), has assigned an underlying rating to the Series 2026 Bonds (as shown on the cover page), with such rating reflecting the rating agency's current assessment of the creditworthiness of the City with respect to obligations secured by the revenues described under "SECURITY AND SOURCE OF PAYMENT".

Any definitive explanation of the significance of any such rating may be obtained only from the appropriate rating agency. The City furnished to such rating agency the information contained in this Official Statement and certain other information respecting the City and the Series 2026 Bonds. Generally, rating agencies base their ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The above rating is not a recommendation to buy, sell or hold the Series 2026 Bonds, and any such rating may be subject to revision or withdrawal at any time by any such rating agency. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2026 Bonds. Neither the City nor the Underwriter has undertaken any responsibility either to bring to the attention of the Owners any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

Due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, the general economic conditions in the country and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Series 2026 Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Series 2026 Bonds.

AUDITED FINANCIAL STATEMENTS

The City's financial statements as of and for the fiscal year ended September 30, 2025, included as Appendix B to this Official Statement, have been audited by Truitt, Tingle, Paramore & Argent, LLC, Certified Public Accountants, Birmingham, Alabama, as stated in its report dated June 4, 2026, and attached to such financial statements.

Truitt, Tingle, Paramore & Argent, LLC, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in their report and included in this Official Statement. Truitt, Tingle, Paramore & Argent, LLC, also has not performed any procedures relating to this Official Statement.

DISCLAIMERS AND OTHER MISCELLANEOUS MATTERS

This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or Owners of any of the Series 2026 Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The order and placement of material in this Official Statement, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all material in this Official Statement, including its appendices, must be considered in its entirety.

The information in this Official Statement has been obtained from sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness.

All estimates and assumptions contained herein are believed to be reliable, but no representation is made that such estimates or assumptions are correct or will be realized.

No person, including any broker, dealer or salesman, has been authorized to give any information or to make any representation other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer.

The Series 2026 Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities laws and will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any federal, state, municipal or other governmental agency will pass upon the accuracy, completeness or adequacy of this Official Statement. Any representation to the contrary is a criminal offense. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended.

Any information or expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall under any circumstances create an implication that there has been no change as to the affairs of the Issuer since the date hereof.

Certain statements contained in this Official Statement including, without limitation, statements containing the words "estimates," "believes," "anticipates," "expects," and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Issuer to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, population trends and political and economic developments that could adversely impact the collection of revenues. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Issuer disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2026 Bonds offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time. The prices and other terms of the offering and sale of the Series 2026 Bonds may be changed from time to time by the Underwriter after the Series 2026 Bonds are released for sale, and the Series 2026 Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers, without prior notice.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement is being provided to prospective purchasers either in bound printed format or in electronic format. This Official Statement may be relied upon only if it is in its bound printed format or as printed in its entirety in such electronic format.

ADDITIONAL INFORMATION

For further information during the initial offering period with respect to the Series 2026 Bonds, contact Matt Adams, Raymond James & Associates, Inc., 2900 Highway 280, Suite 100, Birmingham, Alabama 35223, Telephone: 205.802.4275.

This Official Statement has been approved by the governing body of the Issuer and the governing body of the City.

**THE PUBLIC BUILDING AUTHORITY OF THE
CITY OF ASHVILLE**

CITY OF ASHVILLE, ALABAMA

APPENDIX A

Information on City of Ashville, Alabama

APPENDIX A

Information on the City of Ashville

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THE CITY

General

The City is a municipal corporation organized under the laws of the State of Alabama. The City is located in St. Clair County, Alabama, which is just northeast of the geographical center of Alabama. The population of the City is 2,464 according to the most recent estimate (2024) by the United States Census Bureau. The City encompasses an area of approximately 19.4 square miles.

Governance and Administration

The City is governed under the mayor-council form of government by a City Council consisting of a Mayor and five Council members, all of whom are elected at-large for concurrent four-year terms. The Mayor serves as chief executive officer of the City and is responsible for the daily operations of all departments of the City. The Council acts as the legislative branch of the City.

The City Council consists of the following members:

Council Member	Term Expiration Date
Derrick L. Mostella, Mayor	November 2029
Adam S. Abernathy	November 2029
Robin Bowlin	November 2029
Edward R. Lane	November 2029
Shirley Smith	November 2029
Denise Williams	November 2029

The City Clerk – City Treasurer is appointed by the Council and has custody of the rules, ordinances and resolutions of the Council and custody of the funds of the City. Chrystal St. John is the City Clerk – City Treasurer.

Summary of Governmental Services

The following table lists the governmental services provided by the City, other levels of government or independently appointed or elected agencies.

	Governmental Services Provided by the City and Others			
	City	County	State	Independent
Police protection (1)	Principal	Shared	Shared	
Fire protection	Exclusive			
Street maintenance and repair (2)(3)	Shared	Shared	Shared	
Solid waste disposal.....	Principal			
Water service	Exclusive			
Sanitary sewer service	Exclusive			
Gas and electric services				Exclusive
Courts (4).....	Shared	Shared	Principal	
Road construction (5)	Shared	Shared	Principal	
Education (6)				Exclusive
Health (7).....		Shared	Principal	
Recreation (8).....	Exclusive			
Cable				Exclusive

- (1) The City, the County and the State have co-extensive law enforcement jurisdiction.
- (2) The State is responsible for maintaining state and federal highways in the city limits.
- (3) The County is responsible for maintaining County roads in the city limits.
- (4) The City operates a municipal court, a limited jurisdiction court which is a component of the Unified Judicial System of the State.
- (5) The City builds and maintains streets that are not county, state or federal highways.
- (6) The St. Clair County Board of Education, the governing body of which is elected, operates schools with local ad valorem and sales taxes and state and federal funds.
- (7) The County and other cities in the County contribute to the County Health Department on a formula basis. The County Health Care Authority operates a public hospital in the City of Pell City.
- (8) The City finances all major public recreation facilities in its jurisdiction.

Employee Relations

The City considers relations with its employees to be satisfactory. No employees of the City are represented by labor unions or similar employee organizations. The City does not bargain collectively with any labor union or employee organization.

Personnel and Retirement System

The City employs approximately 47 full-time personnel in its several departments at the present time. The benefits and compensation for all employees of the City's several departments are established by the City Council, and, except for employees of the Water and Sewer Department, which are paid from the City's Water and Sewer Department Fund, are paid from the City's general fund. The City Police department employs 10 persons, the fire department employs 18 persons, the public works department employs 7 persons, and the City administration employs 12 persons.

Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), which is entitled Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition and presentation of post-employment benefits other than pension benefits ("OPEB") expenses/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplemental information in the financial reports of state and local governmental employers. GASB 45 is intended to improve the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB costs (expense) over a period that approximates employees' years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

The City does not offer any post-employment benefits other than pension benefits and therefore has no outstanding OPEB liability.

FINANCIAL SYSTEM

General

The City maintains a financial reporting system which provides timely and accurate reports of receipts and expenditures. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding (i) the safeguarding of assets against loss from unauthorized use or disposition, and (ii) the reliability of financial records for preparing financial statements and maintaining accountability for assets. Activities of the City are monitored internally on a monthly basis and are audited annually, as required by law, by independent certified public accountants. The report of such accountants with respect to certain of the City's financial statements for the fiscal year ended September 30, 2025 is included as Appendix B to this Official Statement.

Budgetary System

The Mayor, in consultation with the various department heads of the City, formulates, on an annual basis, operating budgets for the major funds of the City (hereinafter described), and the Council is charged by law with adopting the annual operating budgets.

Accounting System

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, for accounting and reporting purposes, into two broad categories, Governmental Funds and Proprietary Funds. Each of these categories is divided into separate fund types, with the fund types holding material amounts being described as follows:

Governmental Funds

General Fund. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another proprietary fund.

Proprietary Funds

Water and Sewer Fund – Provides water and sewer services to City residents.

The notes to the financial statements included in Appendix B include a summary of other significant accounting policies of the City. See Note 1.

Description of Major Sources of General Fund Revenues

This section of the Official Statement presents certain historical financial information concerning the City. Certain portions of the information in this section will be updated annually, and such annual report will be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

The City's major sources of revenues for its General Fund are as follows:

Sales and Use Tax. The City presently levies license, privilege and excise taxes on sales within the City's corporate limits at a rate of 4.0%, the net proceeds of which are deposited in the General Fund. The proceeds of this tax constitute a major portion of the revenues of the General Fund.

The sales and use tax revenues collected by the City for the below listed fiscal years are as follows:

Fiscal Year	Sales and Use Tax Revenues*
2025	\$586,888
2024	507,042
2023	522,845
2022	471,341
2021	317,370

* Includes allocations from the State of Alabama Simplified Sellers Use Tax ("SSUT")

Ad Valorem Taxes. Property or ad valorem taxes are levied under various provisions of the constitution and statutes of Alabama and may be used only for the purpose or purposes for which they are levied. The City levies a 5.0-mill tax for general municipal purposes, proceeds of which are deposited in the General Fund. Under present law, the rates at which local ad valorem taxes are levied may be increased only after approval by the

legislature and a majority vote of the qualified electors of the affected jurisdiction. See "AD VALOREM TAXATION."

The ad valorem tax revenues collected by the City for the below listed fiscal years are as follows:

Fiscal Year	Ad Valorem Tax Revenues
2025	\$115,770
2024	115,600
2023	108,597
2022	90,474
2021	79,349

Under applicable judicial precedents, neither the general sales and use tax nor any business license tax may be levied at rates that are confiscatory or unreasonable, nor may the rate of any such taxes in the police jurisdiction of a municipality be fixed at a rate that will yield an amount in excess of the cost of furnishing police and fire protection and other essential services to the activity or person being taxed.

Fire Tax. Pursuant to Amendment 652 of the Constitution of Alabama of 2022, the County levies a two-mill tax on all taxable property in the County, a portion of the proceeds of which is allocated for fire protection and emergency medical services and distributed to various organizations in the County, including the City.

The fire tax revenues received by the City for the below listed fiscal years are as follows:

Fiscal Year	County Fire Tax Revenues
2025	\$106,996
2024	105,046
2023	88,722
2022	76,983
2021	73,864

RESULTS OF OPERATIONS

This section of the Official Statement presents certain historical financial information concerning the City. Certain portions of the information in this section will be updated annually, and such annual report will be filed with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

Comparative Statement of General Fund Revenues and Expenditures

The tables below set forth audited revenues, expenditures and changes in fund balance for the City's General Fund for the five fiscal years ended September 30, 2021 through 2025, inclusive. The audited financial statements for fiscal year ended September 30, 2025 are included in Appendix B to this Official Statement. Audited financial statements for prior fiscal years may be obtained from the City Clerk of the City upon request.

Comparative Statement of General Fund Revenues and Expenditures and Changes in Fund Balance

Fiscal Year (Ended 9/30)

REVENUES	<u>2021</u>	<u>2022</u>
Taxes	\$1,857,241	\$2,048,487
Licenses and Permits	319,884	355,039
Park and Recreation	131,240	142,059
Fees and Fines	91,419	339,326
Grants and contributions	157,308	30,097
Other Revenues	67,349	98,331
Interest	977	1,185
	<hr/>	<hr/>
Total Revenue	2,625,418	3,014,524
EXPENDITURES		
Current		
General Government	723,965	723,100
Public Safety	865,055	997,672
Street	400,576	431,585
Parks and recreation	130,829	161,202
Court	74,800	94,926
Library and Archives	76,958	133,945
Senior Citizens Programs	18,560	33,013
Capital Outlay	260,436	290,492
Debt Service		
Principal	60,006	57,581
Interest and fees	23,016	20,405
	<hr/>	<hr/>
Total Expenditures	2,634,201	2,943,921
	<hr/>	<hr/>
Excess of Revenues		
Over/(Deficiency) Expenditures	(8,783)	70,603
Other Financing Sources (Uses)		
Proceeds of Debt Issuance	262,500	32,069
Lease Financing	--	7,602
Sale of Capital Assets	--	--
Transfer to other funds	--	--
Transfer from other funds	--	35,428
	<hr/>	<hr/>
Total Other Financing Sources and Uses	262,500	75,099
	<hr/>	<hr/>
Net Change in Fund Balances	253,717	145,702
Fund Balances, October 1	1,069,396	1,323,113
	<hr/>	<hr/>
Fund Balances, September 30	\$1,323,113	\$1,468,815
	<hr/>	<hr/>

	<u>2023</u>	<u>2024</u>	<u>2025</u>
REVENUES			
Taxes			
Sales	\$1,623,329	\$1,534,901	\$1,654,812
Property	138,607	122,879	133,480
Motor vehicle/gas	--	--	--
Other	407,219	368,627	366,591
Licenses and Permits	363,262	381,926	446,172
Fines and forfeits	124,403	92,956	121,971
Charges for Services	336,284	288,672	298,075
Grants and contributions	18,229	4,928	3,096
Interest	1,540	1,318	15,536
Other	271,768	458,172	271,963
	<hr/>		
Total Revenue	3,284,641	3,254,379	3,311,696
EXPENDITURES			
General Government	811,921	961,213	1,024,018
Public Safety	1,145,034	1,348,587	1,396,383
Street	475,605	592,977	511,274
Parks and recreation	135,505	183,928	175,900
Court	88,494	79,073	88,585
Library and Archives	134,446	159,173	127,503
Senior Citizens Programs	20,174	40,129	25,638
Capital Outlay	147,495	453,017	997,954
Debt Service			
Principal	51,939	87,344	111,535
Interest and fees	20,179	27,676	43,744
	<hr/>		
Total Expenditures	3,030,792	3,933,117	4,502,534
Excess of Revenues			
Over/(Deficiency) Expenditures	253,849	(678,738)	(1,190,838)
Other Financing Sources (Uses)			
Proceeds of Debt Issuance	--	211,054	535,000
Transfers In	--	--	24,071
Transfers from (to)			
Water/Sewer Fund	129,108	136,052	(47,197)
Sale of Capital Assets	1,001	--	12,750
	<hr/>		
Total Other Financing Sources and Uses	130,109	347,106	524,624
	<hr/>		
Net Change in Fund Balances	383,958	(331,632)	(666,214)
	<hr/>		
Fund Balances, October 1	1,468,815	1,852,773	1,521,141
	<hr/>		
Fund Balances, September 30	\$1,852,773	\$1,521,141	\$854,927
	<hr/>		

DEBT MANAGEMENT

General

The principal forms of indebtedness that the City is authorized to incur include general obligation bonds and warrants, general obligation bond anticipation notes, revenue anticipation notes, gasoline tax anticipation bonds, and various revenue anticipation bonds and warrants relating to enterprises. In addition, the City has the power to enter into certain leases which constitute a charge upon the general credit of the County and to guarantee obligations of certain public corporations affiliated with the County.

In general, the issuance of general obligation bonds requires voter approval. The following types of obligations may be issued or incurred without voter approval: (1) general obligation warrants; (2) general obligation refunding bonds; (3) certain revenue anticipation bonds, warrants and notes; (4) general and special obligation bonds financing street, sidewalk and sewer improvements supported, in whole or in part, by assessments; and (5) capitalized lease obligations that are funded on a "year-to-year basis".

The City has never defaulted in the payment of debt service on its bonds, warrants or other funded indebtedness, nor has the City ever refunded any funded indebtedness for the purpose of preventing or avoiding such a default.

Outstanding Indebtedness

Long-Term, General Obligation Indebtedness. Following the City entering into the Lease Agreement (Series 2026 Bonds) in connection with the issuance of the Series 2026 Bonds, the City will have the following long-term, general obligation indebtedness outstanding:

Description of Indebtedness	Source of Payment	Principal Balance
Lease Agreement (Series 2026 Bonds) ^{(1)*}	general obligation	\$5,660,000
General Obligation Warrants, Series 2021A	general obligation	166,753
Bank Notes Payable (not exceeding)	general obligation	200,000
Lease Obligations (not exceeding)	general obligation	25,000
Accrued compensated employee absences (not exceeding)		45,000

* Preliminary, subject to change.
⁽¹⁾ See "Lease Agreement (Series 2026 Bonds)" below.
⁽²⁾ See "Anticipated Indebtedness" below.
⁽³⁾ As of September 30, 2025.
⁽⁴⁾ See "*Economic Development Incentives*" below.

Short-Term Indebtedness. Other than portions of long-term debt due in the current fiscal year, the City currently has no short-term indebtedness outstanding.

Water and Sewer Revenue Warrants. The City has outstanding its Water and Sewer Revenue Warrants, Series 2017, in the approximate amount of \$450,000. These obligations are payable solely out of net revenues from operation of the City's water and sewer system and are not general obligations of the City.

Lease Agreement (Series 2026 Bonds). The Lease Agreement provides for the lease to the City of the public safety facility financed with the Series 2026 Bonds issued by The Public Building Authority of the City of Asheville and the payment by the City of rent at times and in amounts sufficient to pay in full when due the principal of and interest on the Series 2026 Bonds in each Fiscal Year in which the Lease Agreement is in effect. The term of the Lease Agreement consists of successive annual periods of 12 months, each coextensive with the then current Fiscal Year of the City. The initial term of the Lease Agreement commences on the date of delivery of the Lease Agreement and ends on September 30, 2026. The Lease Agreement contains a grant to the City of successive options to renew the term thereof for the then next succeeding Fiscal Year, until the Series 2026 Bonds are Fully Discharged, each of which options is automatically exercised by the City unless the City gives affirmative notice, in accordance with the terms of the Lease Agreement, that it will not renew the term of the Lease Agreement. The City has no direct, indirect, contingent or moral obligation to renew the Lease Agreement for any Fiscal Year after September 30, 2026. The principal amount specified in the table above is the outstanding principal amount of the Series 2026 Bonds and assumes that the Lease Agreement shall remain in effect and is not terminated by the City through the final maturity of the Series 2026 Bonds; provided, however, the City has no direct, indirect, contingent or moral obligation to renew the Lease Agreement for any Fiscal Year after September 30, 2026 and has no obligation for the payment of any amount which would otherwise become due under the Lease Agreement in any year subsequent to a termination of the Lease Agreement. See "SECURITY AND SOURCE OF PAYMENT" herein for further information on the Series 2026 Bonds and the City's obligations with respect thereto.

Anticipated Indebtedness

Other than the Series 2026 Bonds, the Board does not presently expect to issue additional long-term indebtedness within the next three fiscal years.

Constitutional Debt Limit

Constitutional Debt Limit-General. The City's present constitutional debt limit is based on two provisions of the Constitution of Alabama of 2022, namely, Section 225 of the Constitution of Alabama of 2022 and Section 94.01 of the Constitution of Alabama of 2022 (also known as Amendment 772 to the Alabama Constitution of 1901). Obligations chargeable against debt limit for purposes of Section 225 of the Constitution of Alabama of 2022 are not chargeable against debt limit for purposes of Section 94.01 of the Constitution of Alabama of 2022, and obligations chargeable against debt limit for purposes of Section 94.01 of the Constitution of Alabama of 2022 are not chargeable against debt limit for purposes of Section 225 of the Constitution of Alabama of 2022.

Constitutional Debt Limit-Section 225. Section 225 of the Alabama Constitution provides that municipal corporations having a population of less than 6,000 may not become indebted in an amount in excess of twenty per cent (20%) of the assessed valuation of taxable property located therein, except for the construction of or purchase of waterworks, gas or electric lighting plants, or sewerage, or for the improvement of streets, for which purposes an additional indebtedness not exceeding three per cent (3%) may be created. The Alabama Constitution excepts from this debt limitation several categories of indebtedness, including (a) temporary loans to be paid within one year made in anticipation of the collection of taxes and not exceeding one-fourth of the municipality's general revenues, (b) obligations or securities issued for the purpose of acquiring, providing or constructing schoolhouses, provided that there is pledged for payment of the principal of and interest on such obligations or securities a tax which the governing body of such municipality shall have determined will be sufficient to pay said principal and interest at their respective maturities, and (c) obligations or securities which may be issued for sanitary or storm water sewers, or for street or sidewalk improvements where the cost of the same, in whole or in part, is to be assessed against the property benefitted by such sewers or abutting said improvements.

The following statement reflects the City’s legal debt margin under Section 225 of the Constitution of Alabama of 2022 after the City entered into the Lease Agreement (Series 2026 Bonds) in connection with the issuance of the Series 2026 Bonds:

**City of Ashville
Statement of Legal Debt Margin**

Assessed value of taxable property (as of October 1, 2025)	\$29,153,301
Debt limit (20% of assessed value)	5,830,660
Total Indebtedness - Section 225:	
Long-term indebtedness ⁽¹⁾	6,096,753
Less: Exempt indebtedness	5,660,000*
Total indebtedness chargeable against debt limit	436,753
Legal debt margin – Section 225	5,393,907

* Preliminary, subject to change.

⁽¹⁾ Includes the indebtedness described more particularly under "Outstanding Indebtedness–Long-Term, General Obligation Indebtedness", including the Lease Agreement (Series 2026 Bonds).

Constitutional Debt Limit—Section 94.01. Under Section 94.01 of the Constitution of Alabama of 2022, the City may become indebted and issue bonds, warrants which may be payable from funds to be realized in future years, notes, or other obligations, or evidences of indebtedness to a principal amount not exceeding 50% of the assessed value of the taxable property located within its corporate limits in order to secure funds for any of the economic and industrial development powers or authorities granted in such amendment; however, under existing law, obligations chargeable against the debt limit under Section 94.01 of the Constitution of Alabama of 2022 are not chargeable against the City’s constitutional debt limit under Section 225 of the Constitution of Alabama of 2022.

The City has not issued any obligations pursuant to Section 94.01 of the Constitution of Alabama of 2022.

Debt Service Requirements on General Obligation Debt

The following table contains the debt service requirements on all long-term, general obligation debt of the City that will be outstanding after the issuance of the Series 2026 Warrants, and the City enters into the Lease Agreement (Series 2026 Bonds) in connection with the issuance of the Series 2026 Bonds:

City of Ashville			
Debt Service Requirements on General Obligation Debt			
Fiscal Year Ended 9/30	G.O. Warrants Series 2021A	Lease Agreement (Series 2026 Bonds)*⁽¹⁾	Total Debt Service*⁽²⁾
2026	\$30,783.91	--	\$30,783.91
2027	30,783.91	\$266,282.29	297,066.20
2028	30,783.91	286,562.50	317,346.41
2029	30,783.91	330,362.50	361,146.41
2030	30,783.91	332,362.50	363,146.41
2031	30,783.91	329,162.50	359,946.41
2032		360,962.50	360,962.50
2033		360,212.50	360,212.50
2034		364,212.50	364,212.50
2035		362,712.50	362,712.50
2036		360,962.50	360,962.50
2037		363,962.50	363,962.50
2038		361,462.50	361,462.50
2039		363,712.50	363,712.50
2040		360,462.50	360,462.50
2041		361,962.50	361,962.50
2042		362,962.50	362,962.50
2043		363,462.50	363,462.50
2044		359,962.50	359,962.50
2045		361,250.00	361,250.00
2046		362,112.50	362,112.50
2047		362,550.00	362,550.00
2048		362,268.76	362,268.76
2049		361,550.00	361,550.00
2050		360,393.76	360,393.76
2051		363,800.00	363,800.00
2052		361,550.00	361,550.00
2053		363,500.00	363,500.00
2054		364,775.00	364,775.00
2055		360,375.00	360,375.00
2056		360,525.00	360,525.00
Total	\$184,703.46	\$10,596,394.81	\$10,781,098.27

* Preliminary, subject to change.

(1) For purposes of this table the principal amount of warrants to be retired in a fiscal year pursuant to mandatory redemption provisions is shown as maturing in that fiscal year.

(2) Includes all indebtedness described more particularly under "Outstanding Indebtedness--Long-Term, General Obligation Indebtedness", other than notes payable, lease obligations and compensated absences.

Debt Ratios

The following table sets forth certain debt ratios applicable to the City:

City of Ashville Debt Ratios

Population ⁽¹⁾	2,464
Assessed Value of Taxable Property ⁽²⁾	\$29,153,301
General Obligation Debt ⁽³⁾	\$6,096,753*
General Obligation Debt Per Capita	\$2,474.33*
Ratio of General Obligation Debt to Assessed Value	20.91%*

* Preliminary, subject to change.

(1) Based on 2022 Census Estimate, U.S. Census Bureau.

(2) Source: St. Clair County Revenue Commissioner.

(3) After giving effect to the issuance of the Series 2026 Bonds.

AD VALOREM TAXATION

General

The levy and collection of ad valorem taxes in Alabama are subject to the Alabama Constitution, which, among other things, fixes the percentage of market value at which property can be assessed for taxation, limits the tax rates that can be levied against property and places a ceiling on the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year. The amount of ad valorem tax in Alabama is computed by multiplying the applicable tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (the "assessment ratio") of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are stated in terms of mills per dollar of assessed value. Each mill represents a tax equal to one-tenth of one percent of the assessed value of such property.

Classification of Taxable Property

Amendment No. 373 to the Alabama Constitution divides all taxable property into the following four classes valued for taxation according to the assessment ratios shown below:

Class I	All property owned by utilities	30%
Class II	All property not otherwise classified	20%
Class III	All agricultural, forest and single-family, owner-occupied residential property and historic buildings and sites	10%
Class IV	Private passenger automobiles and pickup trucks owned and operated by an individual for personal or private use	15%

Amendment No. 373 permits the owner of Class III property to elect to have such property appraised at its "current use value" rather than its "fair and reasonable market value". "Current use value" has been defined statutorily as the value of such property based on the use being made of it on October 1 of the preceding year, without taking into consideration the prospective value such property might have if it were put to some other possible use.

Assessment Ratio Adjustment

The Alabama Legislature has no power to adjust assessment ratios pertaining to local (as distinguished from state) taxes but does have the power to approve or disapprove an adjustment proposed by a local taxing authority. The governing body of any county, municipality or other local taxing authority may increase or decrease the assessment ratio with respect to any class of property subject to the following conditions: (i) the governing body of such county, municipality or other taxing authority must hold a public hearing on the proposed adjustment before authorizing the adjustment, (ii) the Legislature must adopt an act approving the adjustment and (iii) a majority of the electors of such county, municipality or other taxing authority must approve the adjustment in a special election. In addition, the Legislature has placed the following restrictions on the adjustment of assessment ratios:

(1) If the total assessed value of all property of a single class located within a taxing authority's jurisdiction exceeds 50% of the total assessed value of all taxable property located within the jurisdiction of such authority, then the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class;

(2) If the total assessed value of all properties of a single class located within the jurisdiction of a local taxing authority is less than 20% of the total assessed value of all taxable property located within such jurisdiction, then the assessment ratio with respect to that class of property may be increased by no more than 5% from the ratio otherwise prescribed for such class; and

(3) If the total assessed value of all property of a single class located within the jurisdiction of a local taxing authority exceeds 75% of the total assessed value of all taxable property located within such jurisdiction, then (i) the assessment ratio with respect to that class of property may be decreased by no more than 5% from the ratio otherwise prescribed for such class and (ii) the prospective assessment ratio for all other classes of property may be increased by no more than 5% from the ratio otherwise prescribed for such classes.

The governing body of the City has not sought to adjust the assessment ratio applicable to any class of taxable property nor does the City have any present plan for any such adjustment.

Rate Adjustments

Amendment No. 373 authorizes any county, municipality or other local taxing authority to decrease any ad valorem tax rate at any time, provided that such decrease does not jeopardize the payment of any bonded indebtedness secured by such tax. Amendment No. 373 also permits a county, municipality or other local taxing authority to increase the rate at which any ad valorem tax is levied, but only if (i) the governing body of such county, municipality or other taxing authority holds a public hearing on the proposed increase before authorizing the increase, (ii) the Legislature adopts an act approving the increase and (iii) a majority of the electors of such county, municipality or other taxing authority subsequently approves the increase in a special election.

Ceiling on Ad Valorem Taxes

Amendment No. 373 also limits the total amount of state, county, municipal and other ad valorem taxes that may be imposed on any class of property in any one tax year. This limitation is expressed in terms of a specified percentage of the fair and reasonable market value of such property. The applicable percentages to the four classes of property are as follows:

Class I -	2%
Class II -	1 1/2%
Class III -	1%
Class IV -	1 1/4%

If the total amount of tax otherwise payable with respect to a class of property would exceed the maximum tax limit, the millage rate of each separate tax to which such property is subject must be reduced in the same proportion that the millage levied by or for the benefit of each taxing authority bears to the total millage levied by or for the benefit of all applicable taxing authorities. This provision becomes operative as to the several classes of property only if the total tax rate exceeds the following:

Class I -	66 2/3 mills
Class II -	75 mills
Class III -	100 mills
Class IV -	83 1/3 mills

Section 40-7-2.2 of the Code of Alabama 1975, as amended, effectively limits the annual increase in assessed values of Class II and Class III properties to 7% effective October 1, 2024, and continuing through the fiscal year beginning October 1, 2027. There are exclusions to the annual limitation, including for real property that has never been assessed, certain additions or improvements to real property (including new construction), changes to the classification of the property and certain changes in ownership of the property.

Ad Valorem Tax Rates

Ad valorem taxes on property in the jurisdiction of the City are currently levied at the following rates:

<u>Taxing Authority</u>	<u>Mills</u>
State of Alabama	6.5
St. Clair County:	
General Fund	6.0
Road and Bridge	3.0
Fire Protection	2.0
Countywide School	10.5
District School	3.0
City of Ashville:	
General	<u>5.0</u>
Total	36.0

Assessed Valuation of Taxable Property

The following table contains net assessed value of taxable property (including motor vehicles but excluding exempt property) in the City for the last five fiscal years:

<u>Fiscal Year</u>	<u>Assessed Value of Taxable Property</u>
2025	\$29,153,301
2024	29,186,613
2023	28,113,748
2022	26,844,250
2021	22,869,328

Sources: St. Clair County Revenue Department and St. Clair County Office of Judge of Probate (motor vehicles).

Largest Ad Valorem Taxpayers

Listed below are the ten largest ad valorem taxpayers in the City and the City's portion of the ad valorem taxes paid by each for the tax year ended September 30, 2025.

<u>Name of Taxpayer</u>	<u>Total Assessed Value of Property in City limits</u>	<u>City's Portion of Ad Valorem Taxes Paid</u>
Alabama Power Company	\$1,361,660	\$6,808
Valmont - Birmingham Galvanizing Inc.	1,083,140	5,416
Industrial Galvanizers-Alabama, Inc.	897,180	4,486
Watkins & Watkins, L.L.C.	625,080	3,125
Pinpoint Locating, Inc.	369,760	1,849
Asheville Affordable Housing, LLC	352,680	1,763
Grooms Aluminum Processing, LLC	351,460	1,757
Windstream Alabama, Inc.	306,820	1,534
Southern Natural Gas Co.	270,500	1,353
Ashville Manor Nursing Home, Inc.	249,260	1,246

Source: St. Clair County Revenue Department.

LITIGATION

There is no litigation pending or, to the knowledge of the City, threatened questioning the validity of the Series 2026 Bonds or the Lease Agreement (Series 2026 Bonds), the proceedings under which they are to be issued, the security for the Series 2026 Bonds, the consummation of the transactions contemplated by the Series 2026 Bonds and the Lease Agreement (Series 2026 Bonds), the organization of the City, or the election or qualification of the City's officers.

The City is a defendant in several suits and has been notified of various claims against it arising from matters relating to normal operations of a municipality. The City believes that any liability resulting from these suits and claims will be covered by the City's liability insurance, which has customary deductible amounts, or by other funds of the City which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

Recent court decisions have substantially eroded the immunity from tort liability formerly enjoyed by local governmental units in Alabama; however, Chapter 93 of Title 11 of the Code of Alabama 1975 now prescribes certain limits on the liability of local governmental units for bodily injury or death and for damage or loss of property. The limits are presently \$100,000 in the case of bodily injury or death of one person in any single occurrence, \$300,000 in the aggregate where more than two persons have claims or judgments on account of bodily injury or death arising out of any single occurrence, and \$100,000 for damage or loss of property arising out of any single occurrence. The Alabama Supreme Court has held that the limitations prescribed by Chapter 93 are constitutional.

Local governmental units throughout the country increasingly have been subjected to lawsuits - many of which claim damages in large amounts - for alleged denials of civil rights under the provisions of Section 1983 of Title 42 of the United States Code. While the question is not free from doubt, it should be assumed that existing Alabama statutory limitations on liability for personal injury would not serve to limit liability under Section 1983.

ECONOMIC AND DEMOGRAPHIC INFORMATION

General

The City of Ashville is located in north central St. Clair County and, along with the City of Pell City, is one of two county seats. Incorporated in 1822, the City is located approximately 44 miles northeast of Birmingham, 40 miles northwest of Anniston and 23 miles southwest of Gadsden, Alabama. The City is situated less than 175 miles from four other regional market centers including Huntsville and Montgomery, Alabama, Atlanta, Georgia and Chattanooga, Tennessee. All these cities can be easily reached by interstate highways.

St. Clair County covers an area of approximately 654 square miles. The principal agricultural products of the County include poultry and eggs, cattle, hay, tomatoes, corn, and sod. Major manufactured products of the County are diversified and include automotive parts, custom store displays, highway safety products, paint, water pipe products and sausage and smoked meats. Major mineral products of the County include barite (heavy spar), clay, coal, hematite (clinton, dyestone, fossil, oolitic, and red iron ore), limestone, sand and wavellite. Logan Martin Lake, comprising 275 miles of shoreline and 17,000 acres of open water, separates the County from Talladega County.

Population

The following table sets forth population statistics for the City of Ashville, St. Clair County, the State of Alabama and the United States for the years indicated:

	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2025*</u>
City of Ashville	1,494	2,260	2,212	2,346	2,464**
St. Clair County	50,009	64,742	83,593	91,103	98,206
State of Alabama	4,040,587	4,447,100	4,779,736	5,024,279	5,193,088
United States	248,709,873	281,421,906	308,745,538	331,449,281	341,784,857

Source: U.S. Census Bureau.

*Estimates

**2024 Estimate

Employment

The following table sets forth estimated nonagricultural wage and salary employment statistics for St. Clair County as of 2024:

St. Clair County Nonagricultural Employment by Industry

	<u>Number Employed</u>	<u>%</u>
Manufacturing	4,000	18.2
Retail Trade	3,775	17.2
Local Government	2,757	12.5
Accommodation and Food Services	2,341	10.7
Health Care and Social Assistance	2,198	10.0
Construction	1,697	7.7
Wholesale Trade	1,041	4.7
Other Services (except Public Admin.)	842	3.8
Administrative and Support and Waste Management Services	778	3.5
Professional, Scientific, and Technical Services	640	2.9
Finance and Insurance	479	2.2
State Government	363	1.7
Transportation and Warehousing	212	1.0
Real Estate and Rental and Leasing	204	0.9
Information	137	0.6
Federal Government	117	0.5
Utilities	114	0.5
Agriculture, Forestry, Fishing and Hunting	92	0.4
Arts, Entertainment and Recreation	79	0.4
Educational Services	60	0.3
Management of Companies and Enterprises	<u>53</u>	<u>0.2</u>
Total wage and salary employees	21,979	100.0%

Source: U.S. Bureau of Labor Statistics.

The following table sets forth labor force data, estimates and employment rates for St. Clair County for the dates indicated:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>January 2026*</u>
Civilian Labor Force	42,630	43,682	44,781	45,450	46,115	46,012
Employment	41,570	42,786	43,878	44,279	45,037	44,857
Unemployment	1,060	896	903	1,171	1,078	1,155
Unemployment Rate	2.5%	2.1%	2.0%	2.6%	2.3%	2.5%

Source: U.S. Bureau of Labor Statistics.

* Preliminary, subject to change.

The following table sets forth comparative unemployment rates for St. Clair County, the State of Alabama and the United States for the dates indicated:

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>January 2026*</u>
St. Clair County	2.5%	2.1%	2.0%	2.6%	2.3%	2.5%
State of Alabama	3.3	2.5	2.5	3.1	2.9	3.0
United States	5.3	3.6	3.6	4.0	4.3	4.7

Source: U.S. Bureau of Labor Statistics.

* Preliminary, subject to change.

Major Employers

The major governmental and nongovernmental employers in St. Clair County (exclusive of the County itself), their principal activity and the number of employees of each are as follows:

<u>Employer</u>	<u>Product or Service</u>	<u>Approximate No. of Employees</u>
St. Clair County Board of Education	County Public Schools	1,188
Wal-Mart SuperCenters	Discount Retail Stores	965
Pell City Board of Education	City Public Schools	350
St. Clair County Correctional Facility	Prison	337
Unipres Alabama	Automotive Supplier	320
Col. Robert L. Howard State Veterans Home	Retirement Community	300
Eissmann Automotive	Automotive Supplier	290
UAB St. Vincent's St. Clair	Hospital	290
Valtir	Highway Safety Products	245
Myer Utility Structures	Steel Utility Pole Manufacturing	230

Source: St. Clair County Economic Development Council.

Income Levels

There are two basic methods of measuring annual income: per capita income, which is the total income of all families and individuals in a given area divided by the total population of the area, and median family income above and below which there are an equal number of family incomes.

The following tables present comparative information regarding income levels in Talladega County and the State of Alabama:

Per Capita Income				
Year	City of Ashville	St. Clair County	State of Alabama	United States
2024*	\$29,820	\$34,786	\$36,087	\$44,673
2019	21,078	27,941	28,934	35,384
2009	16,419	22,192	22,984	27,334
1999	15,867	17,960	18,189	21,587
1989	9,447	10,596	11,486	14,420

Source: 1990, 2000, 2010 and 2020 U.S. Census Bureau; 2024 American Community Survey.

*Five-year Estimates (2020-2024)

Median Family Income

Year	City of Ashville	St. Clair County	State of Alabama	United States
2024*	\$78,958	\$90,154	\$83,032	\$99,999
2019	56,354	71,382	66,772	80,069
2009	34,607	56,107	52,863	62,982
1999	38,355	43,152	41,657	50,046
1989	27,826	27,388	28,688	35,225

Source: 1990, 2000, 2010 and 2020 U.S. Census Bureau; 2024 American Community Survey.
*Five-year Estimates (2020-2024)

General Housing Characteristics

The following table presents general housing characteristics for housing units in the City of Ashville:

	<u>2024*</u>	<u>2020</u>	<u>2010</u>	<u>2000</u>	<u>1990</u>
Total Housing Units	885	955	879	924	575
Total Occupied Units	808	768	723	832	511
Total Owner-Occupied Units	639	601	562	682	415
Median Value of Owner-Occupied Units	\$204,900	\$118,800	\$61,900	\$78,800	\$43,400

Source: 1990, 2000, 2010 and 2020 U.S. Census of Population and Housing; 2024 American Community Survey.
*Five-year Estimates (2020-2024)

Industrial Parks

There are currently no industrial parks located within the city limits of the City of Ashville.

Education

Students residing within the City attend Ashville Elementary School, Ashville Middle School and Ashville High School. The City's schools are governed by the St. Clair County Board of Education, whose members are publicly elected.

The percentage of the population of the City age 25 years or older who have completed high school is as follows for the years shown:

<u>Year</u>	<u>Percent High School Graduates</u>
2024*	84.3
2020	75.5
2010	64.1
2000	65.4
1990	60.9

Source: 1990, 2000, 2010 and 2020 Census of Population and Housing; 2024 American Community Survey.
*Five-year Estimate (2020-2024)

There is one post-secondary school located in St. Clair County. Jefferson State Community College (St. Clair-Pell City Campus) was opened in the Fall of 2006, and offers courses in business, art and music appreciation, biology, chemistry, computer and word processing, agriculture, English, social sciences, mathematics, humanities and speech. The current enrollment is approximately 800 students. Other post-secondary schools located in close proximity to St. Clair County include the University of Alabama at Birmingham, Birmingham-Southern College,

Central Alabama Community College, Miles Memorial College, the University of Phoenix (Birmingham), Samford University and Talladega College.

Health Care Services

The County has one hospital, UAB St. Vincent's St. Clair, located in Pell City. The Hospital is a 40-bed facility that employs approximately 275 physicians and supporting staff. Services provided there include advanced wound care center, emergency care, gynecology, lab, nuclear medicine, neurological services, orthopaedics, pain management, physical therapy, radiology (MRI, CT, mammography, bone density, and ultrasound scans), respiratory care, sleep disorders center, speech therapy and sports medicine. The County also has 8 nursing homes and assisted living facilities, with a combined total of 688 licensed beds.

Utilities

Electric power is provided to the residents and businesses of the Issuer by Alabama Power Company, a subsidiary of Southern Company, which is an investor-owned electric utility holding company. Alabama Power Company rates are regulated by the Alabama Public Service Commission.

Natural gas service is supplied and distributed by Spire, formerly Alabama Gas Corporation. Water and sewer service is supplied by the City.

Recreation

The City has two parks, Ashville Community Park and Splash Park and D.O. Langston Park. The Ashville Community Park and Splash Park consists of a playground, a splash pad and two pavilions. D.O. Langston Park consists of a lighted walking track, a small playground area and a gazebo.

St. Clair County is a recreational paradise. There are two lakes with hundreds of miles of shoreline offering water sports such as fishing, boating, water skiing, sailing and swimming. Mountain trails, a public hunting preserve, two golf courses and wide open places for horses make St. Clair County one of Alabama's top recreational destinations. Municipal parks with baseball, football, softball, walking trails, tennis and soccer round out unparalleled opportunities for recreation at any age.

Transportation

The County is served by two interstate highways (I-20 and I-59), which pass through the southern and northeastern sections of the County. These interstates provide rapid and easy access to neighboring urban areas such as Birmingham, Gadsden and Anniston, as well as Atlanta, Georgia and Chattanooga, Tennessee. The City is also served by U.S. Highways 11 and 231, and State Highway 23. Rail service throughout the County is provided by Alabama and Tennessee River Railway and Norfolk Southern Railway, which link the southeastern United States. The County has one public-use airport, St. Clair County Airport, located 3 miles southeast of Pell City. The airport is owned by the St. Clair County Airport Authority and covers an area of 200 acres. The airport has one lighted 5,001-foot asphalt runway and is categorized as a reliever airport for the Birmingham-Shuttlesworth International Airport. Commercial airline service is available at Birmingham-Shuttlesworth International Airport and is served by major airlines offering regional flights with national and international connections.

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APPENDIX B

**Audited Financial Statements of City of Ashville, Alabama
for the fiscal year ended September 30, 2025**

City of Ashville, Alabama

Financial Statements

September 30, 2025

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
The City of Ashville, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ashville, (the City), as of and for the year ended September 30, 2025 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of changes in the net pension liability and schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ashville, Alabama's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

TTPA Advisors and CPAs, LLC

Birmingham, Alabama

June 4, 2026

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

The City of Ashville's Management's Discussion and Analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position, identify any material deviations from the financial plan, and identify individual fund issues or concerns.

Since the Management's Discussion and Analysis is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the City's financial statements.

HIGHLIGHTS

Financial Highlights

- The City's combined assets and deferred outflows of resources exceeded its combined liabilities and deferred inflows of resources by \$5,336,249 which will allow the City to continue to meet ongoing obligations to citizens and creditors.
- The General Fund reported a fund balance of \$854,927, a decrease of (\$666,214). The General Fund's deficiency of Revenues under Expenditures was (\$1,190,838).
- The Proprietary Fund reported a fund balance of \$2,545,905 a decrease of (\$206,561). The Proprietary Fund's Operating loss was (\$274,304).
- The total cost of all City's programs was \$4,660,616.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 14-16) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements begin on page 17. For governmental activities, these statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail by providing information about the City's most significant funds.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private sector companies. All the current year revenues and expenses are taken into account regardless of when cash is received or paid.

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

The Statement of Net Position and the Statement of Activities report the City's net position and changes in net position. You can think of the City's net position - the difference between assets and liabilities – as one way to measure the City's financial health or financial position. Over time, increases or decreases in the City's net position, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into three kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, including general government, public safety, street, parks and recreation, court, library and archives, and the senior citizens programs. Property taxes, sales taxes, program revenues, and transfers from business-type activities finance most of these activities.
- **Business-type Activities** – The City's Water and Sewer Fund is reported here. The City charges a fee to customers to cover costs of these services.
- **Component Units** – The City includes two separate legal entities in its report – Ashville Library Board and Ashville Museum and Archives Board. Although legally separate, these "component units" are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 11. The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Council established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The City's two kinds of funds – governmental and proprietary – use different accounting approaches.

- **Governmental Funds** – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations after the fund financial statements.

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

- **Proprietary Funds** – When the City charges customers for the services it provides, these services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE CITY AS A WHOLE

Financial Analysis of the City as a Whole

Net Position

The City's combined net position decreased by (\$500,452) from 2024 to 2025. The governmental activities net position decreased by (\$291,715) or approximately 9%, while business type activities net position decreased by (\$208,737), or approximately 8%. This decrease in governmental activities resulted primarily from a decrease in sales taxes and other income in addition to an increase in public safety and street expenses. The decrease in business type activities resulted primarily from an increase in transfers to the general fund and an increase in expenses.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended September 30,		For the Year Ended September 30,		For the Year Ended September 30,	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 2,584,869	\$ 2,746,516	\$ 580,174	\$ 824,478	\$ 3,165,043	\$ 3,570,994
Capital Assets	2,795,333	2,000,278	2,682,740	2,760,080	5,478,073	4,760,358
Total assets	5,380,202	4,746,794	3,262,914	3,584,558	8,643,116	8,331,352
Deferred outflows of resources	433,581	525,506	77,122	86,999	510,703	612,505
Other liabilities	1,118,753	664,024	142,973	129,985	1,261,726	794,009
Long-term liabilities	1,473,148	1,244,600	591,825	763,224	2,064,973	2,007,824
Total liabilities	2,591,901	1,908,624	734,798	893,209	3,326,699	2,801,833
Deferred inflows of resources	431,538	281,617	59,333	23,706	490,871	305,323
Net position						
Net investment in capital assets	1,757,481	1,385,891	1,976,482	2,124,623	3,733,963	3,510,514
Restricted	497,943	445,743	156,115	135,885	654,058	581,628
Unrestricted	534,920	1,250,425	413,308	494,134	948,228	1,744,559
Total net position	\$ 2,790,344	\$ 3,082,059	\$ 2,545,905	\$ 2,754,642	\$ 5,336,249	\$ 5,836,701

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

For more detailed information, see the Statement of Net Position on pages 14-15.

The City's combined net position decreased to \$5,336,249 from \$5,836,701 or 8%. The City's unrestricted net position for governmental activities, the part of net position that can be used to finance day-to-day operations, was \$534,920 which is a decrease of (\$715,505) from the prior year, or (57%). This decrease results from an increase in long-term liabilities.

Changes in Net Position

The City's total revenues increased by approximately 2% to \$4,221,959. For governmental activities, sales taxes account for approximately 39% of revenues. Property taxes account for approximately 3%. The majority of the remaining governmental activities revenues come from other taxes, fees and charges for services.

The total cost of all programs and services increased by a net of \$35,199, or approximately 1%. Expenses of business-type activities increased by \$116,408 and the cost of governmental activities decreased by (\$81,209).

The table on the following page reflects the condensed Statement of Activities.

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended		For the Year Ended		For the Year Ended	
	September 30,		September 30,		September 30,	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program Revenues						
Fees, fines, and charges for services	\$ 866,218	\$ 763,554	\$ 774,863	\$ 762,010	\$ 1,641,081	\$ 1,525,564
Operating grants and contributions	3,096	4,928	23,504	-	26,600	4,928
Capital grants and contributions	-	-	-	-	-	-
General Revenues						
Sales taxes	1,654,812	1,534,901	-	-	1,654,812	1,534,901
Property taxes	133,480	122,879	-	-	133,480	122,879
Other taxes	417,565	417,519	-	-	417,565	417,519
Interest income	21,240	9,278	7,147	30,066	28,387	39,344
Other income	311,803	490,245	8,231	-	320,034	490,245
Total Revenues	3,408,214	3,343,304	813,745	792,076	4,221,959	4,135,380
EXPENSES						
General government	1,069,800	1,109,629	-	-	1,069,800	1,109,629
Public safety	1,452,938	1,383,794	-	-	1,452,938	1,383,794
Street	586,230	666,146	-	-	586,230	666,146
Parks and recreation	198,675	208,702	-	-	198,675	208,702
Court	88,585	79,073	-	-	88,585	79,073
Library and archives	127,503	159,173	-	-	127,503	159,173
Senior citizens programs	25,638	40,129	-	-	25,638	40,129
Interest and fees	43,744	27,676	-	-	43,744	27,676
Water and sewer	-	-	1,067,503	951,095	1,067,503	951,095
Total Expenses	3,593,113	3,674,322	1,067,503	951,095	4,660,616	4,625,417
Excess (deficiency) before transfers & capital contributions						
	(184,899)	(331,018)	(253,758)	(159,019)	(438,657)	(490,037)
Transfers						
	(47,197)	136,052	47,197	(136,052)	-	-
Change in net position						
	(232,096)	(194,966)	(206,561)	(295,071)	(438,657)	(490,037)
Beginning net position, as restated						
	3,031,874	3,277,025	2,752,466	3,049,713	5,784,340	6,326,738
Ending net position						
	\$ 2,799,778	\$ 3,082,059	\$ 2,545,905	\$ 2,754,642	\$ 5,345,683	\$ 5,836,701

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

THE CITY'S FUNDS

Governmental Funds

As of the year-end, the Governmental Funds reported a combined fund balance of \$1,352,870, which is \$610,969 less than the beginning of the year. The General Fund experienced a net decrease of (\$666,214), resulting primarily from expenditures in excess of revenues. The American Rescue Fund experienced a net increase of \$27 resulting primarily of interest earned. The Other Governmental Funds experienced a net increase of \$55,218.

Proprietary Funds

As of the year-end, the Proprietary Fund reported a net position of \$2,545,905, which is approximately 8% less than the beginning of the year.

General Fund Budgetary Highlights

General Fund revenues were less than budgeted revenues by \$462,973. Actual sales tax revenues were slightly less than budgeted sales tax revenues.

General Fund expenditures exceeded budgeted amounts by \$399,256.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2025, the City had \$5,478,073 invested in a broad range of capital assets. This amount represents a net increase (including additions and deductions) of \$717,715, or approximately 15% more than last year. The City's additions to capital assets included system improvements, vehicles and machinery and equipment. These additions were offset by the retirements of assets no longer in service and by depreciation expense.

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

CAPITAL ASSETS

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended September 30,		For the Year Ended September 30,		For the Year Ended September 30,	
	2025	2024	2025	2024	2025	2024
Land	\$ 348,084	\$ 348,084	\$ 55,585	\$ 55,585	\$ 403,669	\$ 403,669
Construction in progress	603,129	17,524	96,784	-	699,913	17,524
Buildings and improvements, net	1,220,107	1,088,282	-	-	1,220,107	1,088,282
Machinery and equipment, net	209,997	247,415	20,802	26,058	230,799	273,473
Vehicles, net	414,016	298,973	139,262	135,766	553,278	434,739
Right of use - equipment	-	-	23,288	34,933	23,288	34,933
Systems and facilities, net	-	-	2,347,019	2,507,738	2,347,019	2,507,738
Total capital assets, net	\$ 2,795,333	\$ 2,000,278	\$ 2,682,740	\$ 2,760,080	\$ 5,478,073	\$ 4,760,358

Debt

At September 30, 2025, the City had \$1,591,741 in warrants, notes payable and right of use leases outstanding versus \$1,277,163 at September 30, 2024, an increase of 26%. Other obligations of the City include accrued vacation leave, holiday leave, and compensatory time, and the net pension liability.

DEBT

	Governmental Activities		Business - type Activities		Totals	
	For the Year Ended September 30,		For the Year Ended September 30,		For the Year Ended September 30,	
	2025	2024	2025	2024	2025	2024
Warrants and bonds	\$ 166,753	\$ 191,765	\$ 410,000	\$ 515,000	\$ 576,753	\$ 706,765
Notes payable	871,099	422,622	118,632	111,407	989,731	534,029
Right of use lease	-	-	25,257	36,369	25,257	36,369
Net pension liability	244,522	587,240	34,660	95,123	279,182	682,363
Compensated absences	95,654	42,973	3,276	5,325	98,930	48,298
Total LT liabilities	\$ 1,378,028	\$ 1,244,600	\$ 591,825	\$ 763,224	\$ 1,969,853	\$ 2,007,824

City of Ashville, Alabama
Management's Discussion and Analysis
September 30, 2025

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's Mayor, City Clerk, and City Council considered many factors when setting the budget for the fiscal year ending September 30, 2025. Tax rates, anticipated sales tax collections, anticipated expenditures/expenses, prior year actual revenues/expenditures, and the overall economy were some of these factors. The budget is prepared in accordance with the City's budget management policies which are designed to ensure the City maintains a financial base sufficient to sustain a consistent level of municipal services, is able to withstand local and regional economic variations, and adjusts to changes in the service requirements of the community.

One of the City's major sources of income is sales tax revenue and other taxes. The City has taken a conservative approach in projecting tax revenues when setting the budget. Proprietary funds require customers to pay for water and sewer services provided by the City.

These indicators were taken into account when adopting the General Fund budget for fiscal year ending September 30, 2026. Projected revenues in the General Fund budget are \$2,005,286. The City expects the major sources of revenues and expenditures to remain stable in fiscal year 2026.

If these estimates are realized, the City's budgetary fund balance is expected to increase by the close of fiscal year 2026.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City Clerk of Ashville, 211 8th Street, Ashville, AL 35953.

City of Ashville, Alabama
Statement of Net Position
September 30, 2025

	Primary Government			Component Unit	Component Unit
	Governmental Activities	Business-type activities	Total	Ashville Library Board	Ashville Museum and Archives Board
Assets					
Current assets					
Cash and cash equivalents	\$ 1,205,265	\$ 275,966	\$ 1,481,231	\$ -	\$ -
Accounts receivable, net	328,416	119,040	447,456	-	-
Due from other funds	16,600	-	16,600	-	-
Prepaid expenses	28,942	29,053	57,995	-	-
Net pension asset	-	-	-	-	-
Restricted assets:					
Cash and cash equivalents	1,010,322	156,115	1,166,437	11,332	12,170
Accounts receivable	4,758	-	4,758	-	-
Nondepreciable capital assets	951,213	152,369	1,103,582	-	-
Depreciable capital assets, net	1,844,120	2,530,371	4,374,491	6,667	-
	5,389,636	3,262,914	8,652,550	17,999	12,170
Deferred outflows of resources					
Pension	433,581	77,122	510,703	-	-
Total deferred outflows of resource	433,581	77,122	510,703	-	-
Liabilities					
Accounts payable	507,722	48,573	556,295	-	-
Due to other funds	-	16,600	16,600	-	-
Accrued expenses	84,460	11,048	95,508	-	-
Payable from restricted assets:					
Unearned revenue	526,571	-	526,571	-	-
Customer deposits	-	66,752	66,752	-	-
Noncurrent liabilities					
Due within one year					
Long-term debt payable from restricted assets	169,117	154,875	323,992	-	-
Compensated absences	47,826	1,638	49,464	-	-
Due in more than one year					
Long-term debt, net	868,735	399,014	1,267,749	-	-
Net pension liability	339,643	34,660	374,303	-	-
Compensated absences	47,827	1,638	49,465	-	-
Total liabilities	2,591,901	734,798	3,326,699	-	-

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Net Position - Continued
September 30, 2025

	Primary Government			Component Unit	Component Unit
	Governmental	Business-type	Total		
	Activities	activities		Board	and Archives
				Board	Board
Deferred inflows of resources					
Property taxes levied for subsequent years	\$ 122,680	\$ -	\$ 122,680	\$ -	\$ -
Pension	308,858	59,333	368,191	-	-
	<u>431,538</u>	<u>59,333</u>	<u>490,871</u>	<u>-</u>	<u>-</u>
Net position					
Net investment in capital assets	1,757,481	1,976,482	3,733,963	6,667	-
Restricted for:					
Capital projects	403,982	-	403,982	-	-
Road maintenance	1,389	-	1,389	-	-
Debt service	-	156,115	156,115	-	-
Court remittances	85,561	-	85,561	-	-
Municipal court	10,029	-	10,029	-	-
Other	-	-	-	11,332	12,170
Unrestricted	<u>541,336</u>	<u>413,308</u>	<u>954,644</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 2,799,778</u>	<u>\$ 2,545,905</u>	<u>\$ 5,345,683</u>	<u>\$ 17,999</u>	<u>\$ 12,170</u>

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Activities
For the Year Ended September 30, 2025

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Primary Government			Total Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,069,800	\$ 665,098	\$ -	\$ -	\$ (404,702)	\$ -	\$ (404,702)	\$ -
Public safety	1,452,938	121,971	3,096	-	(1,327,871)	-	(1,327,871)	-
Street	586,230	-	-	-	(586,230)	-	(586,230)	-
Parks and recreation	198,675	79,149	-	-	(119,526)	-	(119,526)	-
Court	88,585	-	-	-	(88,585)	-	(88,585)	-
Library and archives	127,503	-	-	-	(127,503)	-	(127,503)	-
Senior citizens programs	25,638	-	-	-	(25,638)	-	(25,638)	-
Interest and fees	43,744	-	-	-	(43,744)	-	(43,744)	-
Total primary government	3,593,113	866,218	3,096	-	(2,723,799)	-	(2,723,799)	-
Business-type Activities								
Water and Sewer	1,067,503	774,863	23,504	-	-	(269,136)	(269,136)	-
Total Business-type Activities	1,067,503	774,863	23,504	-	-	(269,136)	(269,136)	-
Total Primary Government	\$ 4,660,616	\$ 1,641,081	\$ 26,600	\$ -	\$ (2,723,799)	\$ (269,136)	\$ (2,992,935)	\$ -
Component units								
Ashville Library Board	\$ 25,563	\$ 29,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679
Ashville Museum and Archives Board	-	-	-	-	-	-	-	-
Total Component Units	\$ 25,563	\$ 29,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,679
General revenues and other items								
Taxes:								
Sales					1,654,812	-	1,654,812	-
Property					133,480	-	133,480	-
Motor vehicle/gas					50,974	-	50,974	-
Other					366,591	-	366,591	-
Interest earnings					21,240	7,147	28,387	-
Other income					311,803	8,231	320,034	-
Transfers					(47,197)	47,197	-	-
Total general revenues and other items					2,491,703	62,575	2,554,278	-
Change in net position					(232,096)	(206,561)	(438,657)	3,679
Net position - beginning of year, as previously reported					3,082,059	2,754,642	5,836,701	26,490
Prior period adjustment - implementation of GASB 101					(50,185)	(2,176)	(52,361)	-
Net position - beginning of year, as restated					3,031,874	2,752,466	5,784,340	26,490
Net position - end of year					\$ 2,799,778	\$ 2,545,905	\$ 5,345,683	\$ 30,169

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
 Balance Sheet - Governmental Funds
 September 30, 2025

	General	American Rescue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,205,265	\$ -	\$ -	\$ 1,205,265
Accounts receivable	328,416	-	-	328,416
Due from other funds	7,166	-	-	7,166
Prepaid expenses	28,942	-	-	28,942
Restricted assets:				
Cash	-	533,582	476,740	1,010,322
Accounts receivable	-	-	4,758	4,758
Due from other funds	-	-	9,434	9,434
Total assets	\$ 1,569,789	\$ 533,582	\$ 490,932	\$ 2,594,303
Liabilities				
Accounts payable	\$ 507,722	\$ -	\$ -	\$ 507,722
Accrued expenses	84,460	-	-	84,460
Payable from restricted assets				
Unearned revenue	-	526,571	-	526,571
Total liabilities	592,182	526,571	-	1,118,753
Deferred inflows of resources				
Property taxes levied for subsequent year	122,680	-	-	122,680
Total deferred inflows of resources	122,680	-	-	122,680
Fund balance (deficit)				
Restricted for				
Capital projects	-	7,011	403,982	410,993
Road maintenance	-	-	1,389	1,389
Court remittances	-	-	85,561	85,561
Assigned for public safety	404,396	-	-	404,396
Unassigned	450,531	-	-	450,531
	854,927	7,011	490,932	1,352,870
Total liabilities and fund balance	\$ 1,569,789	\$ 533,582	\$ 490,932	\$ 2,594,303

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
September 30, 2025

Total fund balances - governmental funds \$ 1,352,870

Amounts reported for governmental activities in the statement of net position are different due to the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	6,252,741	
Less accumulated depreciation	<u>(3,457,408)</u>	2,795,333

Deferred outflows and deferred inflows related to the net pension liability and other post employment benefit payable are not reported in the governmental funds

Deferred outflows related to pension	433,581	
Deferred inflows related to pension	<u>(308,858)</u>	124,723

Long-term liabilities, including warrants payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Warrants payable	(166,753)	
Notes payable	(871,099)	
Net pension liability	(339,643)	
Compensated absences	<u>(95,653)</u>	<u>(1,473,148)</u>

Total net position - governmental activities \$ 2,799,778

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended September 30, 2025

	General	American Rescue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Sales	\$ 1,654,812	\$ -	\$ -	\$ 1,654,812
Property	133,480	-	-	133,480
Motor vehicle/gas	-	-	50,974	50,974
Other	366,591	-	-	366,591
Licenses and permits	446,172	-	-	446,172
Fines and forfeits	121,971	-	-	121,971
Charges for services	298,075	-	-	298,075
Grants and contributions	3,096	-	-	3,096
Interest	15,536	18	5,686	21,240
Other	271,963	9	30,656	302,628
	<u>3,311,696</u>	<u>27</u>	<u>87,316</u>	<u>3,399,039</u>
Expenditures				
General government	1,024,018	-	-	1,024,018
Public safety	1,396,383	-	-	1,396,383
Street	511,274	-	8,027	519,301
Parks and recreation	175,900	-	-	175,900
Court	88,585	-	-	88,585
Library and archives	127,503	-	-	127,503
Senior citizens programs	25,638	-	-	25,638
Capital outlay	997,954	-	-	997,954
Debt service				
Principal retirement	111,535	-	-	111,535
Interest and fees	43,744	-	-	43,744
	<u>4,502,534</u>	<u>-</u>	<u>8,027</u>	<u>4,510,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,190,838)</u>	<u>27</u>	<u>79,289</u>	<u>(1,111,522)</u>
Other financing sources (uses)				
Proceeds from sale of capital assets	12,750	-	-	12,750
Proceeds from issuance of long-term debt	535,000	-	-	535,000
Transfers in	24,071	-	(24,071)	-
Transfers out	(47,197)	-	-	(47,197)
	<u>524,624</u>	<u>-</u>	<u>(24,071)</u>	<u>500,553</u>
Net change in fund balance	(666,214)	27	55,218	(610,969)
Fund balance (deficit) - beginning of year	<u>1,521,141</u>	<u>6,984</u>	<u>435,714</u>	<u>1,963,839</u>
Fund balance (deficit) - end of year	<u>\$ 854,927</u>	<u>\$ 7,011</u>	<u>\$ 490,932</u>	<u>\$ 1,352,870</u>

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the year ended September 30, 2025

Net changes in fund balances - governmental funds	\$	(610,969)
Amounts reported for governmental activities in the statement of activities are different due to the following:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	997,954	
Less depreciation expense	(199,324)	798,630
The proceeds from the sale of capital assets (\$12,750) are reported as other financing sources in the governmental funds. However, the net book value of the capital assets (\$3,575) is removed from the capital assets account in the Statement of Net Position and offsets against the sales proceeds resulting in a gain in the Statement of Activities of \$9,175		
		(3,575)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Proceeds from issuance of long-term debt	(535,000)	
Principal retirement	111,535	(423,465)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued compensated absences	(2,494)	
Decrease in pension expense	9,777	7,283
Change in net position - governmental activities	\$	(232,096)

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Proprietary Fund Net Position
September 30, 2025

	Water and Sewer Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 275,966
Accounts receivable, net	119,040
Prepaid expenses	29,053
Total current assets	424,059
Noncurrent assets	
Restricted cash and cash equivalents	156,115
Nondepreciable capital assets	152,369
Depreciable capital assets, net	2,530,371
Total noncurrent assets	2,838,855
Total assets	3,262,914
Deferred outflows of resources	
Pension	77,122
Total deferred outflows of resources	77,122
Liabilities	
Current liabilities	
Accounts payable	48,573
Due to other funds	16,600
Accrued expenses	11,048
Compensated absences, current portion	1,638
Payable from restricted assets	
Customer deposits	66,752
Current portion of long-term debt	154,875
Total current liabilities	299,486
Noncurrent liabilities	
Compensated absences, net of current portion	1,638
Net pension liability	34,660
Long-term debt, net of current portion	399,014
Total noncurrent liabilities	435,312
Total liabilities	734,798
Deferred inflows of resources	
Pension	59,333
Total deferred inflows of resources	59,333
Net position	
Net investment in capital assets	1,976,482
Unrestricted	413,308
Restricted for debt service	156,115
Total net position	\$ 2,545,905

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position
September 30, 2025

	Water and Sewer Fund
Operating Revenues	
Water revenue	\$ 648,239
Sewer revenue	105,546
Connection fees	21,078
Total operating revenues	774,863
Operating Expenses	
Operating and maintenance expenses	834,272
Depreciation and amortization	214,895
Total operating expenses	1,049,167
Operating loss	(274,304)
Non Operating Revenues (Expenses)	
Interest income	7,147
Gain on disposal of capital assets	8,231
Interest and fiscal charges	(18,336)
Total non operating revenues (expenses)	(2,958)
Income (loss) before capital contributions and interfund operating transfers	(277,262)
Federal grants	23,504
Interfund operating transfers	47,197
Change in net position	(206,561)
Net position - beginning of year	2,754,642
Prior period adjustment - implementation of GASB 101	(2,176)
Net position - beginning of year, as restated	2,752,466
Net position - end of year	\$ 2,545,905

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Proprietary Fund Cash Flows
September 30, 2025

	Water and Sewer Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 780,491
Cash paid to employees	(250,020)
Cash paid to suppliers for goods and services	(582,891)
Net cash used in operating activities	(52,420)
Cash Flows from Noncapital Financing Activities	
Transfers (to)/from other funds	23,800
Net cash provided by noncapital financing activities	23,800
Cash Flows from Capital and Related Financing Activities	
Acquisition and construction of property, plant and equipment	(96,869)
Cash received from ADEM for water projects	23,504
Proceeds from sale of capital assets	8,231
Net cash used in capital and related financing activities	(65,134)
Cash Flows from Investing Activities	
Payment of principal on long-term debt	(138,461)
Payment of principal on right of use lease	(11,112)
Interest paid on long-term debt	(18,336)
Interest on cash and investments	7,147
Net cash used in investing activities	(160,762)
Net decrease in cash and cash equivalents	(254,516)
Cash and cash equivalents - beginning of year	686,597
Cash and cash equivalents - end of year	\$ 432,081

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Statement of Proprietary Fund Cash Flows (continued)
September 30, 2025

	Water and Sewer Fund
Operating loss	\$ (274,304)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	214,895
(Increase) decrease in	
Accounts receivable	(4,801)
Prepaid expenses	(5,411)
Deferred outflows	9,877
Increase (decrease) in	
Accounts payable	20,997
Customer deposits	10,429
Compensated absences	(4,225)
Accrued expenses	4,959
Deferred inflows	35,627
Net pension liability	(60,463)
Net cash used in operating activities	\$ (52,420)

Noncash Investing, Capital, and Financing Activities

The Water and Sewer Fund had non-cash financing activities of \$40,686 using a bank note to purchase a truck.

Reconciliation of Cash and Cash Equivalents to Statement of Net Position

Cash and cash equivalents on the Statement of Cash Flows are composed of the following balances from the Statement of Proprietary Net Position:

	Water and Sewer Fund
Cash	\$ 275,966
Restricted cash	156,115
Cash and cash equivalents	\$ 432,081

The notes to the financial statements are an integral part of this statement.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The City of Ashville (the “City”), an Alabama Municipal Corporation, was incorporated in 1822. The governing body is an elected Mayor and a elected City Council.

The financial statements of the City are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The City’s reporting entity applies all relevant GASB pronouncements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations and so, data from these units is combined with the data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

Ashville Library Board (the Board) – The City Council appoints all members of the Board. The City Council exercises significant influence over the Board’s actions. A financial benefit relationship exists between the City and the Board by virtue of the fact that the City is responsible for the salaries, select utilities and repair and maintenance of the building as it is property of the City. The Board is presented as a governmental fund type or governmental-type activity.

Ashville Museum and Archives Board (the Board) – The City Council appoints all members of the Board. The City Council exercises significant influence over the Board’s actions. A financial benefit relationship exists between the City and the Board by virtue of the fact that the City is responsible for 60% of the salaries and select utilities. The City pays the full balance of the salaries and select utilities and receives a 40% reimbursement of those of St. Clair County. The Board is presented as a governmental fund type or governmental-type activity.

Government-Wide and Fund Financial Statements

The basic financial statements are presented at both the government-wide (based on the City as a whole) and fund financial level. Both levels of statements categorize primary activities as either governmental or business type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support..

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Government-Wide Financial Statements display information about the City as a whole. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for services. These aggregate statements consist of the statement of net position and the statement of activities.

The *Statement of Net Position* measurement focus is full accrual basis of accounting and economic resource measurement, and the statement presents information on all of the City's assets, deferred outflows, and liabilities (including long-term assets and receivables as well as long-term debt and obligations), with the difference being reported as net position.

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items (property, sales and use taxes, certain intergovernmental revenues, etc.) not attributable to a specific program are reported as general revenues. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. The City does not employ an indirect cost allocation system.

Fund Financial Statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has governmental and proprietary funds in the basic financial statements. Major individual governmental funds are reported in separate columns in the basic financial statements. Nonmajor funds (by category or fund type) are consolidated into a single column of the basic financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded. The government-wide financial statements and proprietary fund financial statements are presented on a full accrual basis of accounting with an economic resource measurement focus. An economic resource focus concentrates on an entity or fund's net position.

All transactions and events that affect the total economic resources (net position) during the period are reported. Economic resources measurement focus is connected with the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash inflows and outflows.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Governmental fund financial statements are presented on a modified accrual basis of accounting with a current financial resource measurement focus. The measurement focus concentrates on the fund's resources available for spending currently or in the near future. Only transactions and events affecting the fund's current financial resources during the period are reported. Current resources measurement is connected with the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). Measurable means the amount of the transaction can be determined and revenues are considered available when they are collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Revenues considered susceptible to accrual are property taxes, state, county and local shared revenues, franchise taxes and intergovernmental revenues. Expenditures are recognized when the related liability is incurred, with the exception of principal and interest on general obligation long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental activities column of the government-wide presentation.

Basis of Presentation - Fund-Level Financial Statements

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements.

Governmental funds are those through which general government functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The City reports the following major governmental funds:

General Fund - To account for all revenues and expenditures applicable to the general operations of government that are not properly accounted for in another fund. All general operating revenues, which are not restricted or designated as to use by outside sources, are recorded in the General Fund.

American Rescue Fund – To account for and report financial resources that are restricted for grant purposes outlined in the grant agreement.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund-Level Financial Statements (continued)

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds - To account for the proceeds of specific revenue resources that are legally restricted or designated for expenditures with specified purposes.

Capital Projects Fund - To account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, specifically the acquisition or construction of capital facilities and other capital assets usually funded by general obligation warrant proceeds (other than those financed by proprietary funds). Transactions funded by general fund revenues are not accounted for in the Capital Projects Fund.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of operating income and changes in net position, financial position, and cash flows. All assets and liabilities are included on the Statement of Net Position.

The City reports the following major proprietary fund:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of sewer services to the residents and businesses of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation - Fund-Level Financial Statements (continued)

The proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements, in which case, Governmental Accounting Standards Board prevails.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Cash and Cash Equivalents

The City considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The City has never experienced any losses related to these balances.

The City also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) program. The bank holding the City's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

Restricted Assets

Restricted assets include cash and cash equivalents, certificates of deposit and accounts receivable restricted for repayment of debt service on all debt issued for the City and for future capital projects as well as court, parks and recreation, street improvements and public safety. The use of these assets are limited by legal requirements or restrictions imposed externally by creditors or contributors.

Allowance for Uncollectible Accounts

Proprietary fund accounts receivable are uncollateralized customer obligations due from normal customer transactions and are stated at the amount billed to customers for services rendered. Management reviews all accounts receivable balances and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that may not be collected. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for doubtful accounts. Balances deemed uncollectible are written off. At September 30, 2025, management has recorded an allowance for doubtful accounts of \$15,495.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Donated or contributed capital assets are recorded at their estimated fair value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' useful lives are charged to operations as incurred. Improvements that materially extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation of capital assets is computed using the straight-line method over the following estimated useful lives: system and facilities, 30 to 40 years; building and improvements, 30 to 40 years; machinery and equipment, 5 to 25 years; and infrastructure, 25 to 50 years.

Depreciation is provided in the proprietary funds in amounts sufficient to relate the cost of the depreciable assets to operate over their estimated service lives on the straight-line basis.

Deferred Outflows of Resources

The City's statements of net position report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to future periods. Deferred outflows of resources reported in the financial statements are amounts of pension contributions through the end of the City's fiscal year to be recognized by the pension plan on the accrual basis of accounting in the next measurement period and other deferred charges related to the pension.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities columns of the statement of net position. These liabilities are also recorded in the proprietary fund statement of net position, as applicable. Warrant premiums and discounts, if any, are deferred and amortized over the life of the warrants using the warrants outstanding method. Warrants payable are reported net of the applicable warrant premium or discount. Issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize warrant premiums, discounts, and issuance costs during the current period. The face amount of debt issued is reported as other financing sources, while premiums and discounts are reported as other financing sources and uses, respectively. Issuance costs are reported as debt service expenditures.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual and personal leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Pensions

The Employees' Retirement Systems of Alabama (the Plan or ERS) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to the Plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the GASB. Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report. The last year for which actuarial information is available is for the fiscal year ended September 30, 2024, and, therefore, this actuarial information is reported in the 2025 financial statements.

Deferred Inflows of Resources

The City's statement of net position and its governmental fund balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. Deferred inflows of resources reported in the financial statements are for differences between projected and actual earnings on pension plan investments and property taxes levied for subsequent years.

Net Position

The City reports information regarding its financial position and activities according to three classes of net position in the government-wide financial statements: net investment in capital assets, restricted net position, and unrestricted net position.

Net Investment in Capital Assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any warrants, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position is reported as restricted when constraints placed on net position use are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Net Position (continued)

Unrestricted Net Position is the residual component of net position. It consists of net position that does not meet the definition of restricted or net investment in capital assets.

Fund Equity

The City is required, as applicable, to present fund balances in five categories. The fund balance categories are:

Non-spendable - Includes items that are not in a spendable form because they are either legally or contractually required to be maintained intact.

Restricted - Includes items that are restricted by external creditors, grantors or contributors, or restricted by legal constitutional provisions.

Committed - Includes items committed by the City Council, by resolution of the Council. Commitments may be modified or rescinded by similar resolution.

Assigned - Includes items assigned by specific uses, authorized by the City Council.

Unassigned - This is the residual classification used for those balances not assigned to another category in the general fund. Deficit fund balances are also presented as unassigned.

The City is required to designate the responsible party to make assignments of fund balance, and the City designated the City Council as the responsible party based on the size of City government.

The City's spending policy states in what order fund balance categories are spent. The City Council approved the following fund balance order of spending: (1) restricted fund balance, (2) committed fund balance, (3) assigned fund balance, and lastly (4) unassigned fund balance.

Interfund Operating Transfers, Receivables, and Payables

During the normal course of operations, the City has transactions between funds to provide services, construct assets, and service debt. These receivables and payables are classified as "Due to/from other funds," as they are all short-term in nature. These amounts have been eliminated on the government-wide financial statements except for those amounts outstanding between the general fund and business type activities.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

1. Summary of Significant Accounting Policies (continued)

Interfund Operating Transfers, Receivables, and Payables (continued)

Routine transfers of resources between City funds that are not intended to be repaid are classified separately from revenues and expenditures. Such interfund operating transfers are identified as "Interfund operating transfers in/(out)" in the accompanying financial statements.

Property Taxes

Property taxes are collected and remitted to the City by the St. Clair County government. Taxes are levied annually on October 1 and are due October 1 of the following year. Major tax payments are received October through January and are recognized as revenue in the year received.

Subsequent Events

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

2. Deposits and Investments

Deposits

All of the City's demand deposits and time deposits are insured and collateralized in accordance with the Security for Alabama Funds Enhancement (SAFE) Program, which is encompassed in Title 41, Chapter 14A, Code of Alabama 1975, as amended, which is a multiple financial institutions collateral pool. The statute provides for assessments against the members of the pool on a pro rata basis in the event that the collateral pool is insufficient to cover the losses of a member financial institution that fails. As such, all deposits covered by this collateral pool are considered to be fully insured.

Debt service funds, capital project funds and bond proceeds held in escrow totaling approximately \$156,115 are invested by banks' trust departments in U.S. Government Securities and are not subject to collateralization requirements.

Investments

The City has an investment policy, the objective of which is to minimize credit rate and interest rate risk. The policy addresses risks as follows:

Credit Risk (Custodial Credit Risk and Concentration of Credit Risk)

The City minimizes Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities authorized in Alabama Code section 19-3-120; and qualifying the institutions, brokers/dealers, intermediaries and advisors with which the City does business.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

2. Deposits and Investments (continued)

Credit Risk (Custodial Credit Risk and Concentration of Credit Risk) (continued)

The City minimizes Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the City’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from one type of security or issuer is minimized.

Investment Rate Risk

The City minimizes Interest Rate Risk, which is the risk that the market value of securities in the portfolio may fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity schedule in accordance with the City’s cash requirements.

Foreign Currency Risk

The City is not authorized to invest in investments which have this type of risk.

State statutes authorize the City to invest in obligations of the U.S. Treasury, certain U.S. corporate equities, State of Alabama obligations, county obligations, and other municipal obligations, as well as bank certificates of deposit and bank public funds investment accounts.

3. Receivables and Payables

Receivables consisted of the following at September 30, 2025:

	Governmental Activities	Business-type Activities	Total	Component Units
Taxes				
Sales	\$ 169,612	\$ -	\$ 169,612	\$ -
Property	122,680	-	122,680	-
Other	40,614	-	40,614	-
Customers	-	134,535	134,535	-
Other	268	-	268	-
Gross receivables	333,174	134,535	467,709	-
Less: allowance for uncollectible accounts	-	(15,495)	(15,495)	-
Net receivables	<u>\$ 333,174</u>	<u>\$ 119,040</u>	<u>\$ 452,214</u>	<u>\$ -</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

3. Receivables and Payables (continued)

Payables consisted of the following at September 30, 2025:

	Governmental Activities	Business-type Activities	Total	Component Unit
Trade	\$ 51,266	\$ 48,573	\$ 99,839	\$ -
Capital assets	456,456	-	456,456	-
Net payables	<u>\$ 507,722</u>	<u>\$ 48,573</u>	<u>\$ 556,295</u>	<u>\$ -</u>

4. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables consisted of the following at September 30, 2025:

	Interfund Receivables	Interfund Payables
General Fund	\$ 44,803	\$ 37,637
Nonmajor Fund	9,434	-
Water and Sewer Fund	-	16,600
	<u>\$ 54,237</u>	<u>\$ 54,237</u>

Transfers between funds consisted of the following during the year ended September 30, 2025:

	General Fund
Water and Sewer General Fund	\$ (47,197)
Total	<u>47,197</u>
	<u>\$ -</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

5. Capital Assets

Capital asset activity consisted of the following for the year ended September 30, 2025:

Governmental Activities	October 1, 2024	Additions	Disposals	September 30, 2025
Depreciable assets				
Buildings and improvements	\$ 2,778,457	\$ 198,699	\$ -	\$ 2,977,156
Machinery and equipment	672,959	-	-	672,959
Vehicles	1,513,843	213,650	(76,080)	1,651,413
	<u>4,965,259</u>	<u>412,349</u>	<u>(76,080)</u>	<u>5,301,528</u>
Less accumulated depreciation				
Buildings and improvements	1,690,175	66,874	-	1,757,049
Machinery and equipment	425,544	37,418	-	462,962
Vehicles	1,214,870	95,032	(72,505)	1,237,397
	<u>3,330,589</u>	<u>199,324</u>	<u>(72,505)</u>	<u>3,457,408</u>
	<u>1,634,670</u>	<u>213,025</u>	<u>(3,575)</u>	<u>1,844,120</u>
Non-depreciable assets				
Land	348,084	-	-	348,084
Construction in progress	17,524	585,605	-	603,129
	<u>365,608</u>	<u>585,605</u>	<u>-</u>	<u>951,213</u>
	<u>\$ 2,000,278</u>	<u>\$ 798,630</u>	<u>\$ (3,575)</u>	<u>\$ 2,795,333</u>

Business-type activities	October 1, 2024	Additions	Disposals	September 30, 2025
Depreciable assets				
Systems and facilities	\$ 6,165,566	\$ -	\$ -	\$ 6,165,566
Machinery and equipment	302,972	-	-	302,972
Vehicles	305,193	40,771	(58,088)	287,876
Right of use asset	46,578	-	-	46,578
	<u>6,820,309</u>	<u>40,771</u>	<u>(58,088)</u>	<u>6,802,992</u>
Less accumulated depreciation				
Systems and facilities	3,657,829	160,718	-	3,818,547
Machinery and equipment	276,914	5,256	-	282,170
Vehicles	169,426	37,276	(58,088)	148,614
Right of use asset	11,645	11,645	-	23,290
	<u>4,115,814</u>	<u>214,895</u>	<u>(58,088)</u>	<u>4,272,621</u>
	<u>2,704,495</u>	<u>(174,124)</u>	<u>-</u>	<u>2,530,371</u>
Non-depreciable assets				
Land	55,585	-	-	55,585
Construction in progress	-	96,784	-	96,784
	<u>55,585</u>	<u>96,784</u>	<u>-</u>	<u>152,369</u>
	<u>\$ 2,760,080</u>	<u>\$ (77,340)</u>	<u>\$ -</u>	<u>\$ 2,682,740</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

5. Capital Assets (continued)

Component Unit	October 1, 2024	Additions	Disposals	September 30, 2025
Depreciable assets				
Machinery and equipment	\$ 20,287	\$ -	\$ -	\$ 20,287
Less accumulated depreciation				
Machinery and equipment	9,563	4,057	-	13,620
	<u>\$ 10,724</u>	<u>\$ (4,057)</u>	<u>\$ -</u>	<u>\$ 6,667</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

	Governmental Activities	Business-type Activities
General government	\$ 53,065	\$ -
Public safety	56,555	-
Street	66,929	-
Parks and recreation	22,775	-
Water and sewer	-	214,895
	<u>\$ 199,324</u>	<u>\$ 214,895</u>

Depreciation expense charged to the component unit for the year ended September 30, 2025 was \$4,057.

6. Long-term Debt

Primary government general obligation warrants payable consisted of the following at September 30, 2025:

Primary Government	Governmental Activities	Business-type Activities
Series 2021A General Obligation Warrants, dated February 2021, due in annual installments through February 2031, bearing an interest rate of 3.01%	\$ 166,753	\$ -
Series 2012 Water Revenue Bonds, dated June 2012, due in annual installments through March 2026, bearing an interest rate of 2.75%	-	80,000
Series 2017 Water and Sewer Revenue Warrants, dated August 2017, due in semi-annual installments through February 2037, bearing interest rates of 1.45% to 2.20%	-	330,000
	<u>\$ 166,753</u>	<u>\$ 410,000</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

6. Long-term Debt (continued)

Notes payable consisted of the following at September 30, 2025:

Primary Government	Governmental Activities	Business-type Activities
3.95% note payable - bank, dated March 2018, due in monthly payments of \$1,519, including interest, maturing August 2031, secured by land	\$ 42,818	\$ -
3.60% note payable - bank, dated April 2022, due in monthly payments of \$1,437, including interest, maturing April 2026, secured by F-150s	4,969	4,969
6.00% note payable - bank, dated December 2024, due in monthly payments of \$1,459, including interest, with a balloon payment due at maturity, maturing December 2029, secured by a building	166,531	-
6.40% note payable - bank, dated December 2023, due in monthly payments of \$4,128, including interest, maturing December 2028, secured by equipment	142,908	-
5.50% note payable - bank, dated September 2023, due in monthly payments of \$1,173, including interest, maturing September 2027, secured by F-150	-	26,417
4.875% note payable - bank, dated April 2024, due in monthly payments of \$1,223, including interest, maturing April 2029, secured by F-450	-	48,238
5.50% note payable - bank, dated May 2025, due in monthly payments of \$6,512, including interest, maturing May 2030, secured by Fire Truck	320,303	-
5.75% note payable - bank, dated June 2025, due in monthly payments of \$1,378, including interest, with a balloon payment due at maturity, maturing June 2030, secured by secured by a building	193,570	-
5.95% note payable - bank, dated June 2025, due in monthly payments of \$789, including interest, maturing June 2030, secured by secured by a Toyota Tacoma	-	39,008
	<u>\$ 871,099</u>	<u>\$ 118,632</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

6. Long-term Debt (continued)

Changes in long-term liabilities consisted of the following at September 30, 2025:

Governmental Activities	October 1, 2024	Additions	Retirements	September 30, 2025	Due within one year
Warrants and notes payable:					
General Obligation Warrants	\$ 191,765	\$ -	\$ (25,012)	\$ 166,753	\$ 25,765
Notes payable	422,622	535,000	(86,523)	871,099	143,352
Total warrants and notes payable	614,387	535,000	(111,535)	1,037,852	169,117
Other liabilities:					
Pension	587,240	463,242	(710,839)	339,643	-
Compensated absences	42,973	76,947	(24,267)	95,653	47,826
	<u>\$ 1,244,600</u>	<u>\$ 1,075,189</u>	<u>\$ (846,641)</u>	<u>\$ 1,473,148</u>	<u>\$ 216,943</u>

Business-type Activities	October 1, 2024	Additions	Retirements	September 30, 2025	Due within one year
Warrants and notes payable:					
Revenue bonds and warrants	\$ 515,000	\$ -	\$ (105,000)	\$ 410,000	\$ 105,000
Notes payable	111,407	40,686	(33,461)	118,632	37,781
Right of use lease	36,369	-	(11,112)	25,257	12,094
Total warrants and notes payable	662,776	40,686	(149,573)	553,889	154,875
Other liabilities:					
Pension	95,123	47,273	(107,736)	34,660	-
Compensated absences	5,325	2,176	(4,225)	3,276	1,638
	<u>\$ 763,224</u>	<u>\$ 90,135</u>	<u>\$ (261,534)</u>	<u>\$ 591,825</u>	<u>\$ 156,513</u>

For governmental activities, general obligation warrants, pension liabilities, and compensated absences are liquidated by the general fund.

Future principal and interest requirements of the general obligation warrants and notes payable consist of the following at September 30:

	Governmental Activities		Governmental Activities		Business-type Activities		Business-type Activities	
	General Obligation Warrants		Notes payable		General Obligation Warrants		Notes payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 25,765	\$ 5,019	\$ 143,468	\$ 41,634	\$ 105,000	\$ 8,085	\$ 37,781	\$ 6,489
2027	26,540	4,244	144,893	35,186	25,000	6,435	34,607	4,390
2028	27,339	3,445	141,967	28,589	25,000	5,885	22,176	2,468
2029	28,162	2,622	221,299	23,150	25,000	5,335	17,245	824
2030	29,010	1,774	219,472	10,169	25,000	4,785	6,823	168
2031-2035	29,937	846	-	-	145,000	14,795	-	-
2036-2040	-	-	-	-	60,000	2,640	-	-
	<u>\$ 166,753</u>	<u>\$ 17,950</u>	<u>\$ 871,099</u>	<u>\$ 138,728</u>	<u>\$ 410,000</u>	<u>\$ 47,960</u>	<u>\$ 118,632</u>	<u>\$ 14,339</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

7. Leases

The City’s Water and Sewer Fund (business-type activity) has obtained equipment through a long-term operating lease. The operating lease has fixed, periodic payments over the lease term (4 years). As the interest rate implicit in the lease is not readily determinable, the City has used an estimate of its incremental borrowing rate to calculate the present value of lease payments. The weighted average discount rate associated with operating leases as of September 30, 2025 is 8.5%.

At September 30, 2025, operating leases consisted of the following:

Business-type Activities	October 1, 2024	Additions	Retirements	September 30, 2025	Due within one year
Right of use lease - equipment	\$ 36,369	\$ -	\$ (11,112)	\$ 25,257	\$ 12,094

Principal and interest requirements for the right of use lease liabilities at September 30, 2025 are as follows:

		Business-type Activities	
		Right of use lease	
		Principal	Interest
2026	\$	12,094	\$ 1,683
2027		13,163	614
	\$	25,257	\$ 2,297

8. Pension Plan

General Information about the Pension Plan

Plan Description

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the Code of Alabama 1975, Title 36, Chapter 27 (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for state employees, State Police, and, on an elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of ERS is vested in its Board of Control which consists of 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The Code of Alabama 1975, Title 36, Chapter 27 grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

The ERS Board of Control consists of 15 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Eight members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. One vested active employee of a participating municipality or city in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a participating county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retiree of a participating employer in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of a participating employer other than a municipality, city or county in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable service or with 25 years of creditable service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of State Police service in computing the formula method.

Act 351 of the Legislature of 2022 provides that any Tier 2 member who withdraw from service after the completion of at least 30 years of service is entitled to an annual retirement benefit.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 628 employers adopted Act 2019-132 as of September 30, 2024.

Act 2019-132 was amended by Act 348 of the Legislature of 2022. Act 2022-348 amended Act 2019-132 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Act 2022-348 also amended Act 2019-132 by removing the date limitation for a local participating employer to petition the ERS Board of Control for a reconsideration if the ERS Board of Control denied its election to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

Act 316 of the Legislature of 2019 allows employees at the time of retirement to receive a partial lump sum (PLOP) distribution as a single payment not to exceed the sum of 24 months of the maximum monthly retirement allowance the member could receive. This option may be selected in addition to the election of another retirement allowance option at a reduced amount based upon the amount of partial lump sum distribution selected.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

The ERS serves approximately 890 local participating employers and one state employer. The ERS membership includes approximately 117,309 participants. As of September 30, 2024, membership consisted of:

Retirees and beneficiaries currently receiving benefits	32,477
Terminated employees entitled to but not yet receiving benefits	2,425
Terminated employees not entitled to a benefit	22,097
Active members	60,279
Post-DROP participants who are still in active service	31
	117,309

The City's membership as of the measurement date of September 30, 2024 consisted of:

Retirees and beneficiaries currently receiving benefits	13
Vested inactive members	-
Non-vested inactive members	9
Active members	43
	65

Contributions

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation.

Employers participating in the ERS pursuant to Code of Alabama 1975, Section 36-27-6 were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 regular members' contribution rates increased from 5% to 7.5% of earnable compensation and Tier 1 certified law enforcement, correctional officers', and firefighters' member contribution rates increased from 6% to 8.5% of earnable compensation.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

The ERS establishes rates based upon an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year with additional amounts to finance any unfunded accrued liability, the preretirement death benefit, and administrative expenses of the Plan. For the year ended September 30, 2025, the City's active employee contribution rate was 7.09% of covered employee payroll, and the City's average contribution rate to fund the normal and accrued liability costs was 4.94% of pensionable payroll.

City's contractually required contribution rate for the year ended September 30, 2025, was 6.88% of pensionable pay for Tier 1 employees, and 4.84% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2022, a percent of annual pensionable payroll, and actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the City were \$81,567 for the year ended September 30, 2025.

Net Pension Liability

The City's net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2023, rolled forward to September 30, 2024, using standard roll-forward techniques as shown in the following table:

	Expected	Actual Before Plan Changes	Actual After Plan Changes
(a) Total Pension Liability as of September 30, 2023	\$ 3,922,758	\$ 4,018,804	\$ 4,018,804
(b) Discount Rate	7.45%	7.45%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2023 - September 30, 2024	123,599	123,599	123,599
(d) Transfers Among Employers	-	(3,889)	(3,889)
(e) Actual Benefit Payments and Refunds for the period October 1, 2023 - September 30, 2024	(229,038)	(229,038)	(229,038)
(f) Total Pension Liability as of September 30, 2024 [(a) x (1+(b))] + (c) + (d) + [(e) x (1 + 0.5*(b))]	<u>\$ 4,101,033</u>	<u>\$ 4,200,345</u>	<u>\$ 4,200,345</u>
(g) Difference between Expected and Actual		\$ 99,312	
(h) Less Liability Transferred for Immediate Recognition		<u>(3,889)</u>	
(i) Difference between Expected and Actual - Experience (Gain)/Loss		<u>\$ 103,201</u>	
(j) Difference between Actual TPL Before and After Plan Changes - Benefit Change (Gain)/ Loss			<u>\$ -</u>

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined based on the annual actuarial funding valuation report prepared as of September 30, 2023. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increases	3.25 - 6.00%
Investment Rate of Return *	7.45%

*Net of pension plan investment expense

Mortality rates were based on the Pub 2010 Below Median Tables, projected generationally using the MP 2020 scale, which is adjusted by 66 2/3% beginning with year 2019:

Group	Membership Totals	Set Forward (+)/ Setback (-)	Adjustment to Rates
			Male: 90% ages < 65; 96% ages >= 65; Females: 96% all ages
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female +2	
FLC/State police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female None	None

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, were based on the results of an actuarial experience study for the period of October 1, 2015 - September 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed income	15.00%	2.80%
U.S. large stocks	32.00%	8.00%
U.S. mid stocks	9.00%	10.00%
U.S. small stocks	4.00%	11.00%
International developed market stocks	12.00%	9.50%
International emerging market stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real estate	10.00%	6.50%
Cash	5.00%	1.50%
	<u>100.00%</u>	

**Includes assumed rate of inflation of 2.00%.*

Discount Rate

The discount rate used to measure the total pension liability was the long term rate of return, 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

Changes in the City's net pension liability consisted of the following at September 30, 2024:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at September 30, 2023	\$ 3,922,758	\$ 3,240,396	\$ 682,362
Changes for the year:			
Service cost	123,599	-	123,599
Interest	283,714	-	283,714
Changes of benefit terms	-	-	-
Differences between expected and actual experience	103,201	-	103,201
Contributions - employer	-	47,785	(47,785)
Contributions - employee	-	95,912	(95,912)
Net investment income	-	674,876	(674,876)
Benefits of payments, including refunds of employee contributions	(229,038)	(229,038)	-
Transfers among employers	(3,889)	(3,889)	-
Net changes:	<u>277,587</u>	<u>585,646</u>	<u>(308,059)</u>
Balances at September 30, 2024	<u>\$ 4,200,345</u>	<u>\$ 3,826,042</u>	<u>\$ 374,303</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liability calculated using the discount rate of 7.45%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.45%) or 1-percentage-point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability (Asset)	\$ 903,224	\$ 374,303	\$ 65,377

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

8. Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2024. The auditor’s report on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized pension expense of \$51,863. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 337,189	\$ 120,429
Changes of assumptions	91,947	-
Net difference between projected and actual earnings on pension plan investments	-	247,762
Employer contributions subsequent to the measurement date	81,567	-
	\$ 510,703	\$ 368,191

Amounts reported as deferred outflows of resources and deferred inflows of resources to pensions will be recognized in pension expense as follows:

	Deferred Outflows (Inflow) of Resources
2026	\$ (32,549)
2027	76,914
2028	(31,137)
2029	4,827
2030	29,431
Thereafter	13,459

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

9. Accounting Changes and Accounting Standards

The GASB has issued the following statements and implementation guides:

The GASB issued Statement No. 101, *Compensated Absences* which updates the recognition and measurement guidance for compensated absences. The requirements of GASB 101 apply to financial statements starting with the fiscal year beginning after December 15, 2023. The City implemented GASB 101 and the proper prior period adjustment has been reflected in the current year financial statements.

The GASB issued Statement No. 102, *Certain Risk Disclosures* which provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of GASB 102 apply to financial statements starting with the fiscal year beginning after June 15, 2024. Adoption did not effect the City's current year financial statements.

The GASB issued Statement No. 103, *Financial Reporting Model Improvements* which enhances the financial reporting model established by GASB Statement No. 34 aiming to improve the effectiveness and consistency of governmental financial reports. The requirements of GASB 103 apply to financial statements starting with the fiscal year beginning after June 15, 2025. The City is currently evaluating the impact GASB 103 may have on its financial statements.

The GASB issued Statement No. 104, *Disclosure of Certain Capital Assets* which enhances the transparency and consistency of financial reporting by mandating specific disclosures related to certain capital assets. The requirements of GASB 104 apply to financial statements starting with the fiscal year beginning after June 15, 2025. The City is currently evaluating the impact GASB 104 may have on its financial statements.

The GASB issued Statement No. 105, *Subsequent Events*. This Statement updates and clarifies financial reporting requirements for events and transactions that occur after the financial statement date but before the financial statements are available to be issued. The objective is to improve consistency in recognition and disclosure of subsequent events, including definitions of recognized and nonrecognized events and requirements to disclose the date through which subsequent events have been evaluated. The requirements of this Statement are effective for fiscal years beginning after June 15, 2026. The City is currently evaluating the impact this Statement may have on its financial statements.

For the original pronouncements, please visit the GASB's website, www.gasb.org.

10. Prior Period Adjustment - Implementation of GASB Statement No. 101

During the fiscal year ended September 30, 2025, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. GASB Statement No. 101 updates the recognition and measurement guidance for liabilities related to compensated absences and replaces the previous guidance in GASB Statement No. 16.

City of Ashville, Alabama
Notes to Financial Statements
September 30, 2025

10. Prior Period Adjustment - Implementation of GASB Statement No. 101 (continued)

As a result of implementing GASB Statement No. 101, the City re-evaluated its compensated absences liabilities and recognized additional obligations related to leave balances that are attributable to services already rendered and are more likely than not to be paid. The implementation of this standard required a prior period adjustment to beginning net position as of October 1, 2024.

The effect of adopting GASB Statement No. 101 resulted in an increase in compensated absences liabilities of \$50,185 for governmental activities and \$2,176 for business-type activities, for a total increase of \$52,361. As a result, beginning net position decreased by \$50,185 for governmental activities and \$2,176 for business-type activities, resulting in a total decrease in beginning net position of \$52,361. Beginning net position as of October 1, 2024 has been restated to reflect the cumulative effect of adopting GASB Statement No. 101.

11. Contingencies

The City is involved in various claims and lawsuits, both for and against the City, arising in the normal course of business. While the City's management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the City's financial statements, litigation is subject to inherent uncertainties. Were an unfavorable ruling to occur, there exists the possibility of a material adverse impact on the change in net position for the period in which the ruling occurs.

The City received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed or not incurred in a timely manner under the terms of the grant. City management believes such disallowances, if any, would be immaterial.

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, workers' compensation; and natural disaster for which the City carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

City of Ashville, Alabama
Budgetary Comparison Schedule - General Fund
September 30, 2025

	General Fund		
	Budgeted - Original and Final	Actual	Variance w/ Final Budgeted Basis
Revenues			
Taxes			
Sales	\$ 1,679,386	\$ 1,654,812	\$ (24,574)
Property	171,730	133,480	(38,250)
Other	410,872	366,591	(44,281)
Licenses and permits	443,550	446,172	2,622
Fines and forfeits	93,668	121,971	28,303
Charges for services	280,484	298,075	17,591
Grants and contributions	15,500	3,096	(12,404)
Interest	1,380	15,536	14,156
Other	678,099	271,963	(406,136)
	<u>3,774,669</u>	<u>3,311,696</u>	<u>(462,973)</u>
Expenditures			
General government	1,002,517	1,024,018	(21,501)
Public safety	1,541,492	1,396,383	145,109
Street	513,421	511,274	2,147
Parks and recreation	167,445	175,900	(8,455)
Court	79,820	88,585	(8,765)
Library and archives	135,390	127,503	7,887
Senior citizens programs	28,437	25,638	2,799
Capital outlay	500,000	997,954	(497,954)
Debt service			
Principal retirement	134,756	111,535	23,221
Interest and fees	-	43,744	(43,744)
Total expenditures	<u>4,103,278</u>	<u>4,502,534</u>	<u>(399,256)</u>
Excess revenue over expenditures	<u>(328,609)</u>	<u>(1,190,838)</u>	<u>(63,717)</u>
Other financing sources (uses)			
Proceeds from sale of capital assets	-	12,750	(12,750)
Proceeds from issuance of long-term debt	-	535,000	(535,000)
Transfers in (out)	-	(23,126)	23,126
	<u>-</u>	<u>524,624</u>	<u>(535,000)</u>
Net change in fund balance	<u>\$ (328,609)</u>	<u>\$ (666,214)</u>	<u>\$ (598,717)</u>

See notes to required supplementary information.

City of Ashville, Alabama
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Last Ten Years Ended September 30,

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability										
Service cost	\$ 123,599	\$ 111,585	\$ 112,238	\$ 103,072	\$ 76,583	\$ 82,126	\$ 79,264	\$ 81,804	\$ 72,201	\$ 70,437
Interest	283,714	249,831	250,598	243,837	207,797	218,378	209,376	172,846	160,039	146,836
Changes of benefit terms	-	-	1,463	-	76,327	-	-	-	-	-
Differences between expected and actual experience	103,201	310,401	39,861	36,349	(216,465)	(246,012)	(29,538)	128,009	7,141	14,883
Changes of assumptions	-	-	-	172,234	-	-	16,856	-	100,464	-
Benefit payments, including refunds of employee contributions	(229,038)	(273,017)	(239,908)	(263,376)	(118,846)	(118,847)	(158,648)	(94,685)	(67,354)	(66,878)
Transfers among employers	(3,889)	34,018	(157,999)	(106,831)	514,927	(73,068)	(2,763)	215,362	(29,039)	-
Net change in total pension liability	277,587	432,818	6,253	185,285	540,323	(137,423)	114,547	503,336	243,452	165,278
Total pension liability - beginning	3,922,758	3,489,940	3,483,687	3,298,402	2,758,079	2,895,502	2,780,955	2,277,619	2,034,167	1,868,889
Total pension liability - ending (a)	\$ 4,200,345	\$ 3,922,758	\$ 3,489,940	\$ 3,483,687	\$ 3,298,402	\$ 2,758,079	\$ 2,895,502	\$ 2,780,955	\$ 2,277,619	\$ 2,034,167
Plan fiduciary net position										
Contributions - employer	\$ 47,785	\$ 30,344	\$ 29,532	\$ 38,718	\$ 48,058	\$ 46,013	\$ 35,487	\$ 33,914	\$ 35,646	\$ 23,436
Contributions - member	95,912	87,142	76,315	68,202	62,871	55,886	54,839	50,553	51,130	45,563
Net investment income	674,876	379,325	(458,791)	702,336	164,372	66,795	227,167	271,007	186,594	21,511
Benefit payments, including refunds of employee contributions	(229,038)	(273,017)	(239,908)	(263,376)	(118,846)	(118,847)	(158,648)	(94,685)	(67,354)	(66,878)
Transfers among employers	(3,889)	34,018	(157,999)	(106,831)	514,927	(73,068)	(2,763)	215,362	(29,039)	2,599
Net change in plan fiduciary net position	585,646	257,812	(750,851)	439,049	671,382	(23,221)	156,082	476,151	176,977	26,231
Plan net position - beginning	3,240,396	2,982,584	3,733,435	3,294,386	2,623,004	2,646,225	2,490,143	2,013,992	1,837,015	1,810,784
Plan net position - ending (b)	\$ 3,826,042	\$ 3,240,396	\$ 2,982,584	\$ 3,733,435	\$ 3,294,386	\$ 2,623,004	\$ 2,646,225	\$ 2,490,143	\$ 2,013,992	\$ 1,837,015
Net pension liability (a) - (b)	\$ 374,303	\$ 682,362	\$ 507,356	\$ (249,748)	\$ 4,016	\$ 135,075	\$ 249,277	\$ 290,812	\$ 263,627	\$ 197,152
Plan fiduciary net position as a percentage of the total pension liability	91.09%	82.61%	85.46%	107.17%	99.88%	95.10%	91.39%	89.54%	88.43%	90.31%
Covered-employee payroll	\$ 1,342,354	\$ 1,202,553	\$ 1,045,932	\$ 936,701	\$ 892,096	\$ 867,406	\$ 846,113	\$ 836,906	\$ 834,810	\$ 832,187
Net pension liability as a percentage of covered-employee payroll	27.88%	56.74%	48.51%	-26.66%	0.45%	15.57%	29.46%	34.75%	31.58%	23.69%

See notes to required supplementary information.

City of Ashville, Alabama
Schedule of Employer Contributions - Pension
For the Last Ten Years Ended September 30,

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 76,213	\$ 47,785	\$ 30,344	\$ 27,131	\$ 38,718	\$ 48,058	\$ 46,013	\$ 35,487	\$ 33,914	\$ 35,646
Contributions in relation to the actuarially determined contributions	76,213	47,785	30,344	27,131	38,718	48,058	46,013	35,487	33,914	35,646
Contributions deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,541,492	\$ 1,342,354	\$ 1,202,553	\$ 1,202,553	\$ 936,701	\$ 892,096	\$ 867,406	\$ 846,113	\$ 836,906	\$ 834,810
Contributions as a percentage of covered-employee payroll	4.94%	3.56%	2.52%	2.26%	4.13%	5.39%	5.30%	4.19%	4.05%	4.27%

See notes to required supplementary information.

City of Ashville, Alabama
Notes to Required Supplementary Information
September 30, 2025

1. Summary of Significant Budgetary Practices

The City Council adopts a budget for the general fund at the beginning of each fiscal year in accordance with Alabama law. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures.

Budgets are prepared and adopted in conformity with accounting principles generally accepted in the United States of America. Reported budget amounts are as originally adopted or as amended by the Council by resolution. Actual amounts are reported in accordance with accounting principles generally accepted in the United States of America. Adjustments to reconcile budget information to accounting principles generally accepted in the United States of America information can be found on the Budgetary Comparison Schedule - General Fund.

Revenues are budgeted by source. Expenditures are budgeted by department and class as listed in the Budgetary Comparison Schedule – General Fund. This constitutes the legal level of control. Expenditures may exceed budgetary appropriations only with prior Council approval.

Excess of Expenditures Over Appropriations in Individual Funds

The budget to actual comparison for the General Fund on page 51 reflects most departments are spending within budgeted limits. The City does not amend its budget because this information is used to plan the following year’s budget. The majority of capital outlay expenditures for all governmental funds were funded by General Fund receipts but were not included in the budget.

2. Summary of Significant Pension Plan Practices

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2025 were based on the September 30, 2022 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2024 to September 30, 2025:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24.4 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	3.25 - 6.00%, including inflation
Investment rate of return	7.45% of net pension plan investment expense, including

SUPPLEMENTARY INFORMATION

City of Ashville, Alabama
Combining Balance Sheet - Nonmajor Governmental Funds
September 30, 2025

	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Corrections Fund	Capital Projects Fund	Rebuild Alabama Fund	Total Governmental Funds
Assets						
Restricted cash	\$ 650	\$ 74,506	\$ 76,127	\$ 150,477	\$ 174,980	\$ 476,740
Restricted accounts receivable	739	586	-	-	3,433	4,758
Due from other funds	-	-	9,434	-	-	9,434
Total assets	\$ 1,389	\$ 75,092	\$ 85,561	\$ 150,477	\$ 178,413	\$ 490,932
Fund balance (deficit)						
Restricted for						
Capital projects	-	75,092	-	150,477	178,413	403,982
Road maintenance	1,389	-	-	-	-	1,389
Court remittances	-	-	85,561	-	-	85,561
Total fund balances	\$ 1,389	\$ 75,092	\$ 85,561	\$ 150,477	\$ 178,413	\$ 490,932

See independent auditors' report

City of Ashville, Alabama
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance -
Nonmajor Governmental Funds
September 30, 2025

	Seven Cent Gas Tax Fund	Four and Five Cent Gas Tax Fund	Corrections Fund	Capital Projects Fund	Rebuild Alabama Fund	Total Governmental Funds
Revenues						
Taxes	\$ 8,027	\$ 6,398	\$ -	\$ -	\$ 36,549	\$ 50,974
Other	-	-	6,551	24,105	-	30,656
Interest	-	18	31	5,637	-	5,686
	<u>8,027</u>	<u>6,416</u>	<u>6,582</u>	<u>29,742</u>	<u>36,549</u>	<u>87,316</u>
Expenditures						
Street	8,027	-	-	-	-	8,027
Court	-	-	-	-	-	-
	<u>8,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>6,416</u>	<u>6,582</u>	<u>29,742</u>	<u>36,549</u>	<u>79,289</u>
Other Financing (uses) sources						
Transfers out	-	-	-	(24,071)	-	(24,071)
Total Financing (uses) sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(24,071)</u>	<u>-</u>	<u>(24,071)</u>
Net change in fund balance	-	6,416	6,582	5,671	36,549	55,218
Fund balance (deficit) - beginning of year	<u>\$1,389</u>	<u>\$68,676</u>	<u>\$78,979</u>	<u>\$144,806</u>	<u>\$141,864</u>	<u>435,714</u>
Fund balance (deficit) - end of year	<u>\$ 1,389</u>	<u>\$ 75,092</u>	<u>\$ 85,561</u>	<u>\$ 150,477</u>	<u>\$ 178,413</u>	<u>\$ 490,932</u>

See independent auditors' report

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APPENDIX C
Book-Entry System

The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the Issuer. The Issuer and the Underwriter do not make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (a “Beneficial Owner”) is in turn to be recorded on the Direct Participants’ and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the documents governing the terms of the Bonds. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to

provide their names and addresses to the Trustee and request that copies of notices be provided to them directly.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Issuer as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the "Omnibus Proxy").

Principal, premium and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon receipt of funds and corresponding detail information, in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of Direct Participants and Indirect Participants and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to Cede & Co. (or such other DTC nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates for the Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for the Bonds will be printed and delivered to DTC.

The Issuer, the Trustee and the Underwriter cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (1) payments of principal, redemption price or interest on the Bonds; (2) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Bonds; or (3) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the United States Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with DTC participants are on file with DTC.

Neither the Issuer, the Trustee nor the Underwriter will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Owners of the Series 2026 Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2026 Bonds; or (6) any consent given or other action taken by DTC as a holder of the Series 2026 Bonds.

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APPENDIX D

Proposed Opinion of Bond Counsel

(Form of Opinion of Bond Counsel)

[Closing Date]

Holders of the Series 2026 Bonds
referred to below

Re: **\$5,660,000* Building Revenue Bonds, Series 2026, issued by The Public Building Authority of the City of Ashville**

We have acted as bond counsel in connection with the issuance of the above-referenced bonds (the “Series 2026 Bonds”) by The Public Building Authority of the City of Ashville, a public corporation organized under the laws of the State of Alabama (the “Issuer”). In such capacity, we have examined such law and such certified proceedings and other documents as we have deemed necessary to render this opinion.

The Series 2026 Bonds are being issued pursuant to a Trust Indenture dated as of July 1, 2026 (the “Indenture”) between the Issuer and Regions Bank (the “Trustee”). The Series 2026 Bonds are being issued to provide financing for City of Ashville, Alabama, an Alabama municipal corporation (the “City”).

Simultaneously with the issuance of the Series 2026 Bonds, the Issuer will lease the facilities (the “Project”) being financed with the Series 2026 Bonds to the City pursuant to a Lease Agreement dated as of July 1, 2026 (the “Lease Agreement”) between the Issuer and the City.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all the Issuer’s rights under the Lease Agreement, except for certain rights relating to indemnification, reimbursement of expenses and receipt of notices and other communications, and certain other collateral (the “Trust Estate”) to secure the payment of debt service on the Series 2026 Bonds. The Series 2026 Bonds and all other payment obligations under the Indenture are limited obligations of the Issuer payable solely out of the Trust Estate, including payments by the City pursuant to the Lease Agreement.

As to various questions of fact material to our opinion, we have relied upon the certified proceedings and other certificates of public officials and others furnished to us without undertaking to verify the same by independent investigation.

In connection with the rendering of this opinion, we have served as counsel to the Issuer.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Issuer is validly existing as a public corporation under Chapter 56 of Title 11 of the Code of Alabama 1975, as amended.

2. The Issuer has corporate power and authority to enter into and perform its obligations under the Lease Agreement and the Indenture and to issue and deliver the Series 2026 Bonds. The execution, delivery and performance by the Issuer of its obligations under the Lease Agreement and the Indenture and the issuance and delivery of the Series 2026 Bonds by the Issuer have been duly authorized by all requisite corporate action, and the Lease Agreement, the Indenture and the Series 2026 Bonds have been duly executed and delivered by the Issuer.

3. The Indenture and the Lease Agreement are enforceable against the Issuer in accordance with the terms thereof.

4. The Series 2026 Bonds constitute valid and binding obligations of the Issuer for the payment thereof as therein provided, and the Series 2026 Bonds constitute limited obligations of the Issuer, payable as to principal, premium (if any) and interest solely out of the Trust Estate on a parity with the all other Additional Bonds (if any) issued under the Indenture.

5. The execution, delivery and performance by the City of its obligations under the Lease Agreement have been duly authorized by all requisite corporate action, and the Lease Agreement has been duly executed and delivered by the City.

6. The Lease Agreement is enforceable against the City in accordance with the terms thereof.

7. Interest on the Series 2026 Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Series 2026 Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the Board comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2026 Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes under Section 103 of the Code. The Board has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Series 2026 Bonds to be includable in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2026 Bonds.

8. Interest on the Series 2026 Bonds is exempt from State of Alabama income taxation.

We express no opinion regarding any federal or state tax consequences of acquiring, carrying, owning, or disposing of the Series 2026 Bonds, other than the opinions expressed in paragraphs 7 and 8 above. Owners of the Series 2026 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Series 2026 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

The rights of the holders of the Series 2026 Bonds and the enforceability of the Series 2026 Bonds and the Indenture may be limited by (1) bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and (2) general principles of equity, including the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2026 Bonds.

This opinion is rendered solely for your benefit. It is not to be relied upon by any other person or for any other purpose. This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours very truly,

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APPENDIX E

Forms of the Indenture and Lease Agreement

TRUST INDENTURE

Dated July 1, 2026

by

THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE

as Issuer

and

REGIONS BANK

as Trustee

Building Revenue Bonds, Series 2026

This Trust Indenture was prepared by Kane Burnette of Maynard Nexsen PC 1901 6th Avenue North, Suite 1700, Birmingham, Alabama 35203

TRUST INDENTURE

Dated July 1, 2026

This Trust Indenture is made and entered as of the above date by the undersigned:

Issuer: The Public Building Authority of the City of Ashville, an Alabama public corporation and the successors and assigns thereof.

Trustee: Regions Bank, an Alabama banking corporation and the successors and assigns thereof, as trustee.

Pursuant to and for the purposes expressed in Chapter 56 of Title 11 of the Code of Alabama 1975 (the “Enabling Law”), and in furtherance of the purposes of its incorporation, the Issuer has duly authorized, executed and delivered this Indenture and has duly authorized the creation, execution and delivery pursuant to this Indenture of the following bonds (the “Bonds”) to provide real and personal property constituting a “project” within the meaning of the Enabling Law for lease to the City of Ashville, Alabama (the “Lessee”) under the Enabling Law:

\$XXX

Building Revenue Bonds

Series 2026

The Bonds are special limited obligations of the Issuer payable solely from, and secured by a pledge of, the within-referenced Trust Estate and shall never constitute or create an indebtedness or pecuniary liability payable from, or a charge against, the revenues, assets, general credit, or taxing powers of the Lessee, or of the State of Alabama or any political subdivision thereof, within the meaning of any constitutional or statutory limitation.

All things have been done which are necessary to make the Bonds, when executed by the Issuer and authenticated and delivered by the Trustee under this Indenture, the valid obligations of the Issuer, and to constitute this Indenture a valid Trust Indenture for the security of the Bonds, pursuant to the Enabling Law and this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH:

The Issuer covenants and declares that all of the Bonds are to be authenticated and delivered, and the Trust Estate is to be held and applied by the Trustee, subject to the covenants, conditions, and trusts in this Indenture after set forth, and the Issuer does covenant and agree with the Trustee, for the equal and proportionate benefit of all registered owners of the Bonds, as follows:

ARTICLE 1
DEFINITIONS

For purposes hereof:

Act, when used with respect to any Owner, has the meaning stated in Section 13.05.

Act of Insolvency shall mean, with respect to any Person, the filing of a petition in bankruptcy (or the other commencement of a bankruptcy or similar proceeding) by or against such Person under any applicable bankruptcy, insolvency, reorganization, or similar law, now or hereafter in effect, or dissolution or liquidation of such Person, or failure by such Person promptly to lift any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations, or such Person's seeking of or consenting to or acquiescing in the appointment of a receiver of all or substantially all its property, or any assignment by such Person for the benefit of its creditors, or the entry by such Person into an agreement of composition with its creditors, or such Person shall become "insolvent" within the meaning of Section 101(32) of the United State Bankruptcy Code (or successor provision or law).

Additional Bonds shall mean a series of Bonds issued pursuant to Section 6.02 and the related Supplemental Indenture.

Affiliate of any specified Person shall mean, collectively, (i) any guarantor of any obligations of such Person and (ii) any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

Applicable Law shall mean all applicable provisions of all constitutions, statutes, rules, regulations and all binding orders, judgments and decrees of any Governmental Authority.

Authorized Denomination or Denominations shall mean with respect to all Bonds the amount of \$5,000 and any integral multiple thereof for each maturity, and for any series of Additional Bonds, shall have the meaning assigned in the related Supplemental Indenture for such Additional Bonds.

Authorized Issuer Representative shall mean the Chairman (and any successor to the duties and functions thereof) of the Lessee and any other officer of the Issuer designated by the governing body of the Issuer to act as "Authorized Issuer Representative" for purposes of this Indenture.

Authorized Lessee Representative shall mean the Mayor of the City of Ashville or the City Clerk of the City of Ashville (and any successor to the duties and functions thereof) and any other officer of the Lessee designated by the governing body of the Lessee to act as "Authorized Lessee Representative" for purposes of this Indenture.

Beneficial Owners shall mean the owners of beneficial interests in Bonds held pursuant to a Book-Entry System.

Bond Counsel shall mean counsel with experience in matters relating to the issuance of obligations by or on behalf of states or local governmental units who shall be acceptable to the Issuer and the Trustee.

Bond shall mean any Bond authenticated and delivered pursuant to this Indenture and during any period in which the Book-Entry System is in effect for the Bonds shall mean and include the interests of the Beneficial Owners in this Indenture.

Bond Fund shall mean the fund established pursuant to Section 7.02.

Bond Proceeds Fund shall mean the fund established pursuant to Section 2.09.

Bond Register shall mean the register or registers for the registration and transfer of Bonds maintained by the Trustee pursuant to Article 4.

Bond Registrar shall mean the Trustee as agent of the Issuer for the purpose of registering Bonds and transfers of Bonds.

Book-Entry System shall mean a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Bonds.

Building shall mean, collectively, all buildings, structures and fixtures at any time located on the Building Site.

Building Site shall mean the real property described on Exhibit C to this Indenture, together with all tenements, hereditaments, appurtenances, easements, rights, privileges, and immunities thereunto belonging or appertaining.

Business Day shall mean any day other than (1) a Saturday, a Sunday or (2) a day on which the payment system of the Federal Reserve System is not operational, or (3) a day on which banking institutions are authorized or required by law to remain closed in the city in which the Principal Office of the Trustee is located.

Counsel shall mean an attorney, or a firm of attorneys, qualified to practice law in any State of the United States of America or the Issuer of Columbia.

Direct Participant or Direct Participants shall mean securities brokers and dealers, banks, trust companies and clearing corporations and other financial institutions which have access to the Book- Entry System.

Enabling Law shall mean Chapter 56 of Title 11 of the Code of Alabama 1975, as amended from time to time, and any successor statute thereto.

Equipment shall mean, collectively, all equipment and personal property (including without limitation any thereof acquired in substitution, renewal or replacement) used or useful, or having the present capacity for future use, in connection with the Building and located in, on or about the Building, or on the Building Site.

Event of Default shall mean an event specified in Section 10.01.

Favorable Tax Opinion shall mean an Opinion of Counsel stating in effect that the proposed action, together with any other changes with respect to the Bonds made or to be made in connection with such action, will not cause interest on the Bonds to become includible in gross income of the Owners for purposes of federal income taxation.

Federal Tax Code shall mean the Internal Revenue Code of 1986, as amended.

Financing Documents shall mean, collectively, the following as at any time amended, supplemented or restated:

- (a) this Indenture;
- (b) the Lease Agreement.

Fiscal Year shall mean the fiscal year of the Lessee as established from time to time.

Fully Discharged shall have the meaning stated in Section 7.04(b).

Governmental Authority shall mean any federal, state, county, municipal, or other government, domestic or foreign, and any agency, authority, department, commission, bureau, court or other instrumentality thereof, having jurisdiction in the premises.

Indenture shall mean this instrument as originally executed or as it may from time to time be supplemented, modified or amended by one or more indentures or other instruments supplemental hereto entered into pursuant to the applicable provisions of this Indenture.

Indenture Funds shall mean, collectively, the Bond Fund, the Bond Proceeds Fund, and any other account or fund at any time established under this Indenture.

Indenture Indebtedness shall mean all indebtedness of the Issuer at the time secured by this Indenture, including without limitation (i) all principal of and interest on the Bonds and (ii) all reasonable and proper fees, charges, expenses, and disbursements of the Trustee (including reasonable attorney's fees, costs and expenses, if any) for services performed and disbursements made under this Indenture.

Independent, when used with respect to any Person, shall mean a Person who (i) is in fact independent, (ii) does not have any direct financial interest or any material indirect financial interest in the Issuer, or in any other obligor with respect to the Bonds or in any Affiliate of any thereof, and (iii) is not connected with the Issuer, or such other obligor, as an officer, in-house attorney, employee, promoter, underwriter, trustee, partner, director or Person performing similar functions.

Indirect Participants shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and other financial institutions for which the Securities Depository holds Bonds as securities depository through a Direct Participant.

Issuer shall mean The Public Building Authority of the City of Ashville, until a successor corporation shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor corporation.

Lease Agreement means the Lease Agreement dated July 1, 2026 by the Issuer, as lessor, and the Lessee, as lessee, pursuant to the Enabling Law with respect to the Project, as such agreement is at any time amended, restated or supplemented.

Lessee shall mean City of Ashville, Alabama.

Lien shall mean, with respect to any property or interest in this Indenture, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, including without limitation any asset held, subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

Net Loss Proceeds shall have the meaning assigned in the Lease Agreement.

Opinion of Bond Counsel shall mean a written opinion of Bond Counsel, which opinion shall not be unacceptable to the Trustee.

Opinion of Counsel shall mean a written opinion of Counsel who may (except as otherwise expressly provided in this Indenture) be counsel for the Issuer and which opinion shall not be unacceptable to the Trustee.

Outstanding shall mean, as of any date of determination, a Bond which shall have been authenticated and delivered under this Indenture and which shall not have been Fully Discharged.

Owner when used with respect to any Bond shall mean the Person in whose name such Bond is registered in the Bond Register, including without limitation the Securities Depository or Securities Depository Nominee with respect to any Bond held under the Book-Entry System.

Permitted Encumbrances means, as of any particular time, (i) the Statutory Warranty Deed by the Lessee and the Issuer with respect to the Building Site and the Lease Agreement, (ii) liens for taxes, assessments or other governmental charges or levies not due and payable or which are currently being contested in good faith by appropriate

proceedings as permitted in the Lease Agreement, (iii) utility, access and other easements and rights of way, party walls, restrictions and exceptions that may be granted or are permitted under the Lease Agreement, (iv) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right or purchase money security interest if payment is not yet due and payable under the contract in question, and (v) such minor defects, irregularities, encumbrances, easements, rights of way and other matters which do not, in the Opinion of Counsel, materially impair the Project for the purpose for which it was acquired or is held by the Issuer.

Person shall mean and include any individual, corporation, general or limited partnership, limited liability company or partnership, joint venture, association, trust, unincorporated organization and any Governmental Authority.

Principal Office of the Trustee shall mean the office designated by the Trustee for purposes of this Indenture, by written notice to the Issuer, the Lessee and the Lessee, and (i) the Securities Depository if the Book-Entry System is in effect or (ii) to the Owners if the Book-Entry System is not in effect.

Project shall mean, collectively, the Building, the Building Site and the Equipment.

Project Costs shall mean all costs of the Project, and the acquisition, construction, and installation of the Project, including without limitation: (1) the cost of labor, materials and supplies furnished or used in the acquisition, construction, installation or equipping, of the Project and the costs of landscaping and public infrastructure for the Project, (2) acquisition, transportation and installation costs for the Project, (3) fees for architectural, engineering and supervisory services, (4) expenses incurred in the enforcement of any remedy against any contractor, subcontractor, materialmen, vendor, supplier or surety, (5) expenses incurred by the Issuer and the Lessee in connection with public bids for, and the financing of, the Project, including legal, consulting, trustee and accounting fees, (6) interest on the Bonds until the Project is placed in service, (7) the cost of title insurance for the Building and Building Site, and (8) reimbursement to the Issuer and the Lessee for any of the foregoing costs, fees, and expenses set forth in (1) through (7) paid with funds thereof.

Record Date shall mean (i) for the Building Revenue Bonds, Series 2026, the 15th day of the month (whether or not a Business Day) next preceding a Stated Interest Payment Date, and (ii) for any series of Additional Bonds, the meaning assigned in the related Supplemental Indenture for such series of Additional Bonds.

Redemption Date shall mean any date fixed for redemption of the Bonds.

Responsible Officer shall mean, when used with respect to the Trustee, any vice president, assistant vice president or other officer of the Trustee within the Principal Office of the Corporate Trust Department of the Trustee (or any successor corporate trust office) customarily performing functions similar to those performed by the Persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Principal Office of the Trustee because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

Securities Depository shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Bonds.

Securities Depository Nominee shall mean the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Bond Register the Bonds to be delivered to such Securities Depository during a period in which the Bonds are held pursuant to the Book-Entry System.

State shall mean the State of Alabama.

Stated Interest Payment Date shall mean January 1, 2027 and each July 1 and January 1 thereafter.

Supplemental Indenture shall mean any mortgage or other instrument amendatory of this Indenture or supplemental hereto delivered by the Issuer and the Trustee in compliance with the applicable provisions of Article 11 of this Indenture.

Taxable shall mean interest on the applicable Bond is includible in the gross income of the Owner thereof for purposes of federal income taxation; provided, however, interest on any Bond shall not be deemed "Taxable" if interest on such Bond is includible in any calculation of income for purposes of an alternative minimum tax or any other type of taxation other than the regular federal tax imposed on income.

Trust Estate shall have the meaning stated in Section 3.01.

Trustee shall mean Regions Bank, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean such successor.

U.S. Government Obligations shall mean direct and general obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America, including without limitation a fund consisting solely of such obligations.

ARTICLE 2

The Bonds

SECTION 2.01 Authorization of Bonds

(a) The Issuer authorizes to be issued under and secured by this Indenture a series of Bonds in the maximum aggregate principal amount of \$XXX and designated "Building Revenue Bonds, Series 2026."

(b) Additional Bonds may be issued under this Indenture pursuant to Section 6.02.

SECTION 2.02 General Terms of Bonds

(a) The Bonds shall be dated the date of delivery thereof.

(b) The Bonds shall be delivered and issued in certificated form, substantially as set forth in Exhibit A (with appropriate endorsements, insertions, legends, omissions, and variations as required by Applicable Law and this Indenture), as a single Bond for each stated maturity thereof in integral multiples of an Authorized Denomination and numbered consecutively in order of such stated maturity.

(c) The Bonds shall be initially held pursuant to a Book-Entry System administered by the Securities Depository. On the date of delivery of the Bonds, the certificated Bond for each stated maturity thereof shall be registered in the name of the Securities Depository Nominee and delivered to, and held in the custody of, the Securities Depository or the Trustee in accordance with the procedures and rules of the Securities Depository therefor. The Beneficial Owners shall not receive Bonds in certificated form in evidence of the beneficial ownership interests in this Indenture.

SECTION 2.03 Schedule of Principal Payments and Interest Rates

(a) The principal of the Bonds (i) shall mature and become due and payable on ____ in the years and principal amounts set forth below, and (ii) shall bear interest at the respective per annum rates of interest set forth below for the principal appearing opposite such rates, determined as provided in Section 2.04 and payable in arrears on each Stated Interest Payment Date and on each date fixed pursuant to this Indenture for the payment of principal of the Bonds upon acceleration or redemption thereof:

Payment Date	Principal <u>Amount</u>	Interest <u>Rate</u>
---------------------	------------------------------------	---------------------------------

^[1] Term Bonds subject to prior mandatory redemption in years and principal amounts as set forth in Section 2.03(b).

(b) The Bonds are subject to redemption prior to maturity as follows:

(1) Optional Redemption

The Bonds with stated maturities in 20__ and thereafter are subject to prior redemption in whole, or in such amounts (in Authorized Denominations) and order of maturities, as the Issuer shall direct upon the written direction therefor of the Lessee if the Lease Agreement is then in effect, on ____, 20__ or on any Business Day thereafter, at a redemption price for each Bond (or portion thereof) to be redeemed equal to the principal amount thereof plus interest accrued thereon to the Redemption Date, without premium or penalty.

(2) Scheduled Mandatory Redemption

(i) **20__ Term Bonds.** The Bonds having a stated maturity in 20__ (the "20__ Term Bonds") are subject to scheduled mandatory redemption, by lot, on ____ in each of the years and in the aggregate principal amounts set forth below (subject to a credit for the principal amount of the 20__ Term Bonds then cancelled or redeemed and not previously claimed as a credit), at a redemption price for each 20__ Term Bond to be redeemed equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium or penalty:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>
-------------	--

\$____ principal amount of the 20__ Term Bonds is scheduled to be retired at maturity on ____, 20__.

(ii) **20__ Term Bonds.** The Bonds having a stated maturity in 20__ (the “20__ Term Bonds”) are subject to scheduled mandatory redemption, by lot, on ____ in each of the years and in the aggregate principal amounts set forth below (subject to a credit for the principal amount of the 20__ Term Bonds then cancelled or redeemed and not previously claimed as a credit), at a redemption price for each 20__ Term Bond to be redeemed equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium or penalty:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>

\$____ principal amount of the 20__ Term Bonds is scheduled to be retired at maturity on ____, 20__.

(iii) **20__ Term Bonds.** The Bonds having a stated maturity in 20__ (the “20__ Term Bonds”) are subject to scheduled mandatory redemption, by lot, on ____ in each of the years and in the aggregate principal amounts set forth below (subject to a credit for the principal amount of the 20__ Term Bonds then cancelled or redeemed and not previously claimed as a credit), at a redemption price for each 20__ Term Bond to be redeemed equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium or penalty:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>
-------------	--

\$____ principal amount of the 20__ Term Bonds is scheduled to be retired at maturity on ____, 20__.

(iv) **20__ Term Bonds.** The Bonds having a stated maturity in 20__ (the "20__ Term Bonds") are subject to scheduled mandatory redemption, by lot, on ____ in each of the years and in the aggregate principal amounts set forth below (subject to a credit for the principal amount of the 20__ Term Bonds then cancelled or redeemed and not previously claimed as a credit), at a redemption price for each 20__ Term Bond to be redeemed equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium or penalty:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>

\$_____ principal amount of the 20__ Term Bonds is scheduled to be retired at maturity on ____, 20__.

(v) **20__ Term Bonds.** The Bonds having a stated maturity in 20__ (the "20__ Term Bonds") are subject to scheduled mandatory redemption, by lot, on ____ in each of the years and in the aggregate principal amounts set forth below (subject to a credit for the principal amount of the 20__ Term Bonds then cancelled or redeemed and not previously claimed as a credit), at a redemption price for each 20__ Term Bond to be redeemed equal to the principal amount thereof, plus accrued interest thereon to the redemption date, without premium or penalty:

<u>Year</u>	<u>Principal Amount to Be Mandatorily Redeemed</u>

\$_____ principal amount of the 20__ Term Bonds is scheduled to be retired at maturity on ____, 20__.

(3) Extraordinary Redemption

The Bonds are subject to prior redemption in whole, as the Issuer shall direct upon the written direction therefor of the Lessee if the Lease Agreement is then in effect, on any Business Day at a redemption price for the Bonds to be redeemed equal to the principal amount thereof plus interest accrued thereon to the Redemption Date, without premium or penalty, in the event:

(i) the Project or any part thereof shall have been damaged or destroyed (A) to such extent that, in the opinion of the Lessee, it cannot be reasonably restored within a period of six consecutive months substantially to the condition thereof immediately preceding such damage or destruction, or (B) to such extent that, in the opinion of the Lessee, the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months, or (C) to such extent that the cost of restoration thereof would exceed by more than \$10,000 the Net Loss Proceeds of insurance carried thereon pursuant to the requirements of this Lease Agreement; or

(ii) title to the Project or any part thereof or the leasehold estate of the Lessee in the Project created by this Lease Agreement or any part thereof shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental authority, which taking may result, in the opinion of the Lessee, in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months; or

(iii) as a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether State or federal), or by final decree, judgment or order of any court or administrative body (whether State or federal) entered after the contest thereof by the Lessee in good faith, this Lease Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein, or unreasonable burdens or excessive liabilities shall have been imposed on the Lessor or the Lessee, including without limitation, the imposition of taxes of any kind on the Project or the income or profits of the Lessor therefrom or upon the interest of the Lessee therein, which taxes were not being imposed on the date of this Lease Agreement.

(iv) termination of the Lease Agreement pursuant to the provisions thereof.

SECTION 2.04 Accrual of Interest

The principal amount of each Bond will accrue interest at the above rate of interest per annum thereof determined on the basis of a 360-day year of 12 consecutive 30-day months for the period beginning on (and including) the date thereof and continuing thereafter until (but not including) the date on which the principal of such Bond is paid in full and retired; provided, however, that interest on any Bond will cease to accrue from and after the stated maturity date of such Bond, or the date specified for redemption (in whole or in part) in advance of maturity of such Bond, if and to the extent that on any such date the Trustee holds in trust pursuant to this Indenture funds in an aggregate amount sufficient to pay in full the principal of and interest on such Bond becoming due and payable on such date.

SECTION 2.05 Execution of Bonds by Issuer

The Bonds shall be executed on behalf of the Issuer by the Chairman of the Board of Directors of the Issuer under its corporate seal affixed or reproduced thereon and attested by the Secretary of the Issuer. The signature of any or all of these officers on the Bonds may be manual or, to the extent permitted by law, by facsimile. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the authentication and delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until authentication and delivery.

SECTION 2.06 Authentication of Bonds by Trustee

The Issuer authorizes and directs the Trustee by authorized officer thereof to manually execute the Certificate of Authentication and Registration on each Bond upon the delivery thereof as authorized under this Indenture.

SECTION 2.07 Delivery of Bonds by Trustee

The Issuer authorizes and directs the Trustee to authenticate and deliver the Bonds upon receipt by the Trustee of all of the following:

- (a) the executed Bonds;
- (b) executed counterparts of the Financing Documents;
- (c) the written direction of the Issuer therefor.

SECTION 2.08 Deposit of Bond Proceeds

On the date of delivery of the Bonds, the net proceeds from the sale of the Bonds of \$____ (principal amount of \$XXX plus/less original issue premium/discount of \$____ and less underwriting discount of \$____) shall be delivered to the Trustee and deposited in the Bond Proceeds Fund.

SECTION 2.09 Bond Proceeds Fund

(a) There is established with the Trustee a special trust fund designated the “Bond Proceeds Fund” to be held and applied by the Trustee as provided in this Section.

(b) The Trustee shall deposit in the Bond Proceeds Fund the amount specified therefor in Section 2.08.

(c) The Issuer authorizes and directs the Trustee to apply the amounts in the Bond Proceeds Fund for the payment of the costs of issuance of the Bonds and payment of Project Costs upon receipt by the Trustee of a requisition therefor in substantially the form of Exhibit B hereto, appropriately completed and executed by an Authorized Lessee Representative which authorization and direction the Trustee accepts. Notwithstanding the foregoing, the costs of issuance of the Bonds which are itemized on a closing statement executed by an Authorized Lessee Representative at closing of the Bonds shall not require delivery of a separate requisition, and the Trustee is authorized and directed to pay such costs of issuance as directed in such closing statement out of the amounts in the Bond Proceeds Fund.

(d) The amounts in the Bond Proceeds Fund shall be invested only U.S. Government Obligations at the written direction of the Lessee.

(e) On the date on which the Lessee certifies to the Trustee the Project has been placed in service, the Trustee shall transfer all amounts in the Bond Proceeds Fund to the Bond Fund for credit thereto and application to the payment of the principal of the Bonds on the next succeeding principal payment date.

(f) The Trustee shall not be liable for any misapplication of amounts in the Bond Proceeds Fund if disbursed pursuant to this Section and without actual knowledge that such disbursement constitutes a misapplication of funds.

ARTICLE 3

Trust Estate; Source of Payment of Bonds

SECTION 3.01 Trust Estate

To secure the payment of the Indenture Indebtedness and the performance of the covenants contained in this Indenture and in the Bonds, and to declare the terms and conditions on which the Bonds are secured, and in consideration of the premises and of the purchase of the Bonds by the Owners thereof, the Issuer by these presents does grant, bargain, sell, convey, alien, remise, release, assign, transfer, mortgage, hypothecate, pledge, set over and confirm unto the Trustee, and grant to the Trustee security title to and a continuing security interest in, all and singular, the following described property and all proceeds and products thereof:

I.

All right, title and interest of the Issuer in and to the Lease Agreement including all amounts payable thereunder and all rights of administration and enforcement thereof.

II.

All right, title and interest of the Issuer in and to the Project;

III.

Money and investments from time to time on deposit in, or credited to, the Indenture Funds, subject to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Indenture.

IV.

Any and all property of every kind or description which may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the Lien of this Indenture as additional security by the Issuer or anyone on its part or with its written consent, or which pursuant to any of the provisions of this Indenture may come into the possession or control of the Trustee or a receiver appointed pursuant to this Indenture; and the Trustee is authorized to receive any and all such property as and for additional security for the Bonds and to hold and apply all such property subject to the terms of this Indenture;

SUBJECT, HOWEVER, to Permitted Encumbrances;

TO HAVE AND TO HOLD all said property, rights and privileges of every kind and description, real, personal or mixed, and hereafter (by Supplemental Indenture or otherwise) granted, bargained, sold, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over or confirmed as aforesaid, or intended, agreed or covenanted so to be, together with all the appurtenances thereto appertaining (said property, rights and privileges being in this Indenture called the "Trust Estate") unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Owners from time to time of the Bonds without any priority of any such Bond over any other such Bond.

SECTION 3.02 Title to Trust Estate

The Issuer represents the Issuer has title to, the beneficial interest in, and the lawful authority to mortgage and pledge, the Trust Estate. The Issuer will warrant and defend the mortgage and pledge of the Trust Estate pursuant hereto the Trustee for the benefit of the Owners against the claims and demands of all Persons less and except those claiming under any of the Permitted Encumbrances.

SECTION 3.03 Limited Source of Payment of Bonds; No Obligations of Issuer, Lessee, State or other Political Subdivision

(a) The Indenture Indebtedness shall be payable solely out of, and shall be secured by, the Trust Estate, as provided in this Indenture.

(b) The covenants and agreements contained in this Indenture and in the Bonds do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the general credit of the Issuer and in the event of a breach of any such covenant or agreement, no personal or pecuniary liability or charge payable directly or indirectly from the general assets or revenues of the Issuer (other than the Trust Estate) shall arise therefrom.

(c) The Indenture Indebtedness shall never constitute or create an indebtedness or pecuniary liability payable from, or a charge against, the revenues, assets, general credit, or taxing powers of the Lessee, or of the State of Alabama or any political subdivision thereof, within the meaning of any constitutional provision or statutory limitation whatsoever.

ARTICLE 4

Registration of Bonds

(a) The Issuer shall cause to be kept at the Principal Office of the Trustee a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the

registration of Bonds and registration of transfers of Bonds entitled to be registered or transferred as in this Indenture provided.

(b) The Trustee is appointed “Bond Registrar” for the purpose of registering Bonds and transfers of Bonds as in this Indenture provided.

(c) Each of the Bonds shall be registered in the name of the owner thereof in the Bond Register.

ARTICLE 5

Redemption of Bonds

SECTION 5.01 General; Authority for Conditional Redemption

(a) The Bonds shall be subject to redemption as provided in this Indenture.

(b) Anything in this Indenture to the contrary notwithstanding, the Issuer may, only upon the written direction of the Lessee if the Lease Agreement is then in effect, provide for the optional redemption of any Bond (or portion or portions thereof) contingent upon specified conditions, such as deposit or receipt of funds necessary for such redemption, or the occurrence of specified events. If the conditions for such redemption are not satisfied prior to the proposed Redemption Date, such Bonds shall not be subject to redemption on such date and the Issuer shall not be required to redeem such Bonds (or portions thereof) subject to such conditional redemption. The Issuer shall return any Bonds surrendered on the specified Redemption Date to the Owners of such Bonds.

(c) The failure of the Issuer to redeem any Bond called for conditional redemption as provided in this Section shall not be an Event of Default.

SECTION 5.02 Selection of Bonds for Redemption

(a) The Issuer may redeem less than all of the Bonds then Outstanding upon written notice thereof, accompanied by the written direction of the Lessee therefor if the Lease Agreement is then in effect, to the Trustee, by such date in advance of the proposed Redemption Date as shall enable the Trustee, and the Securities Depository (if applicable) to comply with this Indenture with respect thereto, which notice shall designate the order, and the aggregate principal amount of maturities of Bonds (determined on the basis of the smallest Authorized Denomination so that the principal amount of each Bond which remains Outstanding after such redemption shall be an integral multiple of an Authorized Denomination) of Bonds to be redeemed; provided:

(b) During a period in which the Bonds are held pursuant to a Book-Entry System, the Securities Depository shall select, by such method as the Securities Depository shall determine fair and appropriate, the principal amount of the beneficial interests in the Bonds to be redeemed within a maturity; and

(c) During a period in which the Bonds are not held pursuant to a Book-Entry System, the Trustee shall select, by such method as the Trustee shall determine fair and appropriate, the principal amount of Bonds to be redeemed within a maturity.

SECTION 5.03 Notice of Redemption

(a) Notice of redemption of Bonds to be redeemed shall be given by the Trustee in the name and at the expense of the Lessee.

(b) Notice of redemption shall be given by the Trustee to the Owner of each Bond, all or a portion of the principal of which is to be redeemed, not less than 30 days prior to the proposed Redemption Date by the Trustee by United States registered or certified mail (first class, postage prepaid) or, if the Securities Depository or Securities Depository Nominee is the Owner, at the times and in the manner as provided in the applicable rules and procedures of the Securities Depository, at the address of such Owner appearing in the Bond Register; provided, however, any

Owner may waive the requirement of notice as to the redemption of the Bond or Bonds thereof. The Trustee and the Issuer are not required to give notice of redemption to any Beneficial Owner.

- (c) All notices of redemption shall state:
 - (1) the Bonds to be redeemed;
 - (2) the Redemption Date;
 - (3) the redemption price;
 - (4) whether such redemption is mandatory, optional or extraordinary;
 - (5) the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;
 - (6) that on the Redemption Date the redemption price of each of the Bonds to be redeemed will become due and payable and that the interest thereon shall cease to accrue from and after said date;
 - (7) to the extent required for Bonds in certificated form, the place or places where the Bonds to be redeemed are to be presented and surrendered for payment of the redemption price; and
 - (8) if applicable, the terms upon which such redemption is contingent upon specified conditions.
- (d) The Issuer shall, to the extent practical under the circumstances, comply with the standards set forth in Securities and Exchange Commission's Exchange Act Release No. 23856 regarding redemption notices, provided that their failure to do so shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed in this Section.

SECTION 5.04 Payment of Redemption Price on Redemption Date

- (a) On or before any Redemption Date, the Issuer shall deposit or cause to be deposited with the Trustee an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date.
- (b) Such money shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be part of the Trust Estate.
- (c) Notice of redemption having been given as provided in this Indenture, the Bonds so to be redeemed shall, on the Redemption Date, become due and payable at the redemption price provided therefor in this Indenture.
- (d) The Issuer shall pay the redemption price of each Bond called for redemption upon presentation of such Bond to the Trustee.
- (e) Installments of interest payable on a Redemption Date shall be payable to the Owners of the Bonds registered as such on the relevant Record Date according to the terms of such Bonds and the provisions of this Indenture.

SECTION 5.05 Bonds Redeemed in Part

- (a) Except as provided in Section 5.05(b), any Bond which is to be redeemed only in part shall be presented and surrendered at the Principal Office of the Trustee with due endorsement by, or a written instrument of assignment or transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Owner thereof or his attorney duly authorized in writing, and the Issuer shall execute and the Trustee shall authenticate and deliver to the

Owner of such Bond, without service charge, a new Bond or Bonds in Authorized Denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

(b) The recordation and evidence of any reduction in the aggregate principal amount of the beneficial ownership interests in the Bonds as a result of redemption thereof shall be effected in accordance with the procedures and rules of the Securities Depository.

SECTION 5.06 Interest on and after Redemption Date

(a) Bonds (or portions thereof) for which provision for the payment of the redemption price shall have been made, and notice of the redemption thereof shall have been given, all in accordance with this Indenture, shall thereupon cease to bear interest from and after the Redemption Date therefor unless and to the extent default shall be made in the payment of the redemption price thereof.

(b) If any Bond called for redemption shall not be so paid upon redemption, the principal of the Bond shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in such Bond.

ARTICLE 6

Transfer, Exchange and Replacement of Bonds; Additional Bonds

SECTION 6.01 Transfer, Exchange and Replacement of Bonds

(a) The Bonds may be transferred by the registered owner in person or by authorized attorney, only on the Bond Register and only upon surrender of the Bond to the Trustee for cancellation with a written instrument of transfer acceptable to the Trustee executed by the registered owner or the duly authorized attorney thereof, and upon surrender for transfer of such Bond to the Bond Registrar, the officers of the Issuer are authorized and directed to, and shall without further action, approval or consent by the Issuer, execute and deliver a new Bond of like tenor, and in a principal amount equal to the unpaid or unredeemed portion of the principal of the Bond so presented, to the transferee in exchange for such Bond.

(b) The registered owner of any Bond in a face amount of more than the smallest Authorized Denomination may surrender the same in exchange for more than one Bond, each in the principal amount which is an integral multiple of an Authorized Denomination, having the same year of maturity as the Bond so surrendered and the same aggregate principal amount. The registered owner of two or more Bonds having the same principal maturity may surrender the same in exchange for a single Bond in the aggregate principal amount of the Bonds so surrendered.

(c) The Trustee shall not be required to transfer or exchange any Bond during the period from the Record Date and the then next succeeding Stated Interest Payment Date; and in the event that any Bond (or any part thereof) is duly called for redemption, the Trustee shall not be required to register or transfer any such Bond during the period of forty-five (45) days next preceding the applicable Redemption Date.

(d) If (i) any mutilated Bond is surrendered to the Trustee, or the Issuer and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Issuer and the Trustee such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Issuer or the Trustee that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and the Trustee shall authenticate, register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(e) Upon the transfer or exchange of any Bond or the issuance of any new Bond under this Section, the Issuer may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith; provided no charge shall be made to the owner for any transfer or exchange of Bonds.

(f) All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer and be entitled to the same security and benefits under this Indenture as the Bonds surrendered upon such transfer or exchange.

(g) Every new Bond issued in replacement of any destroyed, lost or stolen Bond shall constitute an original additional contractual obligation of the Issuer, whether or not the destroyed, lost or stolen Bond shall be at any time enforceable by any person.

(h) The provisions of this Article are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

SECTION 6.02 Additional Bonds

The Issuer may at any time and from time to time, if no Event of Default exists, issue Additional Bonds within the limitations of and upon compliance with the provisions of this Article in order to refund existing indebtedness or finance completion indebtedness for or other capital improvements to the Project.

(a) Prior to the issuance of any Additional Bonds, the Issuer shall deliver to the Trustee the Additional Bonds proposed to be issued, duly executed and accompanied by the following:

(1) A certified copy of the proceedings taken by the Issuer authorizing such Additional Bonds and the Supplemental Indenture providing therefor, which shall include the following: (A) a representation that no Event of Default exists, (B) the purpose or purposes for which such Additional Bonds are being issued, and (C) the person or persons to whom such Additional Bonds have been sold and the purchase price to be paid therefor.

(2) A Supplemental Indenture duly executed on behalf of the Issuer and containing (to the extent applicable) (A) a description of the Additional Bonds proposed to be issued, including the aggregate principal amount, the series designation, the maturity or maturities of principal of such Additional Bonds, the interest rate or rates (or provisions for the determination thereof), the due dates of interest on such Additional Bonds, the redemption provisions with respect to such Additional Bonds, and the form of such Additional Bonds, (B) a statement of the purpose or purposes for which such Additional Bonds are to be issued, (C) provisions subjecting to the lien of the Indenture all property acquired or to be acquired in connection with any additions, improvements and modifications to the Project, (D) a confirmation of the lien of the Indenture on all property then constituting a part of the Trust Estate, and (E) any other matters deemed appropriate by the Issuer and not inconsistent with the terms of this Indenture.

(3) A supplement to the Lease Agreement duly executed on behalf of the Issuer and Lessee and containing (to the extent applicable) (A) a description of the facilities to be financed by the issuance of such Additional Bonds, (B) provisions subjecting to the demise of the Lease Agreement all property acquired and to be acquired in connection with any additions, improvements and modifications to the Project, (C) a confirmation of the demise pursuant to the Lease Agreement of all property then constituting a part of the Project, (D) an agreement by the Lessee to make payments under the Lease at times and in amounts sufficient to pay debt service on the Additional Bonds, and (E) any other matters deemed appropriate by the Issuer and the Lessee and not inconsistent with the terms of the Lease Agreement or this Indenture.

(4) An Opinion of Counsel for the Issuer stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that (A) such Additional Bonds are valid and binding obligations of the Issuer in accordance with their terms and are entitled to the benefit and security of this Indenture equally and proportionately with all other Bonds Outstanding under the Indenture and (B) the Indenture (as so supplemented) and the Lease Agreement (as so supplemented) constitute valid and binding obligations of the Issuer in accordance with their terms.

(5) An Opinion of Counsel for the Lessee stating in effect (with such qualifications and assumptions as the Trustee may deem appropriate) that the Lease Agreement (as so supplemented) constitutes a valid and binding obligation of the Lessee in accordance with its terms.

(6) A Favorable Tax Opinion.

(b) Upon receipt of the documents required by the provisions of this Section to be furnished to it, the Trustee shall, unless it has cause to believe that any of the statements set out in such documents is incorrect, thereupon execute and deliver the Supplemental Indenture so presented and shall authenticate such Additional Bonds and deliver the same upon written order executed by an Authorized Issuer Representative. Any Additional Bonds issued pursuant to and in compliance with the terms of this Indenture shall be entitled to the benefit and protection of this Indenture equally and proportionately with all other Bonds issued hereunder.

ARTICLE 7

Payment, Defeasance and Cancellation of Bonds

SECTION 7.01 Provisions for Payment of Bonds

(a) The Issuer orders and directs the Trustee to pay the principal of and interest on the Bonds solely from the Bond Fund when and as the same becomes due and payable in lawful money of the United States of America immediately available, without deduction for exchange, fees or expenses, as provided in this Indenture.

(b) The Trustee shall pay:

(1) interest on the Bonds due on any Stated Interest Payment Date to the Owners in whose names the Bonds are registered in the Bond Register at the close of business on the Record Date for such Stated Interest Payment Date; and

(2) principal of (and premium, if any, on) the Bonds, and accrued interest on the Bonds due upon redemption on any date other than an Stated Interest Payment Date, only upon surrender thereof at the office of the Trustee designated therefor.

(c) The foregoing to the contrary notwithstanding, upon the written request of the Owner of any Bond in a principal amount of not less than \$1,000,000, the Trustee will make payment of the principal of, premium (if any) and interest on such Bond by wire transfer to an account of such Owner maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Trustee, provided that such written request contains adequate instructions for the method of payment and final payment of principal is made upon such surrender of the Bond or Bonds as provided in this Indenture.

(d) If any payment on the Bonds is due on a day which is not a Business Day, such payment shall be made, in the same amount, on the first succeeding day which is a Business Day, with the same effect as if made on the date on which such payment was due.

(e) All payments to the Owners of principal of, premium (if any) and interest on the Bonds on behalf of the Issuer or the Trustee shall be valid and effectual to discharge, satisfy and terminate the liability of the Issuer, the Lessee, and the Trustee to the extent of the amounts so paid.

SECTION 7.02 Bond Fund

(a) The Issuer hereby establishes a special trust fund in the name of the Issuer designated the “Bond Fund”, to consist of an “Annual Debt Service Account” and a “Redemption Account”, and to be held and applied by the Trustee as provided in this Section.

(b) The Issuer authorizes and directs the Trustee:

- (1) to deposit in the Annual Debt Service Account of the Bond Fund, when and as received:
 - (i) all amounts received pursuant to Section 3.2(a) of the Lease Agreement;
 - (ii) all amounts required to be deposited in the Annual Debt Service Account pursuant to this Indenture;
 - (iii) all amounts delivered to the Trustee with written instructions to deposit such amounts in the Annual Debt Service Account.
- (2) to apply all amounts in the Annual Debt Service Account to pay the principal of and interest on the Bonds becoming due and payable on:
 - (i) each Stated Interest Payment Date;
 - (ii) each July 1 by stated maturity or mandatory redemption pursuant to Section 2.03;
 - (iii) any date fixed for such payment pursuant to Section 10.02(a)(l).
- (c) The Issuer authorizes and directs the Trustee:
 - (1) to deposit in the Redemption Account of the Bond Fund, when and as received:
 - (i) all amounts received pursuant to Section 3.3 of the Lease Agreement;
 - (ii) all amounts required to be deposited in the Redemption Account pursuant to this Indenture;
 - (iii) all amounts delivered to the Trustee with written instructions to deposit such amounts in the Redemption Account.
 - (2) to apply all amounts in the Redemption Fund to pay the redemption price of the Bonds becoming due and payable on any Redemption Date fixed under Section 2.03(b).
- (d) The Issuer directs the Trustee to apply (i) all amounts transferred to, or deposited in, the Bond Fund to the payment of the Bonds within 13 months of the date of such transfer or deposit and (ii) all income and profits received from the investment of amounts in the Bond Fund to the payment of the Bonds within 12 months of the date of receipt thereof.
- (e) The amounts in the Bond Fund are public funds impressed with a trust for the purposes thereof. The Trustee shall keep the amounts in the Bond Fund continuously secured for the benefit of the Issuer by such investments or collateral, or in such manner, as permitted or required by Applicable Law for the security of public trust funds; provided, the Trustee shall not be required to secure any amount in the Bond Fund (i) to the extent such amount is insured by the Federal Deposit Insurance Corporation (or any instrumentality of the United States of America that may succeed to the functions thereof) or (ii) invested in U.S. Government Obligations.
- (f) The amounts in the Bond Fund shall be invested by the Trustee, in accordance with this Indenture and at the written direction of the Lessee, to the extent consistent with the purposes of such fund only in U.S. Government Obligations.
- (g) The Trustee may conclusively rely upon the written instructions of an Authorized Lessee Representative as to the legality and feasibility of all directed investments. The Trustee may make any and all investments through its investment department at customary charges therefor. The Trustee shall not be liable for the investment of amounts in the Bond Fund in the absence of written instructions from the Lessee. The Lessee agrees that broker confirmations are not required to be issued by the Trustee for each month in which a monthly statement is

issued by the Trustee. The Trustee shall not be liable or responsible for any loss resulting from any such investment or for failure to make an investment (except failure to make an investment in accordance with the written direction of an Authorized Lessee Representative) or for failure to achieve the maximum possible earnings on investments, except to the extent such loss is attributable to the Trustee's gross negligence, willful misconduct or violation of Applicable Law.

SECTION 7.03 Funds for Payment of Un-surrendered Bonds to be Held in Separate Trust; Repayment of Unclaimed Money

(a) If an Owner fails to present or surrender the Bond or Bonds thereof on any date fixed or scheduled for payment of principal thereof, the Trustee shall transfer amounts held in the Bond Fund, sufficient for the payment of principal of and interest on such Bond or Bonds to a separate trust fund created by the Trustee for such purpose and hold such amounts in trust for the benefit of the Persons entitled thereto, which amounts shall not be invested and shall not constitute part of the Trust Estate.

(b) Any amounts held in trust by the Trustee pursuant to Section 7.03(a) which are unclaimed for three (3) years after the date on which payment thereof was due to have been made shall, subject to Applicable Law, be paid to the Lessee upon written request of an Authorized Issuer Representative and the Owner of any such Bond or Bonds to be paid from such amounts shall thereafter, as an unsecured general creditor, have recourse only to the Lessee for payment thereof to the extent of the amounts so paid, and all liability of the Issuer and the Trustee with respect to such trust money shall cease; provided, however, the Trustee may, prior to payment of such amounts to the Lessee and at the written direction and expense of the Issuer, publish notice once, by newspaper of general circulation within the jurisdiction of the Lessee or by such means of electronic communication as the Trustee determines is appropriate, that such amounts remain unclaimed and that, after a date specified in such notice (which shall be not less than 30 days after publication of such notice), such amounts will be paid to the Lessee.

SECTION 7.04 Payment of Indenture Indebtedness; Satisfaction and Discharge of Indenture

(a) Whenever all Bonds shall have been Fully Discharged and all other Indenture Indebtedness shall have been paid in full, then, upon the written request of an Authorized Issuer Representative, this Indenture and the estate, lien, rights and interests of this Indenture shall cease, determine and become null and void (except as to any surviving rights of transfer or exchange of Bonds in this Indenture or in this Indenture provided for) and the Trustee shall execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary.

(b) A Bond shall be deemed "Fully Discharged" if:

(1) such Bond has been delivered to the Trustee for cancellation, or shall have been canceled by the Trustee, under Section 7.05; or

(2) such Bond shall have matured or been called for redemption and amounts sufficient for the payment of the principal of, premium (if any) and interest on such Bond is then held by the Trustee in trust for the benefit of the Person entitled thereto; or

(3) such Bond is alleged to have been mutilated, destroyed, lost or stolen and shall have been replaced as provided in Article 6; or

(4) a defeasance trust for the payment of such Bond shall have been established in accordance with Section 7.04(c).

(c) The Issuer may provide for the payment of any of the Bonds by establishing a separate, irrevocable trust fund (in this Indenture a "defeasance trust fund") for such purpose with the Trustee, for the exclusive and sole benefit of the Owners of the Bonds to be paid therefrom, and depositing therein cash or U.S. Government Obligations which (assuming the due and punctual payment of the principal of and interest on such U.S. Government Obligations)

will provide funds sufficient to pay the principal of and interest on such Bonds as the same becomes due and payable until the maturity or redemption of such Bonds; provided, however, that:

(1) such U.S. Government Obligations must not be subject to redemption prior to their respective maturities at the option of the issuer thereof;

(2) if any of such Bonds are to be redeemed prior to their respective maturities, either (i) the Trustee shall receive evidence that notice of such redemption has been given in accordance with the provisions of this Indenture and such Bonds or (ii) the Issuer shall confer on the Trustee irrevocable authority for the giving of such notice on behalf of the Issuer; and

(3) the Trustee shall have received (i) an Opinion of Bond Counsel stating in effect that the establishment of such defeasance trust fund will not cause the interest on any of such Bonds to be or become Taxable and (ii) a Certificate of an Independent Auditor to the effect that the funds on deposit in such defeasance trust fund and the income therefrom without reinvestment will be sufficient to pay when due the principal of and interest on such Bonds.

(d) The Trustee may invest any investment proceeds received by the Trustee in a defeasance trust fund in U.S. Government Obligations.

(e) The Trustee shall apply all amounts in a defeasance trust fund solely for the payment of the principal of and interest on the Bonds with respect to which such fund was established.

(f) A defeasance trust fund shall not constitute part of the Trust Estate.

(g) Anything in Article 11 of this Indenture to the contrary notwithstanding, if moneys or U.S. Government Obligations shall have been deposited or set aside with the Trustee in a defeasance trust fund for the payment of Bonds and the same shall be deemed to have been Fully Discharged and to be no longer Outstanding, but shall not have in fact been actually paid in full, no amendment to the provisions of this Section shall be made without the consent of each Owner affected thereby.

SECTION 7.05 Cancellation of Bonds

All Bonds surrendered for payment, redemption, transfer, exchange or replacement shall be promptly canceled or destroyed by the Trustee.

SECTION 7.06 Payment of Indenture Funds and Trust Estate

Upon the payment in full of the Indenture Indebtedness as provided in this Article, the Trustee shall disburse any amounts then in the Indenture Funds, and otherwise held by the Trustee as part of the Trust Estate, to the Lessee or to such other Person as may be entitled thereto by Applicable Law.

ARTICLE 8

Special Covenants of Issuer regarding Lease Agreement

SECTION 8.01 Issuer to Provide for Lease of Project

(a) The Issuer shall use its best efforts to provide for the continued and uninterrupted lease of the Project as provided in the Enabling Law for rents payable thereunder at times and in amounts sufficient to provide for (i) the due and punctual payment of the Indenture Indebtedness and (ii) all costs of operation, maintenance, and insurance of the Project and all governmental charges (if any) with respect to the Project.

(b) Prior to the delivery of any lease of the Project subsequent to the initial issuance of the Bonds the Issuer shall obtain the written consent thereto of the Owners of not less than two-thirds of the principal amount of the Bonds then Outstanding.

(c) The Issuer will cause all leases of the Project to be assigned the Trustee as part of the Trust Estate.

SECTION 8.02 Issuer to Perform Covenants under Leases of Project

(a) The Issuer will observe and perform all agreements and covenants thereof under the Lease Agreement, and any other lease of the Project to which the Issuer is a party signatory thereto, in due time, form and manner as required therefor by the terms of such agreements and by Applicable Law.

(b) The Issuer will promptly comply with all directions of the Trustee with respect to the exercise of rights and remedies of the Issuer and the Trustee under the Financing Documents.

SECTION 8.03 Application of Net Loss Proceeds under Lease Agreement

The Issuer will cause all Net Loss Proceeds to be applied as provided in the Lease Agreement.

ARTICLE 9

Representations and Covenants of Issuer

SECTION 9.01 Representations of Issuer

The Issuer makes the following representations and warranties as the basis for the undertakings on its part in this Indenture contained:

(1) It is duly organized as a public corporation under the provisions of the Enabling Law and is not in default under any of the provisions contained in its certificate of incorporation or bylaws or in the laws of the State.

(2) Under the provisions of the Enabling Law and its certificate of incorporation, it has the power to consummate the transactions contemplated by the Financing Documents to which it is a party.

(3) By proper action the Issuer has duly authorized the issuance, execution and delivery of the Financing Documents to which it is a party and the consummation of the transactions contemplated in this Indenture.

(4) It has obtained all consents, approvals, authorizations and orders of governmental authorities that are required to be obtained by it as a condition to the issuance of the Bonds and the execution and delivery of the Financing Documents to which it is a party.

(5) The Issuer has not created or suffered to exist any mortgage, pledge, encumbrance, security interest, assignment or other charge of any kind with respect to the Trust Estate, except as effected or contemplated by the Financing Documents.

(6) There is no action, suit, proceeding, inquiry or investigation pending before any court or Governmental Authority, or threatened against or affecting it or its properties, that involves (i) the consummation of the transactions contemplated by, or the validity or enforceability of, the Financing Documents, (ii) its organization, (iii) the election or qualification of its directors or officers, or (iv) its powers.

SECTION 9.02 Performance of Covenants; Exercise of Remedies Under Enabling Law; Payment of Bonds; No Lien upon Trust Estate

(a) The Issuer shall (to the extent within its control) faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Financing Documents.

(b) The Issuer covenants and agrees that it will do all things under or as permitted by, and will exercise all rights and remedies available under, the Enabling Law to provide for the payment of the Bonds.

(c) Subject to the provisions of this Indenture, the Issuer will duly and punctually pay, or cause to be paid, the principal of and interest on the Bonds as and when the same shall become due and will duly and punctually deposit, or cause to be deposited, in the Indenture Funds the amounts required to be deposited in this Indenture, all in accordance with the terms of the Bonds and this Indenture.

(d) The Issuer will not extend or consent to the extension of the time for payment of principal of and interest on the Bonds, unless such extension is consented to by the Owners of Bonds affected.

(e) The Issuer will not create or permit the creation of any Lien on the Trust Estate or any part thereof prior to or on a parity of Lien with this Indenture.

SECTION 9.03 Financial Records

The Issuer shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of all transactions relating to the Trust Estate and the Indenture Funds.

SECTION 9.04 Corporate Existence

(a) Except as otherwise provided in subsection (b) of this Section, the Issuer will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

(b) The Issuer shall not consolidate with or merge into any other corporation or transfer its property constituting the Trust Estate substantially as an entirety to any Person unless: (i) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the Lien and security of this Indenture and the rights and powers of the Trustee and the Owners of the Bonds; (ii) the corporation formed by such consolidation or into which the Issuer is merged or the Person which acquires by conveyance or transfer the Issuer's said property substantially as an entirety (the "Successor") shall be a municipal or public corporation organized under the laws of the State; (iii) such Successor shall execute and deliver to the Trustee an instrument in form recordable and acceptable to the Trustee containing an assumption by such Successor of the due and punctual payment of the Indenture Indebtedness and the performance and observance of every covenant and condition of the Financing Documents to be performed or observed by the Issuer; (iv) immediately after giving effect to such transaction, no Event of Default or any event which, upon notice or lapse of time (or both), would constitute such an Event of Default shall have occurred and be continuing; and (v) the Issuer shall have delivered to the Trustee an Opinion of Bond Counsel which shall state that such consolidation, merger, conveyance or transfer complies with this Section and will not cause interest on the Bonds to become Taxable.

(c) Upon any consolidation or merger or any conveyance or transfer of the Issuer's property substantially as an entirety in accordance with this Section, the Successor shall succeed to, and be substituted for, and may exercise every right and power of, the Issuer under this Indenture with the same effect as if such Successor had been named as the Issuer in this Indenture.

SECTION 9.05 Covenants with respect to Tax Exemption for Interest for Bonds

(a) The Issuer shall duly and punctually observe, perform and comply with all agreements and covenants made in the Tax Certificate and Agreement delivered by the Issuer with respect to the Bonds.

(b) The Issuer further covenants and agrees with the registered owners of the Bonds that, to the extent permitted by law, it will not take any action, or omit to take any action with respect to the Bonds, that would cause the interest on the Bonds to be or become Taxable.

SECTION 9.06 Reserved

SECTION 9.07 Waiver of Appraisalment and Other Laws

(a) To the extent permitted by Applicable Law, the Issuer will not at any time insist upon, plead, claim or take the benefit or advantage of, any appraisalment, valuation, stay, extension or redemption law now or hereafter in force, in order to prevent or hinder the enforcement of this Indenture; and the Issuer, for itself and all who may claim under it, so far as it or they now or hereafter may lawfully do so, waives the benefit of all such laws. The Issuer, for itself and all who may claim under it, waives, to the extent that it may lawfully do so, all right to have the property in the Trust Estate marshaled upon any enforcement of this Indenture.

(b) If any law in this Section referred to and now in force, of which the Issuer or its successor or successors might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to constitute any part of the contract in this Indenture contained or to preclude the application of this Section.

SECTION 9.08 Further Assurances

The Issuer will at any time or times do, execute, acknowledge, deliver and record or cause to be done, executed, acknowledged, delivered, and recorded all such further acts, deeds, conveyances, assignments, pledges, transfers and assurances in law as the Trustee shall reasonably require for the better assuring, assigning, transferring, pledging and confirming unto the Trustee, all and singular, the property and rights in this Indenture assigned, transferred and pledged or intended so to be. The Issuer will cause this Indenture, any and all Supplemental Indentures and all financing statements and other security instruments relative thereto, at all times to be recorded and filed and kept recorded and filed in such public offices as may be required by Applicable Law in order fully to preserve, continue and protect the security of the Bonds and the rights and remedies of the Trustee and to perfect the security interest created by this Indenture. The Issuer will fully comply with all the requirements of any and every recording law or any other law affecting the due recording and filing of this Indenture or of any Supplemental Indenture.

ARTICLE 10

Events of Default and Remedies

SECTION 10.01 Events of Default

Any one or more of the following shall constitute an Event of Default under this Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority):

(a) the failure by the Issuer to pay any amount of the principal of, premium, if any, or interest on any Bond when such principal (or premium, if any) or interest becomes due and payable at the stated maturity or due dates thereof, by declaration of acceleration, or by redemption pursuant to the provisions thereof.

(b) the occurrence of an Act of Insolvency with respect to any Person who shall hold or own any leasehold estate or interest in the Project; or

(c) default in the performance, or breach, of any agreement or covenant of the Issuer in this Indenture (other than a covenant or warranty, a default in the performance or breach of which is elsewhere in this Section specifically dealt with), and continuance of such default or breach for a period of 30 days after notice of such default or breach, stating that such notice is a "notice of default," has been given to the Issuer by the Trustee, or to the Issuer and the Trustee by the Owners of at least 25% in principal amount of the Outstanding Bonds, provided, a default or

breach that cannot be cured by the payment of money shall not constitute an Event of Default if the Issuer initiates efforts to correct such default or breach within 30 days from the receipt of such notice and diligently pursues such action until the default or breach is corrected; or

(d) any warranty or representation or other statement by or on behalf of the Issuer in this Indenture, or made by the Issuer in any certificate or document provided to the Trustee, shall be false, untrue or misleading in any material respect at the time made and the same shall not be made good or remedied within 30 days after written notice thereof to the Issuer by the Trustee; or

(e) any material provision of this Indenture shall at any time for any reason cease to be the legal, valid and binding obligation of the Issuer or shall cease to be in full force and effect, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Issuer, or the Issuer shall renounce the same or deny that it has any further liability under this Indenture; or

(f) the interest of the Trustee in the Trust Estate shall be subject to any prior Lien thereon or the Lien created by this Indenture shall be invalid or unenforceable as to any part of the Trust Estate; or

(g) the occurrence under the Lease Agreement of an event of default (as defined therein).

SECTION 10.02 Remedies on Default

(a) Subject and subordinate to the provisions of Section 10.02(b), whenever any Event of Default shall have occurred and be continuing:

(1) The Trustee (i) shall, upon the occurrence and continuance of an Event of Default specified in any of Sections 10.01(a) or (b), and (ii) may, and upon written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, shall, upon the occurrence and continuance of an Event of Default specified in Sections 10.01(c), (d), (e), (f) or (g), by notice in writing delivered to the Issuer, immediately declare the principal of all of the Bonds then Outstanding and the interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable, anything in this Indenture or the Bonds to the contrary notwithstanding; subject, however, to the duty of the Trustee, upon written direction to the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding, to annul such declaration and destroy its effect if all covenants with respect to which default shall have been made shall be fully performed, and all arrears of principal and interest upon all Bonds Outstanding and the reasonable expenses and charges of the Trustee, its agents and attorneys, and all other payments required by this Indenture (except the principal of any Bonds not then due by their terms) shall be paid, or the amount thereof shall be paid to the Trustee for the benefit of those entitled thereto; provided, however, that no such annulment shall affect any subsequent Event of Default or impair any right consequent thereon.

(2) The Trustee shall have and may exercise all rights and remedies available under the Enabling Law and Applicable Law for the enforcement of the Financing Documents, and the protection of the interests of the Owners.

(3) The Trustee may, subject to the terms of this Indenture, proceed to protect and enforce its rights and the rights of the Owners by any suit, action or proceeding at law or in equity, including but not limited to an action for mandamus, or for specific performance of any agreement or covenant in this Indenture, or for enforcing payment and collection of any revenues due under Financing Documents, or for making a demand for payment from the Issuer, or for taking action pursuant to any other document to which the Trustee is a party by signature, assignment, operation of law, or otherwise, or in execution or aid of any power granted in this Indenture or for the enforcement of any other proper, legal or equitable remedy, as the Trustee, at its option, being advised by Counsel,

(4) The Trustee may institute and maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of this Indenture

and to protect its interests and the interests of the Owners in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under this Indenture or be prejudicial to the interests of the Owners or the Trustee.

(5) The Trustee shall be entitled upon or at any time after the commencement of any proceedings instituted in the Event of Default, as a matter of strict right, upon the order of any court of competent jurisdiction, to the appointment of a receiver of the Project and of the rent, revenues and income from the Project, with power to lease the Project. Any such receiver shall, except as herein otherwise provided, have all the usual powers and duties of receivers in similar cases, with full power upon the order of such court to lease the Project, or any part thereof, upon any terms approved by the Court.

(6) The Trustee may, in its discretion, with or without declaring the Bonds due and payable, enter upon and take possession of the Project and lease the same in the name and as the agent of the Issuer and from time to time maintain and restore and insure and keep insured the same, in the manner and to the same extent as is usual with like properties and likewise, from time to time, make all necessary repairs, renewals, replacements, alterations, additions and improvements thereto and thereon as may seem judicious and lease the same or any part thereof, as effectually as the Issuer could do, and the Trustee shall be entitled to collect and receive all rents, revenues and income of the Project and every part thereof and, after paying the expense of leasing the same, including the expenses of maintenance, repairs and insurance or other charges thereon, as well as just and reasonable compensation for the services of the Trustee and its agents, attorneys, receivers, or counsel, the Trustee shall apply the moneys arising as aforesaid as provided in this Article.

(b) Anything in this Indenture to the contrary notwithstanding, in accordance with Section 11-56-13(b) of the Enabling Law, this Indenture shall not be subject to foreclosure and shall not be construed so as to compel the sale of the Project or any part thereof in satisfaction of the Bonds.

SECTION 10.03 Rights and Remedies of Trustee on Default under Lease

The Trustee may, in the name of the Issuer, declare any default and exercise any remedy or remedies under the Lease Agreement or any other lease of the Project, including the right to declare the entire rent reserved under such lease immediately due and payable and to take any available proceedings against any party liable upon any such lease for the payment thereof, including any guarantor, if any, of the Lessee's obligations. In the event of a default by the Lessee under the Lease Agreement or in the event of a default of any other lessee of the Project, in the punctual payment of rent sufficient to pay the principal of and interest on all the Bonds Outstanding as such principal matures and such interest becomes due, the Trustee may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds Outstanding shall, declare such lease in default and, upon being indemnified to its reasonable satisfaction, shall pursue such proper remedies as may be directed by the Owners of such Bonds for the enforcement of the provisions of such lease, and the exercise of any remedies available to the Issuer or the Trustee in the event of such default under such lease; subject, however, to the discretionary right of the Trustee, and upon written notice to the Trustee by the Owners of a majority in principal amount of the Outstanding Bonds, the duty of the Trustee, to annul such declaration and destroy its effect at any time before action at law or in equity to enforce such right shall have been instituted. In addition, upon the occurrence of any event of default or non-renewal of the Lease Agreement, the Trustee may, if permitted by Applicable Law, take possession of the Project and/or re-let the Project to any qualifying entity.

SECTION 10.04 Rights of Lessee in Event of Default by Issuer under this Indenture

If the Lessee is not in default under the Lease Agreement and an Event of Default should occur under this Indenture, the Trustee shall notify the Lessee in writing of the occurrence of such default and the Lessee shall have the right to remedy such default hereunder within thirty days after such written notice, provided the Lessee shall pay all expenses of remedying such default. The exercise of the remedies set forth in this Article is subject to the right of the Lessee under this Section to remedy a default as in this Section provided and limited.

SECTION 10.05 Attorney-in-Fact after Default

The Issuer constitutes and appoints the Trustee, and any other Person whom the Trustee may designate, as the attorney-in-fact of the Issuer, to exercise (at the Issuer's expense), at any time after the occurrence and continuance of an Event of Default under this Indenture, all remedies of the Issuer otherwise available at law or equity and to do all acts and things necessary, in the Trustee's sole discretion, to effect collection of any amounts owing to the Issuer and to carry out the purposes of this Indenture and to realize upon any of the Trust Estate, all of which powers are coupled with an interest and are irrevocable until the termination of this Indenture. All acts of such attorney-in-fact or designee taken pursuant to this Indenture are ratified and approved by the Issuer for all purposes of this Indenture and said attorney-in-fact or designee shall not be liable for any acts or omissions nor for any error of judgment or mistake of fact or law.

SECTION 10.06 Respective Rights of Trustee and Owners Regarding Remedies

(a) All rights of action (including the right to file proofs of claims) under this Indenture or under any of the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its name as trustee of an express trust without the necessity of joining as plaintiffs or defendants any Owners, and any recovery shall (after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) be for the ratable benefit of the Owners of the Outstanding Bonds in respect of which such judgment shall have been recorded.

(b) The Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture, provided that:

(1) Such direction shall not be in conflict with any rule of law or this Indenture;

(2) The Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction;

(3) If such direction is given by the Owners of a majority in principal amount of Bonds Outstanding, the Trustee shall have determined that the action so directed would not be unjustly prejudicial to the Owners not taking part in such direction;

(4) The provisions of Section 10.02(a)(1), which require the Trustee to declare an acceleration, shall not be modified or waived without the prior consent of the Owners of all of the Bonds then Outstanding obtained as provided in Section 13.05.

(c) No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver or trustee, or for any other remedy under this Indenture unless (1) such Owner shall have previously given written notice to the Trustee of a continuing Event of Default; (2) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under this Indenture; (3) such Owners have offered to the Trustee indemnity in the manner provided in Section 14.03(e) of this Indenture; (4) the Trustee for 30 days after its receipt of such notice, request and offer of indemnity shall have failed to institute any such proceeding; and (5) no direction inconsistent with such written request shall have been given to the Trustee during such 30-day period by the Owners of not less than a majority in aggregate principal amount of the then Outstanding Bonds, it being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Owners, or to obtain or to seek to obtain priority or preference over any other Owners, or to enforce any right under this Indenture, except in the manner in this Indenture provided and for the equal and ratable benefit of the Owners of all Bonds Outstanding.

(d) Notwithstanding any other provision of this Indenture, the right of the Owners of the Bonds, which is absolute and unconditional, to receive payment of the principal of and interest on the Bonds on or after the stated maturity date (or, in the case of redemption, on or after the Redemption Date) thereof, and to institute suit for the enforcement of such payment, or the obligation of the Issuer, which is also absolute and unconditional, to pay the principal of and interest on the Bonds to the Owners thereof at the time and place in this Indenture expressed, shall not be impaired or affected without the consent of such Owner; provided, however, that no Owner shall be entitled to take any action or institute any such suit to enforce the payment of the Bond or Bonds thereof, whether for principal or interest, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment in this Indenture would under Applicable Law result in a surrender, impairment, waiver or loss of the Lien of this Indenture upon the Trust Estate, or any part thereof, as security for the Bonds held by any other Owner.

SECTION 10.07 Rights and Remedies of Trustee upon Act of Insolvency

(a) In case of the pendency of any Act of Insolvency with respect to any Person which shall hold or own a leasehold estate or interest in the Project, the Trustee (irrespective of whether there has been an Event of Default under this Indenture) shall be entitled and empowered to intervene in such proceedings on behalf of the Owners, to file and prove a claim or claims for the whole amount owing and unpaid and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for reasonable compensation to the Trustee, its agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Trustee except as a result of its gross negligence or willful misconduct) and of the Owners allowed in any such judicial proceedings, to collect and receive any moneys or other property payable or deliverable on any such claims, and to take such other action in this Indenture as the Trustee may deem necessary or appropriate to protect the interests of the Owners, and any receiver, assignee or trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is authorized by each of the Owners to make payments to the Trustee.

(b) When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 10.08 Application of Money Collected

(a) Any money collected by the Trustee pursuant to this Article or pursuant to any right given to it or action taken by it under the provisions of this Article, together with all other funds of the Issuer then held by it or the Trustee under this Indenture, shall, after payment of all amounts for which the Trustee has a Lien under this Indenture, be applied in the order of Section 10.08(b) or Section 10.08(c) at the date or dates fixed by the Trustee, and, in case of the distribution of such money on account of the principal of, premium (if any) or interest on the Bonds, upon presentation of the Bonds and the notation thereon of the payment if only partially paid (or compliance with the rules of the Securities Depository for all Bonds then held pursuant to a Book-Entry System) and upon surrender thereof if Fully Discharged.

(b) Unless the principal of all Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

First: To the payment to the Persons entitled thereto of interest then due on all Bonds, with interest on overdue installments of such interest at the rate provided in such Bonds to the extent legally enforceable, and if the amount available shall not be sufficient to pay in full all such installments plus said interest thereon, then to the proportionate payment of all such installments and the interest thereon, according to the amounts thereof, without preference or priority of any installment of interest over any other installment or any discrimination or privilege among the said Persons entitled thereto;

Second: o the payment to the Persons entitled thereto of the principal of the Bonds then due and unpaid (and premium, if any), in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed

therefor in the Bonds) on overdue principal (and premium, if any); and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid with respect to such Bonds, then to the proportionate payment of such principal (and premium, if any), without any preference or priority, ratably according to the aggregate amount so due;

Third: The surplus, if any, to the Bond Fund.

(c) If the principal of all the Bonds shall have become or shall have been declared due and payable (whether by reason of maturity, acceleration, or mandatory or optional redemption), all such moneys shall be applied as follows:

First: To the payment to the Persons entitled thereto of the principal of the Bonds then due and unpaid and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and (to the extent legally enforceable) on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal (and premium, if any) and interest, without any preference or priority, ratably according to the aggregate amount so due; and

Second: The remainder, if any, to the Lessee or to whosoever may be entitled thereto.

SECTION 10.09 Waivers of Past Defaults under Indenture and Lease Agreement

(a) The Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds may waive any Event of Default under this Indenture or the Lease Agreement and its consequence except a default:

- (1) in the payment of the principal of or interest on any Bond; or
- (2) in respect of any covenant or provision of this Indenture which under Article 11 cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected; or
- (3) in the payment of any amount due under Section 3.2 of the Lease Agreement.

(b) Upon any such waiver, such default shall cease to exist, and an Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Financing Documents; provided no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 10.10 General Availability of Remedies; Restoration of Positions

(a) No right or remedy in this Indenture conferred upon or reserved to the Trustee or to the Owners is intended to be exclusive of any other right or remedy, and every such right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under this Indenture or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under this Indenture, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

(b) No delay or omission of the Trustee or of any Owner of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence in this Indenture. Every right and remedy given by this Article or by law to the Trustee or to the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners.

(c) All rights, remedies and powers provided by this Article may be exercised only to the extent that the exercise thereof does not violate any provision of Applicable Law, and all provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited

to the extent necessary so that they will not render this Indenture invalid, unenforceable or not entitled to be recorded, registered or filed.

(d) If the Trustee or any Owner shall have instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to such Owner, then and in every such case the Issuer, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored to their former positions under this Indenture, and thereafter all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

ARTICLE 11

Supplemental Indentures and Amendments to the Lease Agreement

SECTION 11.01 Supplemental Indentures without Consent of Owners

Without notice to or consent of the Owners of any Bonds, and with the prior written consent of the Lessee, the Issuer and the Trustee may from time to time enter into one or more indentures supplemental hereto or in amendment of this Indenture, for any of the following purposes:

(1) to correct or amplify the description of any property at any time subject to the Lien of this Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the Lien of this Indenture, or to subject to the Lien of this Indenture additional funds, revenue or property; or

(2) to evidence the succession of another Person to the Issuer or the Trustee or the Lessee and the assumption by any such successor of the agreements thereof under the Financing Documents; or

(3) to add to the covenants of the Issuer for the benefit of the Owners of Bonds and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture; provided, however, that with respect to any such covenant, such Supplemental Indenture may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default; or

(4) to surrender any right or power in this Indenture conferred upon the Issuer; or

(5) to cure any ambiguity, to correct or supplement any provision in this Indenture which may be inconsistent with any other provision in this Indenture or to add any provisions, with respect to matters or questions arising under this Indenture, which shall not be inconsistent with the provisions of this Indenture, provided such action shall not adversely affect the interests of the Owners of the Bonds; or

(6) to permit fully registered Bonds to be exchanged for coupon Bonds (which may be registrable as to principal only), provided that the Trustee receives an Opinion of Bond Counsel with respect to the Bonds to the effect that such exchange is permitted by applicable law; or

(7) to make further provisions with respect to the administration and operation of the Book-Entry System and the transfer, payment, selection for redemption and redemption of Bonds in accordance therewith; or

(8) to secure or maintain ratings from a nationally recognized credit or securities rating agency, provided that (i) the changes necessary to obtain or secure such ratings shall not have a material adverse effect upon the interests of the Owners of the Bonds and (ii) the Trustee receives an opinion of Independent

Counsel to the effect that such changes are permitted by Applicable Law and will not cause the interest on any of the Bonds to be or become Taxable; or

(9) to modify, amend or supplement this Indenture in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States, and, if they so determine, to add to this Indenture such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or

(10) to issue Additional Bonds pursuant to Section 6.02 of this Indenture.

SECTION 11.02 Supplemental Indentures with Consent of Owners

(a) With the consent of the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds, and with the prior written consent of the Lessee and Lessee, the Issuer and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Owners of the Bonds under this Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Owner of each Outstanding Bond affected thereby:

(1) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption or prepayment thereof, or change the coin or currency in which any Bond, or the interest thereon is payable, or change the mandatory redemption schedule applicable to any Bonds, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption or prepayment, on or after the redemption or prepayment date); or

(2) reduce the percentage in principal amount of the Outstanding Bonds the consent of whose Owners is required for any such Supplemental Indenture or the consent of whose Owners is required for any waiver provided for in this Indenture of compliance with certain provisions of this Indenture or certain defaults under this Indenture and their consequences; or

(3) modify or alter any of the provisions of this Section except to increase any percentage provided for to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or

(4) permit the creation of any Lien ranking prior to or on a parity with the Lien of this Indenture with respect to the Trust Estate or any part thereof or terminate the Lien of this Indenture on any property at any time subject hereto or deprive the Owner of any Bond of the security afforded by the Lien of this Indenture; or

(5) establish preference or priority as between the Bonds.

(b) The consent of the Owners as required by Section 11.02 (a) shall be obtained as provided in Section 13.05.

(c) If the Issuer shall request the Trustee to enter into a Supplemental Indenture, the Trustee, upon being satisfactorily indemnified with respect to expenses, shall give notice to the Owners of all of the Bonds, as provided therefor in this Indenture, of the nature of the proposed Supplemental Indenture and that copies thereof are on file at the Principal Office of the Trustee. If the Owners of the required percentage of the aggregate amount of the Bonds then Outstanding shall consent thereto, the Issuer and the Trustee may execute and deliver such Supplemental Indenture which shall thereupon become a part of the Indenture for all purposes thereof.

SECTION 11.03 Amendments to Lease Agreement without Consent of Owners

Without notice to or consent of the Owners of any Bond, the Issuer and the Lessee may from time to time enter into one or more agreements in amendment of the Lease Agreement, for any of the following purposes:

- (1) to correct the description of any property at any time subject to the Lease Agreement or subject any additional property to the demise thereof; or
- (2) to evidence the succession of another Person to the Issuer and the assumption by any such successor of the agreements thereof under the Financing Documents; or
- (3) to add to the covenants of the Lessee for the benefit of the Owners of Bonds and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants an Event of Default permitting the enforcement of all or any of the several remedies provided in this Indenture; provided, however, that with respect to any such covenant, such agreement may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Trustee upon such default; or
- (4) to surrender any right or power conferred upon the Lessee; or
- (5) to cure any ambiguity, to correct or supplement any provision in the Lease Agreement which may be inconsistent with any other provision in the Lease Agreement or to make any other provisions, with respect to matters or questions arising under the Lease Agreement, which shall not be inconsistent with the provisions of the Lease Agreement, provided such action shall not adversely affect the interests of the Owners of the Bonds; or
- (6) in connection with the issuance of Additional Bonds as permitted under this Indenture.

SECTION 11.04 Amendments to Lease Agreement with Consent of Owners

(a) With the consent of the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds, the Issuer and the Lessee may enter into agreements for the purpose of adding any provisions to, or changing in any manner or eliminating any provisions of, the Lease Agreement; provided, that no such amendatory agreement shall, without the consent of the Owner of all Bonds then Outstanding, affect or change the obligation of the Lessee to pay Basic Rent at the times and in the amounts required therefor under Section 3.2 of the Lease Agreement.

(b) The consent of the Owners of the Bonds as required by Section 11.04(a) shall be obtained as provided in Section 13.05.

SECTION 11.05 Reference in Bonds to Supplemental Indentures

Bonds authenticated and delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if required by the Trustee shall, bear a notation in form approved by the Trustee as to any matter provided for in such Supplemental Indenture. If the Issuer shall so determine, new Bonds so modified as to conform, in the opinion of the Trustee and the Board of Directors of the Issuer, to any such Supplemental Indenture may be prepared and executed by the Issuer and authenticated and delivered by the Trustee in exchange for Outstanding Bonds.

SECTION 11.06 Opinions of Independent Counsel

In executing, or accepting the additional trusts created by, any Supplemental Indenture permitted by this Article or the modification of the trusts created by this Indenture, or consenting to the amendment of any other Financing Document, the Trustee shall be entitled to receive, and, subject to Section 14.01, shall be fully protected in relying upon, an Opinion of Bond Counsel stating that the execution of such Supplemental Indenture or amendment

(i) is permitted pursuant to the terms of the applicable Financing Document being amended or changed (other than this Indenture) and (ii) is authorized or permitted by this Indenture and (iii) will not cause interest on the Bonds to become Taxable.

ARTICLE 12

Special Agreements of Owners and Beneficial Owners

SECTION 12.01 Officers, Directors, of Issuer Exempt from Personal Liability

The Owners and the Trustee agree that no recourse under or upon any covenant or agreement of this Indenture, or of any Bonds, or for any claim based thereon or otherwise in respect thereof, shall be had against any past, present or future incorporator, officer or member of the Board of Directors of the Issuer, or of any successor corporation, either directly or through the Issuer, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that this Indenture and the Bonds issued under this Indenture are solely corporate obligations, and that no personal liability whatever shall attach to, or is or shall be incurred by, any incorporator, officer or member of the Board of Directors of the Issuer or any successor corporation, or any of them, because of the issuance of the Bonds, or under or by reason of the covenants or agreements contained in this Indenture or in any Bonds or implied therefrom, and all such liability of any such incorporators, officers, employees or directors of the Issuer as such is expressly and irrevocably waived and released as a condition of and in consideration for the execution of this Indenture and the issuance of the Bonds.

SECTION 12.02 Agreements of Beneficial Owners

The Beneficial Owners, by acquisition of a beneficial interest in a Bond or Bonds, the Securities Depository, the Securities Depository Nominee, the Direct Participants, and the Indirect Participants, severally agree that the Issuer and the Trustee have not undertaken, directly or indirectly, to provide, and therefore shall have no liability, obligation, or responsibility to any Person (including without limitation Beneficial Owners, Direct Participants, and Indirect Participants) for (i) the accuracy of any records maintained by the Securities Depository or any Direct Participant or Indirect Participant, or (ii) the payment by the Securities Depository or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, interest on or premium (if any) on, any of the Bonds, or (iii) the delivery, or timeliness of delivery by the Securities Depository or any Direct Participant or Indirect Participant of any notice due to any Beneficial Owner which is required or permitted under this Indenture to be given to such Beneficial Owner, or (iv) the selection of the beneficial owners of the Bonds to receive payment in the event of any partial redemption of the Bonds, or (v) any Act (including without limitation any consent to, or waiver of, any action or inaction) by the Securities Depository or Securities Depository Nominee, as Owner.

SECTION 12.03 Agreements of Owners and Beneficial Owners

Each Owner, and each Beneficial Owner, by the acquisition of a Bond or a beneficial interest in this Indenture, shall assent to, and agree to be legally bound by, the provisions of this Indenture as a contractual agreement under the laws of the State of Alabama by the Issuer and each Owner and Beneficial Owner.

ARTICLE 13

Principles of Construction; Requirement for Authentication of Bonds; Determination of Ownership of Bonds; Acts of Owners; Determination of Bonds Outstanding; Notices to Issuer, Trustee and Owners

SECTION 13.01 General Construction of Indenture

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

- (1) All references in this Indenture to designated “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this Indenture as originally executed.
- (2) The terms “in this Indenture,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.
- (3) The Article and Section headings in this Indenture are for convenience only and shall not affect the construction of this Indenture.

SECTION 13.02 Requirement for Authentication of Bonds

The executed Certificate of Authentication and Registration on a Bond shall, without more, conclusively establish the authentication and delivery of such Bond under this Indenture and the entitlement of such Bond to the equal and proportionate benefit of the covenants and Lien of this Indenture as provided in this Indenture.

SECTION 13.03 Determination of Ownership of Bonds; Securities Depository as Owner under Book-Entry System

- (a) The ownership of the Bonds shall be proven by the Bond Register.
- (b) The Issuer, the Trustee and any agent of the Issuer or the Trustee shall treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of, premium (if any) and interest on such Bond and for all other purposes whatsoever whether or not such Bond is overdue, and, to the extent permitted by Applicable Law, neither the Issuer, the Trustee nor any such agent shall be affected by notice to the contrary.
- (c) During a period in which the Bonds are held pursuant to a Book-Entry System, the Issuer and the Trustee shall treat the Securities Depository or the Securities Depository Nominee as the only registered owner of the Bonds for all purposes under this Indenture. In the event the Securities Depository or the Securities Depository Nominee assigns its rights to consent or vote under this Indenture to any Direct Participant or Indirect Participant, the Issuer, the Trustee and the Developer shall treat such assignee or assignees as the only registered owner or owners of the Bonds for the purpose of exercising such rights so assigned.

SECTION 13.04 Determination of Bonds Outstanding

For the purpose of determining whether the Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent, waiver or other action under this Indenture:

- (i) Bonds owned by the Issuer, the Lessee, or any other obligor with respect to the Bonds, or any Affiliate of any thereof, shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which a Responsible Officer of the Trustee actually knows to be so owned shall be disregarded, and
- (ii) Bonds so owned which have been pledged in good faith may be regarded as Outstanding for such purposes if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the Issuer, the Lessee, or any other obligor with respect to the Bonds, or any Affiliate of any thereof.

SECTION 13.05 Acts of Owners; Binding Effect of Acts

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given, made or taken by Owners may be embodied in and evidenced by one or more substantially concurrent instruments of substantially similar tenor signed by such Owners in person or by an attorney or legal representative duly appointed in writing; and, except as in this Indenture otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is expressly required, to the Issuer. Such instrument or instruments (and the action embodied in this Indenture and evidenced thereby) are in this Indenture sometimes referred to as the “Act” of the Owners signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such legal representative, or of the holding by any Person of Bonds, shall be sufficient for any purpose of this Indenture and conclusive in favor of the Issuer and (subject to Section 14.01) in favor of the Trustee, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officers authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Whenever such execution is by an officer of a corporation or a member of a partnership, or limited liability company or partnership, on behalf of any thereof, such certificate or affidavit shall also constitute sufficient proof of the authority thereof.

(c) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 13.06 Notices to Issuer and Trustee

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with the Trustee, the Issuer, the Lessee or the Lessee shall be sufficient for every purpose under this Indenture if made, given, furnished or filed in writing at the following addresses or such other address provided in writing:

Trustee

Regions Bank
1900 5th Avenue North, 26th Floor
Birmingham, AL 35203
Attn: Corporate Trust Department

Issuer

The Public Building Authority of the City of
Ashville
211 8th Street
Ashville, AL 35953

Lessee

City of Ashville, Alabama
211 8th Street
Ashville, AL 35953

SECTION 13.07 Notices to Owners; Waiver

(a) Where this Indenture provides for publication of notice to Owners of any event, such notice shall be sufficiently given (unless otherwise in this Indenture expressly provided) if in writing and mailed, first-class postage prepaid, or sent by telecopy or electronic transmission system, to each Owner of such Bonds, at the address of such Owner as it appears in the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first publication of such notice.

(b) In any case where notice to Owners is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Owner shall affect the sufficiency of such notice with respect to other Owners. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

ARTICLE 14

The Trustee

SECTION 14.01 Duties and Responsibilities of Trustee

(a) Except during the continuance of an Event of Default of which a Responsible Officer in the Corporate Trust Department of the Trustee has actual knowledge:

(1) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture and any Supplemental Indenture and no implied covenants or obligations shall be read in this Indenture against the Trustee; and

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed in this Indenture, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture; but in the case of any such certificates or opinions which by any provision of this Indenture are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default, of which a Responsible Officer in the Corporate Trust Department of the Trustee has actual knowledge, has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(c) The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for anything whatsoever in connection with the trusts created hereby, provided that no provision of this Indenture shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act or its own willful misconduct.

(d) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer or officers or employee or agent of the Trustee unless it shall be proven that the Trustee was grossly negligent in ascertaining the pertinent facts.

(e) The Trustee shall not be liable with respect to any action taken or omitted to be taken or omitted by it in good faith in accordance with the direction of the Owners of a majority in aggregate principal amount of the Outstanding Bonds relating the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture.

(f) Whether or not in this Indenture expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section and Section 14.03.

SECTION 14.02 Notice of Defaults

Within thirty (30) days after the Trustee has knowledge of the occurrence of any Event of Default, the Trustee shall transmit by mail to all Owners as their names and addresses appear in the Bond Register, notice of such default under this Indenture actually known to an officer of the Trustee, unless such default shall have been cured or waived;

provided, however, that, except in the case of a default in the payment of principal of, premium, if any, and interest on any Bond, the Trustee shall be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of such notice is not adverse to the interests of the Owners; and provided, further, that in the case of any default of the character specified in Section 10.01(c) no such notice to Owners shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section, the term “default” means any event which is, or after notice or lapse of time or both would become, an Event of Default.

SECTION 14.03 Rights of Trustee

(a) The Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, Bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction, election, order or demand of the Issuer shall be sufficiently evidenced by an instrument signed in the name of the Issuer by an Authorized Issuer Representative (unless otherwise in this Indenture specifically prescribed), and any Resolution of the Issuer may be evidenced to the Trustee by a copy thereof certified by the Secretary or Assistant Secretary of the Issuer. Any request, direction, election, order or demand of the Lessee shall be sufficiently evidenced by an instrument signed in the name of the Lessee by an Authorized Lessee Representative (unless otherwise in this Indenture specifically prescribed), and any Resolution of the Lessee may be evidenced to the Trustee by a copy thereof certified by the City Clerk of the Lessee.

(c) The Trustee may consult with Independent Counsel regarding its duty under this Indenture, and the written advice or opinion of such Independent Counsel shall be full and complete authorization and protection in respect of, and the Trustee shall not be responsible for any loss or damage resulting from, any action taken, suffered or omitted by it under this Indenture in good faith and in reliance on such advice or opinion.

(d) Whenever, in the administration of the trusts of this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Indenture, such matter (unless other evidence in respect thereof be in this Indenture specifically prescribed) may, in the absence of gross negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate of an Authorized Issuer Representative or Authorized Lessee Representative, as applicable, and such certificate of an Authorized Issuer Representative or Authorized Lessee Representative, as applicable, shall, in the absence of gross negligence or bad faith on the part of the Trustee, be full warranty to the Trustee for any action taken, suffered or omitted by it under the provisions of this Indenture upon the faith thereof.

(e) The Trustee shall be under no obligation to exercise any of the rights, powers or remedies vested in it by this Indenture at the request or direction of the Owners pursuant to this Indenture, unless such Owners shall have furnished to the Trustee satisfactory security or indemnity for the reimbursement of all expenses to which it may be put and to protect it against all liability which might be incurred by it in compliance with such request or direction, provided, that the Trustee cannot require such security or indemnity as a condition to the due and punctual payment of all or any part of the principal of, premium (if any) and interest on the Bonds by the Trustee as provided in this Indenture and in this Indenture, or to the effectuation of redemptions of any of the Bonds as provided in this Indenture, or to the declaration of acceleration under Section 10.02(a).

(f) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, Bond, debenture, or other paper or document, but the Trustee, in its discretion, may make such further inquiry or investigation to such facts or matters as it may determine.

(g) The Trustee may execute any of the trusts or powers under this Indenture or perform any duties under this Indenture either directly or by or through agents, attorneys, receivers or employees, and the Trustee shall not be responsible or answerable for any misconduct or negligence on the part of any agent or attorney or employee appointed or selected with reasonable care by it under this Indenture.

(h) In the event the Trustee receives inconsistent or conflicting requests or indemnity from two or more groups of Owners of Bonds, each representing less than a majority in aggregate principal amount of the Outstanding Bonds, the Trustee, in its sole discretion, may determine what action, if any, shall be taken.

(i) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees and such immunities and protections and rights to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of this Indenture, and final payment of the Bonds.

(j) The Trustee shall have no obligation to file financing statements or continuation statements under the Uniform Commercial Code with respect to the security interests securing the Bonds.

(k) The Trustee may open accounts for the funds created pursuant to this Indenture as and when the same are needed.

(l) The Trustee shall not be accountable for the use or application by the Issuer of any of the proceeds of the Bonds or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture.

(m) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(n) The Trustee shall have the right to accept and act upon directions or instructions given by an Authorized Issuer Representative and Authorized Lessee Representative pursuant to this Indenture or any other document reasonably relating to Bonds issued under this Indenture and delivered using Electronic Means (defined below). If the Issuer elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustee's understanding of such directions or instructions shall be deemed controlling. The Issuer understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Issuer Representative or Authorized Lessee Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Issuer Representative or Authorized Lessee Representative. The Issuer shall be responsible for ensuring that only Authorized Issuer Representatives transmit such directions or instructions to the Trustee and that all Authorized Issuer Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Lessee shall be responsible for ensuring that only Authorized Lessee Representatives transmit such directions or instructions to the Trustee and that all Authorized Lessee Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or

authentication keys, or another method or system specified by the Trustee as available for use in connection with its services under this Indenture.

(o) Any action taken, or omitted to be taken, by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who, at the time of making such request or giving such authority or consent, is the registered owner of any Bond shall be conclusive and binding upon all future owners of the same Bond and of any Bond or Bonds issued in exchange therefor or upon transfer of or in place thereof.

(p) The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers under this Indenture or otherwise in respect of the premises of this Indenture or to file any returns or reports to any court in the execution of its trusts.

(q) The Trustee may construe any provision of this Indenture insofar as such may appear to it to be ambiguous or inconsistent with any other provision of this Indenture, and any construction of any such provision by the Trustee shall be binding upon the owners of the Bonds and the Issuer.

(r) No provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under this Indenture or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

SECTION 14.04 Trustee not Responsible for Certain Matters of Bonds or Security or Disclosures

(a) The recitals contained in this Indenture and in the Bonds, except the Trustee's certificate of authentication and registration on the Bonds, shall be taken as the statements of the Issuer, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Bonds. The Trustee is not responsible for the filing or recording of this Indenture or for the payment of taxes, charges, assessments and Liens upon the Trust Estate, or for insuring the Trust Estate or the maintenance thereof, or for the validity or sufficiency of the security for the Bonds issued under this Indenture or intended to be secured hereby, or for the value or title of any of the Trust Estate, or otherwise as to the maintenance of the security of this Indenture; except that in the event the Trustee enters into possession of a part or all of the Trust Estate pursuant to any provision of this Indenture, it shall use reasonable care in preserving such property.

(b) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

SECTION 14.05 Trustee May Hold Bonds

The Trustee, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer or a guarantor or insurer of the Bonds with the same rights it would have if it were not Trustee.

SECTION 14.06 Money Held in Trust

Money held by the Trustee in trust under this Indenture need not be segregated from other funds except to the extent required by this Indenture or by law. The Trustee shall be under no liability for interest on any money received by it under this Indenture except as otherwise provided in this Indenture.

SECTION 14.07 Compensation of Trustee; Lien

(a) The Issuer agrees to cause to be paid, solely from funds made available to the Issuer for such purpose:

(1) to the Trustee from time to time reasonable compensation for all services rendered by it under this Indenture (which compensation shall not be subject to any provision of law in regard to the compensation of a trustee of an express trust); and

(2) upon request, reimbursement for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and Independent Counsel), except any such expense, disbursement or advance as may be determined by a court of competent jurisdiction to be attributable to the Trustee's gross negligence or willful misconduct.

(b) The Trustee shall have a first Lien on the Trust Estate (except funds held in trust for the benefit of the Owners of particular Bonds, which funds shall never be subject to a Lien in favor of the Trustee) with right of payment prior to payment on account of principal of, premium (if any) and interest on any Bond, for reasonable compensation for all services rendered by it under this Indenture and for all reasonable expenses, advances, disbursements and counsel fees incurred or made in and about the execution of the trusts created and the exercise and performance of the powers and duties of the Trustee under this Indenture and the cost and expense incurred in defending against any liability in the premises of any character whatsoever (unless such liability is adjudicated to have resulted from the gross negligence or willful default of the Trustee).

SECTION 14.08 Eligibility of Trustee; Appointment of Co-Trustee

(a) Except as provided in subsection (b), there shall at all times be a Trustee under this Indenture which shall be a commercial bank or trust company organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$1,000,000,000, subject to supervision or examination by Federal or State authority.

(b) It is the purpose of this Indenture that there shall be no violation of the law of any jurisdiction denying or restricting the right of banking corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and in particular in case of the enforcement thereof on any Event of Default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights, or remedies in this Indenture granted to the Trustee or hold title to the properties, in trust, as in this Indenture granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee pursuant to this Section.

(c) In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and Lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them. The Trustee shall be jointly liable for the actions taken by such separate or co-trustee, if such actions were taken at the direction of the Trustee.

(d) Should any instrument in writing from the Issuer be required by the separate or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer. In case any separate or co-trustee or a successor to either shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or co-trustee, so far as permitted by Applicable Law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate or co-trustee.

SECTION 14.09 Resignation and Removal; Appointment of Successor

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under this Indenture.

(b) The Trustee may resign at any time by giving thirty (30) days written notice thereof to the Issuer.

(c) The succession (whether by merger, consolidation, or transfer) of any other Person to all or substantially all of the corporate trust business of the Trustee shall automatically constitute the resignation of the Trustee under this Indenture for all purposes of this Indenture.

(d) If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(e) The Trustee may be removed at any time by the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds by an instrument or instruments setting forth such demand or request delivered to the Trustee and to the Issuer not less than thirty (30) days prior to the effective date of such removal.

(f) If at any time the Trustee shall be or become incapable of acting or shall be adjudged a bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then (i) the Issuer by Resolution may remove the Trustee, or (ii) any Owner who has been a bona fide Owner of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

(g) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause, the Issuer shall promptly appoint a successor Trustee. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee shall be appointed by the Owners of a majority in aggregate principal amount of Outstanding Bonds by an instrument or instruments setting forth such direction delivered to the retiring Trustee and the Issuer, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee and supersede the successor Trustee appointed by the Issuer. If no successor Trustee shall have been so appointed by the Issuer or the Owners and accepted appointment in the manner in this Indenture provided, any Owner who shall have been a bona fide Owner of a Bond for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee.

(h) The Issuer shall give notice of each resignation and each removal of the Trustee and each appointment of a successor Trustee by mailing written notice of such event to the Owners at their addresses as shown in the Bond Register. Each notice shall include the name and address of the principal corporate trust office of the successor Trustee.

SECTION 14.10 Qualification of and Acceptance of Appointment by Successor

(a) Any successor Trustee shall be a bank or trust company authorized to administer trusts of the type in this Indenture created and having, at the time of its acceptance of such appointment, combined capital, surplus and undivided profits of at least \$1,000,000,000.

(b) Every successor Trustee appointed under this Indenture shall execute, acknowledge and deliver to the Issuer and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers, trusts, and duties of the retiring Trustee; provided, however, on reasonable written request of the Issuer or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the estate and title of the retiring Trustee to the Trust Estate and all the rights, powers and trusts of the retiring Trustee, and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee under this Indenture, subject nevertheless to its Lien, if any, provided for in this Indenture. Upon request of any such successor Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such estate, title, rights, powers and trusts.

(c) No successor Trustee shall accept its appointment unless at the time of such acceptance such successor Trustee shall be qualified and eligible under this Article, to the extent operative.

SECTION 14.11 Merger, Conversion, Consolidation or Succession to Business

Any corporation or association into which the Trustee may be merged or converted or with which it may be consolidated, or any corporation or association resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation or association succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee under this Indenture, provided such corporation or association shall be otherwise qualified and eligible under this Article, to the extent operative, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Bonds shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the Bonds so authenticated with the same effect as if such successor Trustee had itself authenticated such Bonds.

SECTION 14.12 Trustee Not Responsible For Computations and Payments of Rebate

The Trustee shall not be responsible for (i) determining that any investment of moneys in the Bond Fund complies with the limitations imposed by Section 148 of the Federal Tax Code, or (ii) calculating the amount of, or making payment of, any rebate due to the United States of America.

SECTION 14.13 Accounting Records and Reports

The Trustee shall keep proper books of record and account in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the proceeds of the Bonds and the Trust Estate which are held by the Trustee pursuant hereto. Such records shall specify the account or fund to which each investment (or portion thereof) held by the Trustee is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price, (b) identifying information, including principal amount, and interest rate, (c) the amount received at maturity or its sale price, as the case may be, and (d) the amounts and dates of any payments made with respect thereto. Such records shall be open to inspection by the Issuer at any reasonable time during regular business hours on reasonable notice.

ARTICLE 15

Provisions of General Application

SECTION 15.01 Date of Indenture

The date of this Indenture is intended as and for a date for the convenient identification of this Indenture and is not intended to indicate that this Indenture was executed and delivered on said date.

SECTION 15.02 Enforceability

If any provision in this Indenture or in the Bonds shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 15.03 Governing Law

This Indenture shall be construed in accordance with and governed by the laws of the State of Alabama without regard to conflict of law principles.

SECTION 15.04 Counterparts

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 15.05 Successors and Assigns

All covenants and agreements in this Indenture by the Issuer or the Trustee shall be valid and binding upon the respective successors and assigns thereof.

SECTION 15.06 Benefits of Indenture

Nothing in this Indenture or in the Bonds, express or implied, shall give to any Person, other than the Issuer, the Trustee, the Lessee, and the Owners of the Bonds, any benefit or any legal or equitable right, remedy or claim under this Indenture.

IN WITNESS WHEREOF, the Issuer and the Trustee have each caused this Indenture to be duly executed, under seal, and attested by officers thereof duly authorized thereunto.

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF ASHVILLE**

By _____
Its Chairman

[SEAL]

Attest: _____
Its Secretary

**REGIONS BANK
as Trustee**

By _____

Its _____

STATE OF ALABAMA)

ST. CLAIR COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, certify that _____, whose name as Chairman of The Public Building Authority of the City of Ashville, a public corporation, is signed to the foregoing Trust Indenture and who is known to me, acknowledged before me on this day that, being informed of the contents of said Trust Indenture, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

Given under my hand and seal this the _____ day of _____, 2026.

Notary Public

NOTARIAL SEAL

My commission expires: _____

STATE OF ALABAMA)

JEFFERSON COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, certify that _____ whose name as _____ of Regions Bank, an Alabama banking corporation, as trustee under the foregoing Trust Indenture and who is known to me, acknowledged before me on this day that, being informed of the contents of said Trust Indenture, she, as such officer and with full authority, executed the same voluntarily for and as the act of said Alabama banking corporation acting in its capacity as trustee as aforesaid.

Given under my hand and seal this the ____ day of ____, 2026.

Notary Public

NOTARIAL SEAL

My commission expires: _____

EXHIBIT A
FORM OF BOND

This Bond has not been registered under the Securities Act of 1933, as amended, or under any state securities law, in reliance upon applicable exemptions, and this Bond, or any interest herein, may only be transferred in compliance with federal and state securities laws and in compliance with the Indenture referenced in this Bond.

UNITED STATES OF AMERICA
STATE OF ALABAMA
THE PUBLIC BUILDING AUTHORITY OF THE CITY OF ASHVILLE
BUILDING REVENUE BOND
SERIES 2026

Registered Owner:	Bond No.
CEDE&CO.	R-__

Dated Date:	Principal Amount:	Interest Rate per annum:	Stated Interest Payment Dates:	Maturity Date:	CUSIP:
____, 2026					_____

Authorization of Indebtedness and Payment

For Value Received, The Public Building Authority of the City of Ashville, a public corporation under the laws of the State of Alabama (the "Issuer"), has issued this Bond, as part of a series of Bonds (the "Series 2026 Bonds"), pursuant to Chapter 56 of Title 11 of the Code of Alabama 1975 and that certain Trust Indenture dated July 1, 2026 (as at any time amended or supplemented, the "Indenture") by the Issuer and Regions Bank, as trustee, paying agent, and registrar (the "Trustee") in evidence of indebtedness thereof to the Registered Owner, or registered assigns, in the Principal Amount and hereby promises to pay to the Registered Owner, through the Trustee, as Paying Agent, and Bond Registrar for the Series 2026 Bonds, and solely from the Trust Estate as provided in the Indenture, (i) the Principal Amount on the Maturity Date, subject to prior redemption (in whole or in part) thereof as provided in the Indenture, and (ii) interest accrued on the outstanding amount of such Principal Amount at the Interest Rate, computed from the Dated Date, on the Stated Interest Payment Dates and on each date fixed for redemption (in whole or in part) of this Bond, as provided in the Indenture.

Definition of Terms

Capitalized terms used in this Bond without definition shall have the respective meanings assigned thereto in the Indenture.

The Indenture

The Indenture is held by the Trustee at the Principal Office thereof referenced in the Indenture and constitutes a contractual agreement binding upon the Issuer, the Trustee and the registered owners of the Series 2026 Bonds under the laws of the State of Alabama for (i) the source of payment of, and security for, the Series 2026 Bonds; (ii) the registration, transfer, exchange and replacement of the Series 2026 Bonds; (iii) the redemption, in advance of maturity, of the Series 2026 Bonds; (iv) the payment of the Series 2026 Bonds and the defeasance of the Indenture; (v) the amendment and supplement of the Indenture (without consent, or with the consent of the registered owners of a specified percentage, or all, of the principal amount of the Series 2026 Bonds); (vi) the rights and duties of the Issuer and the Trustee; and (vii) the enforcement of the Indenture by the registered owners of a specified percentage, or all, of the aggregate principal amount of the Series 2026 Bonds then outstanding.

Agreement of Registered Owners of Series 2026 Bonds

The Indenture provides the registered owner of each of the Series 2026 Bonds, by acquisition thereof, shall have thereby consented to, and agreed to be bound by, the provisions of the Indenture.

Certification

The Issuer recites, certifies and declares that all conditions, actions and things required by the Constitution of Alabama of 2022, and the laws of Alabama, to exist, be performed and happen precedent to or in the issuance of this Bond do exist, have been performed and have happened in due time, form and manner as required by law.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name and on its behalf, under seal, by the Chairman of the governing body of the Issuer, and attested by the Secretary of the Issuer, which officers are duly authorized thereunto, and has caused this Bond to be dated the Dated Date stated above.

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF ASHVILLE**

By _____
Its Chairman

[SEAL]

Attest: _____
Its Secretary

Certificate of Authentication and Registration

Date of Authentication and Registration: _____, 2026

This is one of the Series 2026 Bonds referenced in the within mentioned Indenture and has been registered by Issuer on the registration books maintained with the Trustee in the name of the above-named registered owner on the Date of Authentication and Registration stated above.

REGIONS BANK
as Trustee

By _____
Its Authorized Officer

Assignment

For value received, _____ sell(s), assign(s) and transfer(s) unto this Bond and irrevocably constitute(s) and appoint(s) _____ attorney to transfer this Bond on the books of the within named Issuer at the office of the within named Trustee, with full power of substitution in the premises.

Dated: _____

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within Bond in all respects, without alteration, enlargement or change whatsoever.

Signature Guaranteed:*

(Bank or Trust Company)

By _____
(Authorized Officer)

Medallion Number: _____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a Issuer of the recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Notice By Securities Depository

Unless the within Bond is presented by an authorized representative of the Securities Depository (as defined in the Indenture referenced in the within Bond), to the Issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of the Securities Depository or the Securities Depository Nominee (as defined in the Indenture referenced in the within Bond), as the case may be, or in such other name as is requested by an authorized representative of the Securities Depository (and any payment is made to the Securities Depository or the Securities Depository Nominee or to such other entity as is requested by an authorized representative of the Securities Depository), ANY TRANSFER, PLEDGE, OR OTHER USE of this Indenture FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner of this Indenture, the Securities Depository or Securities Depository Nominee, as the case may be, has an interest in this Indenture.

EXHIBIT B

FORM OF REQUISITION FOR THE BOND PROCEEDS FUND

REQUISITION AND PAYMENT REQUEST

No. ____

TO: Regions Bank, as trustee of the Bond Proceeds Fund under that certain Trust Indenture dated July 1, 2026 (the "Indenture"), between The Public Building Authority of the City of Ashville (the "Issuer") and Regions Bank, as trustee. Capitalized terms not otherwise defined in this Indenture shall have the meanings assigned in this Indenture.

A requisition and payment request is made to you, as trustee of the Bond Proceeds Fund, for the payment of \$_____ to:

(Name of Person to whom payment is to be made)

whose address is _____

The purpose for which such payment is to be made is as follows (describe in reasonable detail Project Cost):

The undersigned does certify that the purpose for which such payment is to be made is one for which Bond Proceeds Fund moneys are authorized under the Trust Indenture to be expended.

This _____ day of _____, _____.

APPROVED:

CITY OF ASHVILLE, ALABAMA

By _____
Authorized Lessee Representative

Print Name: _____

Print Title: _____

EXHIBIT C

DESCRIPTION OF BUILDING SITE

STATE OF ALABAMA)

COUNTY OF ST. CLAIR)

Parcel 1: Lot number Fifty (50) according to the original survey and plot of the Town of Ashville, Alabama. Said lot fronting the street North of same a distance of 73 feet 2 ½ inches and extending back South of uniform width to the street a distance of 208 feet 8 52/100 inches. Being part of the same property as described in Deed Book 2013, Page 9193 and Instrument No. N9905702. Being the same property as described in Deed Book 207, Page 61 and Deed Book 110, Page 791, all in the Office of the Judge of Probate of St. Clair County, Ashville, Alabama.

Parcel 2: The South half of Lot 49 according to the original survey and plat of the Town of Ashville, Alabama, according to the survey and plat of Phillip Coleman of the said Town of Ashville, said lot fronts on the North side of the Street extending from West to East through the Town of Ashville, Alabama, in front of the present residence of Mrs. R.R Hodges and the former residence of J.C. Dubois and wife, and the Methodist Church, and extends back north a distance of 104.36 feet, of uniform width. Being part of the same property as described in Deed Book 2013, Page 9193 and Instrument No. N9905703. Being the same property as described in Deed Book 2002, Page 838; Instrument No. N9800193; Deed Book 233, Page 244; Deed Book 217, Page 308; and Deed Book 101, Page 881, all in the Office of the Judge of Probate of St. Clair County, Ashville, Alabama.

Parcel 3: A part of Lot No. 49 according to the original map and plat of the Town of Ashville, recorded in the Probate Office at Ashville, Alabama, described as follows: Begin at a point at the south edge of Gadsden and Ashville Highway in Ashville where the center line of the wall between the picture show building and the Garage building on said lot extended intersects the said highway at the property line between the said highway and said lot; run thence East and parallel with the south edge of said highway thirty-seven (37) feet and ten (10) inches, more or less, to the northwest corner of Lot 50 (D.A. Cobb Lot) run thence south with the line between Lot 49 and 50, 104 feet; thence west parallel with the said highway 37 feet and 10 inches, more or less, thence north 104 feet to the point of beginning. The object being to convey the East half of the wall dividing the picture show building from the Garage building on said Lot, to convey all land east of the center line of said wall to the edge of Lot 50 for a distance of 104 feet back from said Gadsden-Ashville Highway, said lot to front approximately 37 feet 10 inches on the south edge of the Gadsden-Ashville Highway and extended back south between parallel lines 104 feet. Being the same property as described in Deed Book 2003, Page 6063; Deed Book 143, Page 689; and Real Estate Book 3, Page 303. Being part of the same property as described in Instrument No. N9702369, all in the Office of the Judge of Probate of St. Clair County, Ashville, Alabama.

Parcel 4: Beginning at a point in or at the Northeast column of a garage once owned by Georgia Franklin, said point being on the southern boundary line of Eighth Street, according to the Town of Ashville, Alabama; thence west along and with the southern boundary line of Eighth Street to the northwest corner of Lot 49, according to the said plan of the Town of Ashville, Alabama, thence south along and with the eastern line of California Street 104 feet to a stake; thence east about 38 feet and parallel with the said Eighth Street to the center line of a rock wall dividing the present Strand Picture Show building from said Garage; thence north along and with said partition 104 feet to the point of beginning, being a parcel of land 104 feet long and 38 feet wide, in the northwest corner of Lot No. 49, according to the original plan of the Town of Ashville, Alabama, on which is located the Ashville Auto Repair Shop, now C.D. Wilson and Sons, etc. Being part of the same property as described in Deed Book 2013, Page 9193 and Instrument No. N9905702. Being the same property described in Deed Book 119, Page 914 and Deed Book 106, Page 203, all in the Office of the Judge of Probate of St. Clair County, Ashville, Alabama.

LEASE AGREEMENT

Dated July 1, 2026

**THE PUBLIC BUILDING AUTHORITY OF
THE CITY OF ASHVILLE**

and

CITY OF ASHVILLE, ALABAMA

This Lease Agreement was prepared by Kane Burnette of Maynard Nexsen PC 1901 6th Avenue North, Suite 1700, Birmingham, Alabama 35203

STATE OF ALABAMA)
ST. CLAIR COUNTY)

LEASE AGREEMENT

July 1, 2026

This Lease Agreement is made by and between:

Lessor: The Public Building Authority of the City of Ashville, and successors and assigns

Lessee: City of Ashville, Alabama

Recitals

Pursuant to and for the purposes expressed in Chapter 56 of Title 11 of the Code of Alabama 1975 (the "Enabling Law"), the Lessor and the Lessee have executed and delivered this Lease Agreement simultaneously with the issuance and sale by the Lessor of its Building Revenue Bonds, Series 2026, under and pursuant to that certain Trust Indenture of even date by the Lessor and Regions Bank, as trustee, to finance the acquisition, construction and installation of a "project" within the meaning of the Enabling Law, as more particularly described in said Indenture, for lease to, and use by, the Lessee pursuant hereto.

Agreement

NOW, THEREFORE, for and in consideration of the premises, and the mutual covenants and agreements herein contained, the Lessor and the Lessee hereby covenant and agree as follows:

ARTICLE 1

DEFINITIONS AND REPRESENTATIONS

SECTION 1.1 Incorporation of Defined Terms in Indenture

Capitalized terms used herein without definition shall have the respective meanings assigned thereto in the Indenture.

SECTION 1.2 Definitions of Certain Terms

For purposes hereof:

Additional Rent means the payments to be made by the Lessee under Section 3.2(b).

Annual Debt Service means the aggregate amount of principal of and interest on the Bonds becoming due and payable in any Fiscal Year.

Available Current Revenues means, for any Fiscal Year for which this Lease Agreement is in effect, the revenues actually received by the Lessee in such Fiscal Year which remain after payment of the reasonable and necessary governmental expenses of the Lessee for such Fiscal Year.

Basic Rent means the payments to be made by the Lessee under Section 3.2(a).

Building means, collectively, all buildings, structures and fixtures at any time located on the Building Site.

Building Site means the real property described on Exhibit A, together with all tenements, hereditaments, appurtenances, easements, rights, privileges, and immunities thereunto belonging or appertaining.

Enabling Law means Chapter 56 of Title 11 of the Code of Alabama 1975.

Equipment means, collectively, all equipment and personal property (including without limitation any thereof acquired in substitution, renewal or replacement) used or useful, or having the present capacity for future use, in connection with the Building and located in, on or about the Building, or on the Building Site.

Fiscal Year means the fiscal year of the Lessee as established from time to time.

Indenture means the Trust Indenture dated July 1, 2026 by the Lessor and the Trustee, as at any time amended, restated or supplemented pursuant to the provisions thereof.

Independent Architect means a person registered and qualified to practice as an architect under the laws of the State, satisfactory to the Trustee, and not in the full-time employment of either the Building Authority or the Lessee.

Independent Engineer means a person registered and qualified to practice as an engineer under the laws of the State, satisfactory to the Trustee, and not in the full-time employment of either the Building Authority or the Lessee.

Lease Agreement means this Lease Agreement by the Lessor and the Lessee, as at any time amended, restated, or supplemented pursuant to the Indenture.

Lease Obligations means the obligations of payment of the Lessee pursuant to this Lease Agreement.

Lease Term means the Fiscal Year ending September 30, 2026 and any subsequent Fiscal Year for which the Lessee shall have exercised the option to renew under Section 3.1 hereof.

Net Loss Proceeds, when used with respect to any insurance or condemnation award, means the gross proceeds from the insurance or condemnation award with respect to which that term is used remaining after payment of all reasonable expenses (including reasonable attorneys' fees and any extraordinary fee of the Trustee) incurred in the collection of such gross proceeds.

Project means, collectively, the Building, the Building Site and the Equipment.

State means the State of Alabama.

Trustee means Regions Bank, until a successor Trustee shall have become such pursuant to the Indenture, and thereafter "Trustee" shall mean such successor.

Unimproved when used with reference to the Building Site means any part or parts of the Building Site upon the surface of which no part of a building or other structure rests.

SECTION 1.3 Representations by the Lessor

The Lessor makes the following representations:

(1) The Lessor is duly incorporated under the provisions of the Enabling Law, is not in default under any of the provisions contained in its certificate of incorporation, its by-laws, or in the laws of the State, and by proper corporate action has duly authorized the execution and delivery of this Lease Agreement.

(2) The Lessor has determined that the issuance of the Bonds and the leasing of the Project to the Lessee is in furtherance of the purposes of the Enabling Law.

(3) The Bonds will be issued and delivered contemporaneously with the delivery of this Lease Agreement.

(4) The rentals provided for in this Lease Agreement constitute a fair and reasonable rent for the Project, which Project will be used by the Lessee in the performance of its governmental and public functions.

(5) The Project constitutes a "project" within the meaning of the Enabling Law.

(6) The Lessor has made all filings, given all notices, and received all approvals or consents, required by Applicable Law to be made with or obtained from any Governmental Authority for the issuance of the Bonds and the delivery and performance of the Indenture and this Lease Agreement.

(7) The Lessor has good and marketable title to the Building Site, subject only to Permitted Encumbrances.

SECTION 1.4 Representations by the Lessee

The Lessee makes the following representations:

(1) The Lessee has power to enter into this Lease Agreement and by proper action of its governing body has duly authorized the execution and delivery of this Lease Agreement.

(2) It is necessary and desirable that sufficient buildings and facilities be acquired through the issuance of the Bonds to provide for present and future governmental and public needs of the Lessee.

(3) The Basic Rent provided for in this Lease Agreement constitutes a fair and reasonable rent for the Project which will be used by the Lessee in the performance of its governmental and public functions and such rentals shall constitute necessary governmental operating expenses of the Lessee.

(4) The Lessee approves the provisions of the Indenture.

(5) The execution, delivery and performance of this Lease Agreement by the Lessee does not conflict with, or result in a breach of, any law or constitutional provision applicable to the Lessee or any terms, conditions or provisions of any contractual agreement or governmental order to which the Lessee is subject or by which the Lessee is bound.

(6) The Project is essential for the Lessee to perform its governmental functions.

(7) The Project complies in all material respects with all applicable building and zoning, health, environmental and safety ordinances and laws and all other applicable laws, rules and regulations.

(8) The Lessor has made all filings, given all notices, and received all approvals or consents, required by Applicable Law to be made with or obtained from any Governmental Authority for the issuance of the Bonds and the delivery and performance of the Indenture and this Lease Agreement.

ARTICLE 2

DEMISE OF PROJECT; VESTING OF TITLE TO PROJECT IN LESSEE

SECTION 2.1 Demise; Quiet Enjoyment of Project

(a) The Lessor does hereby demise and lease to the Lessee, and the Lessee does hereby lease and take from the Lessor, all right, title and interest of the Lessor in and to the Project.

(b) So long as the Lessee performs and observes all the covenants and agreements on its part herein contained, it shall peaceably and quietly have, hold and enjoy the Project during the Lease Term subject to all the terms and provisions of this Lease Agreement.

SECTION 2.2 Title to Project Vested in Lessee when Bonds Fully Discharged

(a) The Lessor and the Lessee agree that the Enabling Law provides that title to the Project shall thereupon vest in the Lessee when the Bonds shall have been Fully Discharged. In order to conform this Lease Agreement to the Enabling Law and establish the Lessee's right to the Project if, at such time as the Bonds shall have been Fully Discharged, the Enabling Law does not then automatically vest title to the Project in the Lessee, the Lessor hereby conditionally conveys to the Lessee all the rights, title and interest of the Lessor in and to the Project, and the Lessor and the Lessee hereby covenant and agree that said right, title and interest of the Lessor in and to the Project shall, without further action on the part of the Lessor, automatically vest in the Lessee upon satisfaction and discharge of the Indenture as provided therein. In no event, however, shall the Lessee be entitled to claim or enforce any rights in the Project pursuant to the aforesaid conveyance by the Lessor which would in any way impair the rights of the Trustee, or the Owners. The estate of the Lessee created by such conveyance is in the nature of a contingent remainder, and such estate shall not merge with the leasehold estate of the Lessee created by the Lease Agreement until all conditions precedent to its vesting shall have been satisfied. The Lessor will, at the expense of the Lessee, execute and deliver such further instruments and do such further acts as may be necessary or appropriate to perfect and secure the title of the Lessee to the Project, if and when the Lessee's right thereto vests absolutely pursuant to the provisions hereof.

(b) The provisions of this paragraph shall survive, and remain in full force and effect from and after, any termination of this Lease Agreement consequent upon the Bonds having been Fully Discharged.

SECTION 2.3 Special Representation by Lessee

The Lessee agrees that it has no Lien, and hereby waives any Lien it may otherwise have, on the Project by virtue of having paid the purchase price of any property to become part of the Project.

ARTICLE 3

LEASE TERM; LEASE OBLIGATIONS; NATURE OF OBLIGATIONS OF LESSOR AND LESSEE

SECTION 3.1 Lease Term

(a) The Lease Term shall begin on the date of the delivery of this Lease Agreement and, subject to the provisions of this Lease Agreement, shall continue until midnight of September 30, 2026.

(b) The Lessor grants to the Lessee successive options to renew the term of this Lease Agreement for each separate Fiscal Year subject to the provisions of the Enabling Law. The Lessee agrees that the option of renewal for each Fiscal Year during the Lease Term Period shall be exercised on the first day of each Fiscal Year unless the governing body of the Lessee shall adopt a resolution stating that the Lessee will not exercise the option to renew this Lease Agreement for the next succeeding Fiscal Year and a certified copy of such resolution is delivered by registered or certified mail to the Lessor and to the Trustee prior to August 15 of the then current Fiscal Year.

(c) The Lessor and the Lessee agree that the Lessee has no direct, indirect, contingent or moral obligation to renew this Lease Agreement for any Fiscal Year subsequent to the Fiscal Year ending September 30, 2026.

(d) The Lessor will deliver to the Lessee possession of the Project on the date of delivery of this Lease Agreement and the Lessee will accept possession thereof at such time.

SECTION 3.2 Lease Obligations

(a) Basic Rent; Triple Net Lease

The Lessee shall pay or cause to be paid, on the first day of each Fiscal Year for which this Lease Agreement is in effect, directly to the Trustee for deposit in the Bond Fund for the account of the Lessor, in lawful money of the United States of America immediately available and solely from the Available Current Revenues, an aggregate amount equal to the amount by which the Annual Debt Service for such Fiscal Year exceeds the amount then on deposit in the Bond Fund and available for the payment thereof; provided, anything herein to the contrary notwithstanding, (i) no

Event of Default shall occur if such amount is received by the Trustee in such amounts and at such times as shall be sufficient to pay in full the interest on the Bonds becoming due and payable on each Stated Interest Payment Date and the principal of the Bonds becoming due and payable (at stated maturity or by mandatory redemption) on April 1 in each year, and (ii) if at any time the amount held by the Trustee in the Bond Fund shall be sufficient to pay in full when due the principal of and interest on the Bonds then Outstanding until the stated maturity or redemption dates thereof, the Lessee shall not be obligated to make any further payments under this Section; provided further, this provision shall not affect the other obligations of the Lessee under this Lease Agreement.

(b) Additional Rent

The Lessee shall pay, solely from the Available Current Revenues, as additional rent to the Trustee, in each Fiscal Year in which this Lease Agreement is in effect (i) an amount equal to the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, as and when the same becomes due, (ii) the reasonable fees and charges of the Trustee as paying agent on the Bonds as provided in the Indenture, as and when the same become due, and (iii) to the extent permitted by law, the reasonable fees, charges and expenses of the Trustee for necessary extraordinary services rendered by it and extraordinary expenses incurred by it under the Indenture, as and when the same become due, or any expense or loss incurred by the Trustee, without gross negligence or bad faith, with respect to the administration of the trusts under the Indenture, provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges, expenses or loss.

SECTION 3.3 Option to Redeem Bonds by Lessee

The Lessee may, at its election and at any time while it is not in default hereunder, pay to the Trustee such amount as shall be sufficient to enable the Lessor to retire, in advance of maturity and in accordance with their terms, any or all of the Bonds. Any payment made by the Lessee under this or any other Section of this Lease Agreement to be applied to the redemption of Bonds shall be made at least 45 days prior to the proposed redemption date and at the time of such payment the Lessee shall notify the Lessor and the Trustee, in writing, as to the purpose of such payment, and the Lessor, upon receiving such notice, shall be obligated and hereby agrees to take all necessary action to have the payment made by the Lessee for the purpose of redeeming Bonds applied to the redemption of as many Bonds as such payment will permit under the redemption provisions of the Bonds and the Indenture.

SECTION 3.4 Nature, and Source of Payment, of Lease Obligations

(a) The Lessor and the Lessee agree that the Lease Obligations becoming due and payable under this Lease Agreement in any Fiscal Year during which this Lease Agreement is in effect are limited obligations of the Lessee payable solely from the Available Current Revenues for such Fiscal Year and shall never constitute or create (i) an obligation of the Lessee payable from the general assets or revenues of the Lessee accruing or to be received in a subsequent Fiscal Year or (ii) an indebtedness or pecuniary liability of the Lessee within the meaning of any constitutional provision.

(b) The Lessor and the Lessee agree that the Lessee may, in its sole discretion, terminate this Lease Agreement as of September 30 of any year without penalty, and without acceleration or advancement of maturity or due date of any principal of or interest on the Bonds then Outstanding or any other amount of the Lease Obligations, and without recourse against the Lessee for the payment of any amount which would otherwise become due under this Lease Agreement in any year subsequent to such termination of this Lease Agreement.

(c) The Lessee shall not be deemed to be a party to the Indenture or the Bonds, and reference in this Lease Agreement to the Indenture and the Bonds shall not impose any liability or duty thereunder upon the Lessee, other than its specific duties and liabilities undertaken in this Lease Agreement.

(d) Subject to the provisions of Sections 3.2, 3.4(a) and 5.1, the obligation of the Lessee to pay the Lease Obligations solely from Available Current Revenues, and to perform and observe the other agreements and covenants of the Lessee in this Lease Agreement, for each Fiscal Year for which this Lease Agreement is in effect, shall be absolute and unconditional, irrespective of any rights of set-off, recoupment or counterclaim it might otherwise have against the Lessor. The Lessee will not suspend or discontinue any such payment or fail to perform and observe any of its other agreements and covenants contained herein for any cause whatsoever, including, without limiting the generality of the

foregoing, any acts or circumstances that may constitute an eviction or constructive eviction, failure of consideration or commercial frustration of purpose, or any damage to or destruction of the Project or any part thereof, or the taking by eminent domain of title to or the right to temporary use of all or any part of the Project, or any change in the tax or other laws or administrative rulings, actions or regulations of the United States of America or of the State or any political or taxing subdivision of either thereof, or any failure of the Lessor to perform and observe any agreement or covenant, whether express or implied, or any duty, liability or obligation arising out of or in connection with this Lease Agreement. Notwithstanding the foregoing, the Lessee may, at its own cost and expense and in its own name or in the name of the Lessor, prosecute or defend any action or proceeding, or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its rights of use and occupancy and the other rights hereunder.

SECTION 3.5 Nature of Obligations of Lessor

This Lease Agreement is entered into under and pursuant to the provisions of the Enabling Law. No provision hereof shall be construed to impose a charge against the general credit of the Lessor or any personal or pecuniary liability upon the Lessor except to apply the proceeds to be derived from the sale of the Bonds and the revenues and receipts to be derived from the Project or any part thereof as provided herein and in the Indenture.

ARTICLE 4

THE PROJECT

SECTION 4.1 Proceeds of Bonds

- (a) The sale and investment proceeds of the Bonds shall be applied as provided in the Indenture.
- (b) The Lessee shall be solely responsible for the planning and design of the Project, the preparation of contracts and purchase orders for the Project, and the supervision of the work on the Project. The acquisition and construction of the Project shall be in accordance with all applicable zoning, planning and building restrictions, and the Lessee shall obtain all necessary governmental permits, licenses, certificates, authorizations and approvals necessary therefor and for the operation of the Project.
- (c) The Lessor shall, at the request of the Lessee, enter into, assume or accept the assignment of such contracts and purchase orders for the Project as the Lessee shall request in writing. The Lessor hereby appoints the Lessee as its agent for acquisition and construction of the Project. The Lessee, as agent of the Lessor, may enter into, assume or accept the assignment of contracts and purchase orders for the Project. The obligations of the Lessor under all such contracts and purchase orders (whether entered into directly by the Lessor or by the Lessee as agent of the Lessor) shall be limited as provided in the Indenture, and the Lessor's limited liability shall be plainly and conspicuously stated thereon. At the request of the Lessee, the Lessor shall execute such instruments or other documents as shall be necessary or appropriate to confirm the Lessee's status as agent of the Lessor with respect to the acquisition and construction of the Project.
- (d) The Lessor will cooperate with the Lessee in good faith in the acquisition and construction of the Project in order that the Project may be completed and placed in service as soon as practicable.
- (e) The Lessee may cause withdrawals to be made from the Bond Proceeds Fund for the payment of Project Costs (including reimbursement to the Lessor or the Lessee for any such costs paid directly by the Lessor of the Lessee, as the case may be), but only if (1) no Event of Default exists under this Lease Agreement and no event has occurred and is continuing which, with notice or lapse of time or both, would constitute an Event of Default and (2) the Lessee delivers to the Trustee a duly completed requisition for each such withdrawal in the form attached to the Indenture, executed on behalf of the Lessee by an Authorized Lessee Representative.

SECTION 4.2 The Project; No Warranty by Lessor or Trustee

THE LESSEE COVENANTS AND AGREES THAT THE PROJECT IS OF A SIZE, DESIGN AND CAPACITY SELECTED BY THE LESSEE AND THAT THE LESSOR AND THE TRUSTEE HAVE NOT MADE, AND DO NOT HEREBY MAKE, ANY REPRESENTATION, WARRANTY, OR COVENANT, EXPRESS OR IMPLIED, WITH RESPECT TO ANY MATTER, INCLUDING WITHOUT LIMITATION, THE VALUE,

MERCHANTABILITY, CONDITION, QUALITY, DURABILITY, DESIGN, CONSTRUCTION, OPERATION, FITNESS FOR USE OR SUITABILITY OF THE PROJECT IN ANY RESPECT WHATSOEVER OR IN CONNECTION WITH OR FOR THE PURPOSES AND USES OF LESSEE, OR ANY OTHER REPRESENTATION, WARRANTY OR COVENANT OF ANY KIND OR CHARACTER, EXPRESS OR IMPLIED, WITH RESPECT THERETO, AND THE LESSOR AND THE TRUSTEE SHALL NOT BE OBLIGATED OR LIABLE FOR ACTUAL, INCIDENTAL, CONSEQUENTIAL, PUNITIVE, OR OTHER DAMAGES OF OR TO LESSEE OR ANY OTHER PERSON OR ENTITY ARISING OUT OF OR IN CONNECTION WITH THE USE OR PERFORMANCE OF THE PROJECT AND THE MAINTENANCE THEREOF OR FOR THE SUITABILITY THEREOF FOR THE PURPOSES OF THE LESSEE.

SECTION 4.3 Maintenance and Improvements; Utility Easements

(a) The Lessee will, at its own expense keep the Project in as reasonably safe condition as its operations permit, from time to time make all necessary and proper repairs, renewals and replacements thereto, including external and structural repairs, renewals and replacement, and pay all gas, electric, water, sewer and other charges for the operation, maintenance, use and upkeep of the Project.

(b) The Lessee may, at its own expense, make structural changes, additions, improvements, alterations or replacements to the Project that it may deem desirable, provided such structural changes, additions, improvements, alterations or replacements do not change the character of the Project as a "project" under the Enabling Law, and provided further that the Lessee files with the Lessor and the Trustee a certificate of an Independent Engineer or an Independent Architect that such additions, improvements, alterations or replacements will not adversely affect the utility of the Project or substantially reduce its value. All such additions, improvements, alterations and replacements shall become a part of the Project and shall be covered by this Lease Agreement and the Indenture.

(c) The Lessor will, upon request of the Lessee, grant such utility, access and other similar easements over, across or under the Building Site as shall be necessary or convenient for the efficient operation of the Project.

SECTION 4.4 Liens by Lessor and Lessee

(a) Except for the Lien on the Project pursuant to the Indenture, the Lessor will not mortgage, sell, assign, transfer or convey the Project at any time during the Lease Term without the prior written consent of the Lessee while the Lessee is not in default hereunder.

(b) The Lessee will not permit any Liens against the Project; provided the Lessee may, in good faith, contest any such mechanics' or other Liens and in such event may permit any such Liens to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom unless by such action the Lien of the Indenture on the Project or any part thereof, or the Project or any part thereof shall be subject to loss or forfeiture, in either of which events such mechanics' or other Liens shall be promptly satisfied.

SECTION 4.5 Equipment

(a) If the Lessee in its sole discretion determines that any item of Equipment has become inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary in the operation of the Project, the Lessee may remove such Equipment from the Building or the Building Site and (on behalf of the Lessor and in accordance with applicable State laws) dispose of it with or without consideration therefor and without any responsibility or accountability to the Trustee therefor, provided that (i) the Lessee shall substitute and install in the Building or on the Building Site other machinery, equipment or personal property having equal or greater value and utility (but not necessarily the same function) in the use of the Project, which such substituted machinery, equipment or personal property shall be free of all Liens, shall be the sole property of the Lessor, shall be and become a part of the Equipment subject to the demise hereof and to the Lien of the Indenture, and shall be held by the Lessee on the same terms and conditions as the items originally comprising the Equipment, (ii) such removal and substitution shall not impair the operating unity of the Project, and (iii) such removal and substitution shall not change the nature of the Project as a "project" under the Enabling Law.

(b) The Lessee may, at its own expense, install in the Building or on the Building Site any machinery, equipment or personal property which in the Lessee's judgment will facilitate the use of the Project. Any such machinery, equipment or personal property which is installed at the Lessee's expense and does not constitute a

substitution or replacement for the Equipment pursuant to Section 4.4(a) hereof shall be and remain the property of the Lessee and may be removed by the Lessee at any time and from time to time while it is not in default under the terms of this Lease Agreement; provided, however, that any damage to the Project occasioned by such removal shall be repaired by the Lessee at its own expense.

SECTION 4.6 Governmental and Utility Charges

The Lessee will pay when due, (i) all charges and exactions of any kind of any Governmental Authority lawfully assessed or levied against or with respect to the Project or any other property installed or brought by the Lessee on the Building Site, including without limitation any taxes levied on or with respect to the revenues, income or profits of the Lessor from the Project and any other taxes levied upon or with respect to the Project which, if not paid, will become a Lien on the Project prior to or on a parity with the Lien of the Indenture or a charge on the revenues and receipts from the Project prior to or on a parity with the charge thereon and pledge or assignment thereof created and made in the Indenture and including any ad valorem taxes assessed upon the Lessee's interest in the Project, and (ii) all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a Lien on the Project, provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term; provided, the Lessee may, at its own expense and in its own name and behalf or in the name and behalf of the Lessor, in good faith contest any such taxes, assessments and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period enforcement of such contested items shall be effectively stayed. The Lessor, at the expense of the Lessee, will cooperate fully with the Lessee in any such contest.

SECTION 4.7 Insurance

(a) The Lessee will, if obtainable, take out and continuously maintain in effect insurance for fire and extended casualty insurance in an amount not less than the replacement cost of the Building and comprehensive public liability insurance for injury or death to third parties or damage to their properties as a result of occurrences on or about the Project in an amount as, in the Lessee's judgment, is adequate to protect the Lessee and the Project.

(b) All policies evidencing the insurance required by the terms of the preceding paragraph shall be taken out and maintained in generally recognized responsible insurance companies, qualified under the laws of the State to assume the respective risks undertaken. All such insurance policies shall name as insureds the Lessor, the Trustee and the Lessee (as their respective interests shall appear) and shall contain standard mortgage clauses providing for all losses thereunder in excess of \$10,000 to be paid to the Trustee; provided that all losses (including those in excess of \$10,000) may be adjusted by the Lessee. The Lessee may insure under a blanket policy or policies.

(c) Each insurance policy required to be carried by this Section shall contain, to the extent obtainable, an agreement by the insurer that (i) the Lessee may not, without the consent of the Lessor and the Trustee, cancel such insurance or sell, assign or dispose of any interest in such insurance, such policy, or any proceeds thereof, (ii) such insurer will notify the Lessor and the Trustee if any premium shall not be paid when due or any such policy shall not be renewed to the expiration thereof, and (iii) such insurer shall not cancel any such policy except on thirty days' prior written notice to the Lessor and the Trustee.

(d) All policies evidencing the insurance required to be carried by this Section shall be deposited with the Trustee; provided, however, that in lieu thereof the Lessee may deposit with the Trustee a certificate or certificates of the respective insurers attesting the fact that such insurance is in force and effect. Prior to the expiration of any such policy, the Lessee will furnish to the Trustee evidence reasonably satisfactory to the Trustee that such policy has been renewed or replaced by another policy or that there is no necessity therefor under this Lease Agreement.

SECTION 4.8 Damage and Destruction

(a) If the Project is destroyed or is damaged by fire or other casualty to such extent that the claim for loss resulting from such destruction or damage is not greater than \$10,000, the Lessee will continue to pay the Lease Obligations and the Lessee (i) will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition in which it existed prior to the event causing such damage or destruction, with such changes, alterations and modification (including the substitution and addition of other property) as may be desired by the Lessee

and as will not impair the operating unity of the Project or its character as a "project" under the Enabling Law, and (ii) will apply for such purpose so much as may be necessary of any Net Loss Proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Lessee necessary therefor. If the cost of such repairs, rebuilding and restoration is less than the amount of Net Loss Proceeds of the insurance referable thereto, such excess insurance proceeds shall be deposited in the Bond Fund and applied as provided therefor.

(b) If the Project is destroyed or is damaged by fire or other casualty to such extent that the claim for loss resulting from such destruction or damage is in excess of \$10,000, the Lessee will continue to pay the Lease Obligations and will promptly give written notice of such damage and destruction to the Trustee and the Lessor. All Net Loss Proceeds of insurance resulting from claims for such losses shall be paid to the Trustee and deposited into a construction fund, whereupon (i) the Lessee, or the Lessor at the Lessee's direction, will proceed promptly to repair, rebuild or restore the property damaged or destroyed to substantially the same condition in which it existed prior to the event causing such damage or destruction, with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair the operating unity of the Project or its character as a "project" under the Enabling Law and (ii) the Lessor will cause withdrawals to be made from such construction fund to pay the costs of such repair, rebuilding or restoration, either on completion thereof, or as the work progresses. The balance, if any, of insurance proceeds remaining after the payment of all of the costs of such repair, rebuilding or restoration shall be deposited in the Bond Fund or, if the Bonds are Fully Discharged, shall be paid to the Lessee.

(c) In the event the Net Loss Proceeds of insurance are not sufficient to pay in full the costs of repairing, rebuilding and restoring the Project as provided in this Section, the Lessee will complete the work thereof and pay that portion of the costs thereof in excess of the amount of said proceeds or pay to the Trustee for the account of the Lessor the moneys necessary to complete said work. The Lessee shall not by reason of the payment of such excess costs (whether by direct payment thereof or payment to the Trustee therefor) be entitled to any reimbursement from the Lessor or any abatement or diminution of the rents payable hereunder.

(d) Anything in this Section to the contrary notwithstanding, if, as a result of such damage or destruction (irrespective of whether the loss resulting therefrom is greater than \$10,000 or not), the Lessee is entitled to exercise an option to purchase the Project and duly does so in accordance with the applicable provisions hereof, then neither the Lessee nor the Lessor shall be required to repair, rebuild or restore the property damaged or destroyed, and so much (which may be all) of any Net Loss Proceeds referable to such damage or destruction as shall be necessary to provide for full payment of the Bonds shall be paid to the Trustee, and the excess thereafter remaining (if any) shall be paid to the Lessee.

(e) Any obligation assumed by the Lessee under this Section which is not paid from insurance proceeds shall be payable solely from the Available Current Revenues for the Fiscal Year during which the damage or destruction occurred and for any subsequent Fiscal Year or Years for which the Lessee exercises its option to renew the Lease Term as provided herein.

SECTION 4.9 Condemnation

(a) In the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain and as a result thereof the Lessee is entitled to exercise an option to purchase the Project and duly does so in accordance with the applicable provisions hereof, so much (which may be all) of the Net Loss Proceeds referable to such taking, including the amounts awarded to the Lessor and the Trustee and the amount awarded to the Lessee for the taking of all or any part of the leasehold estate of the Lessee in the Project created by this Lease Agreement, as shall be necessary to provide for full payment of the Bonds shall be paid to the Trustee and the excess of such Net Loss Proceeds remaining (if any) shall be paid to the Lessee.

(b) If as a result of such taking, the Lessee is not entitled to exercise an option to purchase the Project as provided herein, or, having such option, fails to exercise the same in accordance with the terms thereof or notifies the Lessor and the Trustee in writing that it does not propose to exercise such option, the Lessee shall be obligated to continue to make the rental payments required to be paid under this Lease Agreement, and the entire Net Loss Proceeds hereinabove referred to shall be paid to the Trustee and applied in one or more of the following ways as shall be directed in writing by the Lessee:

(1) to the restoration of the remaining improvements located on the Building Site to substantially the same condition in which they existed prior to the exercise of the power of eminent domain; or

(2) to the acquisition, by construction or otherwise, by the Lessor of other lands or improvements suitable for the Lessee's use as the Project, which land or improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than that herein provided to the same extent as if such land or other improvements were specifically described herein and demised hereby, and which land or improvements shall be acquired by the Lessor subject to no Liens prior to the Lien of the Indenture; or

(3) to the redemption of Bonds, including accrued interest thereon, to the date of redemption, and the applicable premium (if any), provided, that no part of any such Net Loss Proceeds (other than the Net Loss Proceeds awarded to the Lessee for the taking of all or any part of the leasehold estate of the Lessee in the Project created by this Lease Agreement) may be applied to the redemption of Bonds unless (i) all of the Bonds are to be redeemed or (ii) in the event that less than all of the Bonds are to be redeemed, the Lessee has furnished to the Lessor and the Trustee a certificate of an Independent Engineer or of an Independent Architect stating (i) that the part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (iii) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings, or (iv) that land or other improvements have been acquired which are suitable for the Lessee's use as the Project as contemplated by the foregoing subsection (b) of this Section.

(c) Any balance of such Net Loss Proceeds remaining after the application thereof as provided in subsections (a), (b) and (c) of this Section shall be deposited in the Bond Fund or, if the Bonds are Fully Discharged, shall be paid to the Lessee.

(d) The Lessor shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and behalf of the Lessor. In no event will the Lessor settle, or consent to the settlement of, any prospective or pending condemnation proceeding without the prior written consent of the Lessee.

(e) Any obligation assumed by the Lessee under this Section which is not paid from the proceeds of the condemnation award shall be payable solely from the Available Current Revenues for the Fiscal Year during which the taking occurred and for any subsequent Fiscal Year or Years for which the Lessee exercises its option to renew the Lease Term as provided herein.

SECTION 4.10 Condemnation of Property of Lessee

The Lessee shall be entitled to the Net Loss Proceeds of any award or portion thereof made for damage to or taking of its own property not included in the Project, provided that any Net Loss Proceeds resulting from the taking of all or any part of the leasehold estate of the Lessee in the Project created by this Lease Agreement shall be paid and applied in the manner provided in his Lease Agreement.

SECTION 4.11 No Condemnation by Lessee.

The Lessee hereby covenants and agrees, to the extent it may lawfully do so, that so long as any of the Bonds are Outstanding, the Lessee will not exercise the power of condemnation with respect to the Building Site. The Lessee further covenants and agrees, to the extent it may lawfully do so, that if for any reason the foregoing covenant is determined to be unenforceable or if the Lessee should fail or refuse to abide by such covenant and condemns the Building Site, the appraised value of the Building Site shall not be less than the greater of (i) if such Bonds are then subject to redemption the principal and interest components of the Bonds outstanding through the date of their redemption, or (ii) if such Bonds are not then subject to redemption, the amount necessary to defease such Bonds to the first available redemption date in accordance with the Indenture.

ARTICLE 5

SPECIAL COVENANTS OF THE LESSEE

SECTION 5.1 Payment of Lease Obligations

The Lessee covenants and agrees to pay the Lease Obligations solely from Available Current Revenues in each Fiscal Year for which this Lease Agreement shall be in effect.

SECTION 5.2 Compliance with Insurance Policies and Applicable Law

(a) The Lessee will not do or permit anything to be done at the Project that will affect, impair or contravene any policies of insurance that may be carried on the Project .

(b) The Lessee will, in the use of the Project and the public ways abutting the same, comply with Applicable Law and the lawful requirements of each Governmental Authority having jurisdiction with respect thereto; provided, however, the Lessee may, at its own expense in good faith contest the validity or applicability of any such requirement.

SECTION 5.3 Operation of Financing Documents

(a) The Lessee has reviewed and approved the Indenture.

(b) The Lessee consents to the assignment by the Lessor of all right, title and interest thereof in and to this Lease Agreement to the Trustee under the Indenture.

(c) The Lessee agrees the Trustee shall have all rights and remedies herein accorded to the Lessor, and the Trustee and the Owners are third party beneficiaries of the covenants, agreements and representations of the Lessee herein contained. amend the Indenture or any indenture supplemental thereto without the prior written consent of the Lessee.

SECTION 5.4 Inspection of Project

The Lessee will permit the Lessor and the Trustee, and their duly authorized agents, at all reasonable times to enter upon, examine and inspect the Project; and in the event of default as hereinafter provided, the Lessee will permit a public accountant or firm of public accountants designated by the Trustee, to have access to, inspect, examine and make copies of the books and records, accounts and data of the Lessee.

SECTION 5.5 Continued Use of Project

(a) If any space in the Project becomes vacant after acquisition of the Project by the Lessor, then until such time as all vacant space in the Project shall have been utilized, neither the Lessee nor any officer, department or agency thereof shall thereafter enter into any agreement, or renew any existing agreement, with respect to use by the Lessee of other space in or about Ashville, Alabama, to be used for the same purpose for which such vacant space in the Project is capable of being used.

(b) None of the Lessee, or any officer, department or agency thereof, shall purchase, acquire, construct or authorize the purchase, acquisition or construction of, any facilities suitable for the purposes for which the Project is used, other than as additions and extension to the Project, so long as any of the Bonds are Outstanding; provided that such special covenant shall be enforceable only to the extent that such covenant does not cause the constitutional debt limit of Section 225 of the Constitution of Alabama of 2022, as amended, to be violated by the Lessee.

SECTION 5.6 Surrender of Project

Upon termination of this Lease Agreement, the Lessee shall immediately surrender possession of the Project. In the event the Lessee does not so deliver possession, the Lessee shall be liable for payment of a pro rata portion of the

Basic Rent and additional rental payments attributable to the number of days during which the Lessee fails to so deliver possession.

ARTICLE 6

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.1 Events of Default

Any one or more of the following shall constitute an Event of Default under this Lease Agreement (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any Governmental Authority):

- (1) Failure by the Lessee to pay any amount of the Lease Obligations that shall have become due and payable by the terms of this Lease Agreement; or
- (2) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of thirty days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee by the Lessor or the Trustee, unless the Trustee and the Lessor shall agree in writing to an extension of such time prior to its expiration, which agreement shall not be unreasonably withheld if corrective action is instituted by the Lessee promptly upon receipt of the written notice and is diligently pursued until the default is corrected; or
- (3) An Act of Insolvency by, or with respect to, the Lessee; or
- (4) The occurrence under the Indenture of an event of default under, and as defined in, therein, and the continuation thereof after the expiration of any applicable grace or cure period with respect thereto.

SECTION 6.2 Remedies

Whenever any such event of default shall have happened and be continuing, the Trustee may take any one or more of the following remedial steps:

- (1) Declare all installments of Basic Rent payable under Section 3.2(a) of this Lease Agreement for the remainder of the Lease Term during the then current Fiscal Year to be immediately due and payable, whereupon the same become immediately due and payable; and
- (2) Reenter the Project, without terminating this Lease Agreement, and, upon ten days' prior written notice to the Lessee, lease the Project or any part thereof for the account of the Lessee, for such term (including a term extending beyond the Lease Term) and at such rentals and upon such other terms and conditions, including the right to make alterations to the Project or any part thereof, as the Lessor and the Trustee deem advisable, and such reentry and lease of the Project shall not be construed as an election to terminate this Lease Agreement nor relieve the Lessee of its obligations under this Lease Agreement, all of which shall survive such reentry and lease and the Lessee shall continue to pay the Lease Obligations in full when and as due under this Lease Agreement until the end of the Lease Term less the Net Loss Proceeds, if any, of any lease of the Project after deducting all of the expenses in connection with such lease including, without limitation, all repossession costs, brokers' commissions, attorney's fees, alteration costs and expenses of preparation for lease; and
- (3) Terminate this Lease Agreement, exclude the Lessee from possession of the Project and, if lease the same for the account of the Lessor, holding the Lessee liable for all rent due up to the date such lease is made for the account of the Lessor (but not beyond the then current Fiscal Year); and
- (4) Take whatever legal proceedings may appear necessary or desirable to collect the aggregate amount of Lease Obligations then due or to enforce any obligation or covenant or agreement of the Lessee under this Lease Agreement or by Applicable Law.

SECTION 6.3 No Termination of Lease Agreement upon Default by Lessor

Anything in this Lease Agreement or the Indenture to the contrary notwithstanding, the Trustee and the Lessor have no authority to terminate this Lease Agreement upon any failure of the Lessor to observe or perform any agreement or obligation thereof in the Indenture or in this Lease Agreement.

SECTION 6.4 No Remedy Exclusive

No remedy herein conferred upon or reserved to the Lessor, the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient.

SECTION 6.5 Agreement to Pay Attorneys' Fees and Expenses

In the event the Lessee should default under any of the provisions of this Lease Agreement and the Lessor or the Trustee (in its own name or in the name and on behalf of the Lessor) should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee will on demand therefor pay to the Lessor or the Trustee (as the case may be), solely from Available Current Revenues for the Fiscal Year in which such expenses were incurred, the reasonable fees of such attorneys and such other expenses so incurred.

SECTION 6.6 No Additional Waiver Implied by One Waiver

In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 6.7 Remedies Subject to Applicable Law

All rights, remedies and powers provided by this Article may be exercised only to the extent the exercise thereof does not violate any applicable provision of law in the premises, and all the provisions of this Article are intended to be subject to all applicable mandatory provisions of law which may be controlling in the premises and to be limited to the extent necessary so that they will not render this Lease Agreement invalid or unenforceable.

ARTICLE 7

OPTIONS

SECTION 7.1 Option to Purchase Project Prior to Payment of the Bonds

The Lessee, if not in default hereunder, shall have the option to purchase the Project at any time prior to the full payment of the Bonds if any of the following shall have occurred:

(1) The Project or any part thereof shall have been damaged or destroyed (i) to such extent that, in the opinion of the Lessee, it cannot be reasonably restored within a period of six consecutive months substantially to the condition thereof immediately preceding such damage or destruction, or (ii) to such extent that, in the opinion of the Lessee, the Lessee is thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months, or (iii) to such extent that the cost of restoration thereof would exceed by more than \$10,000 the Net Loss Proceeds of insurance carried thereon pursuant to the requirements of this Lease Agreement; or

(2) Title to the Project or any part thereof or the leasehold estate of the Lessee in the Project created by this Lease Agreement or any part thereof shall have been taken under the exercise of the power of eminent domain by any governmental authority or person, firm or corporation acting under governmental

authority, which taking may result, in the opinion of the Lessee, in the Lessee being thereby prevented from carrying on its normal operations at the Project for a period of not less than six consecutive months; or

(3) As a result of any changes in the Constitution of the State or the Constitution of the United States of America or of legislative or administrative action (whether State or federal), or by final decree, judgment or order of any court or administrative body (whether State or federal) entered after the contest thereof by the Lessee in good faith, this Lease Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed herein, or unreasonable burdens or excessive liabilities shall have been imposed on the Lessor or the Lessee, including without limitation, the imposition of taxes of any kind on the Project or the income or profits of the Lessor therefrom or upon the interest of the Lessee therein, which taxes were not being imposed on the date of this Lease Agreement.

To exercise such option, the Lessee shall, within thirty days following the event authorizing the exercise of such option, give written notice to the Lessor and to the Trustee and shall specify therein the date of closing such purchase, which date shall be not less than forty-five nor more than ninety days from the date such notice is mailed, and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption for the redemption of the Bonds. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be such an amount as shall, together with the amount, if any, on deposit in the Bond Fund and available therefor, be required to redeem all of the then outstanding Bonds. The purchase price shall be paid by the Lessee to the Trustee.

Upon the exercise of the option granted in this Section and the payment of the option price, any Net Loss Proceeds of insurance or condemnation award then on hand or thereafter received shall be paid to the Lessee.

SECTION 7.2 Option to Purchase Unimproved Building Site

The Lessee, if not in default hereunder, shall also have the option to purchase any Unimproved part of the Building Site at any time and from time to time at and for a purchase price equal to the pro rata cost thereof to the Lessor, provided that it furnishes the Lessor and the Trustee with the following:

(1) A notice in writing containing (i) an adequate legal description of that portion of the Building Site with respect to which such option is to be exercised, which portion may include rights granted in party walls, the right to "tie-into" existing utilities, the right to connect and join any building, structure or improvement with existing structures, facilities and improvements on the Building Site, and the right of ingress or egress to and from the public highway which shall not interfere with the use and occupancy of existing structures, improvements and buildings, (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Building Site on a date stated, which shall not be less than forty-five nor more than ninety days from the date of such notice, (iii) a description of the buildings, structures, or improvements, if any, to be erected on the portion to be purchased and (iv) a statement that the portion of the Building Site to be purchased is no longer needed or useful in connection with, or in the operation of, the Project.

(2) A certificate of an Independent Engineer or of an Independent Architect dated not more than ninety days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Building Site with respect to which the option is exercised is not needed for the operation of the Project, (ii) the buildings, structures or improvements, if any, described in the above certificate by the Lessee can be constructed on the real property to be purchased and (iii) the severance of such portion of the Building Site from the Project and the construction thereon of the buildings, structures and improvements, if any, above referred to will not impair the usefulness of the Building or the means of ingress and egress therefrom.

(3) An amount of money equal to the purchase price computed as provided in this Section, which amount shall be deposited with the Trustee and applied to the redemption of as many Bonds as practical.

Upon receipt by it of the notice, certificate and consent required in this Section to be furnished by the Lessee and the payment by the Lessee to the Trustee of the purchase price, the Lessor will promptly deliver to the Lessee the documents referred to in Section 7.4 hereof and will secure from the Trustee a release from the Lien of the Indenture of

the portion of the Building Site with respect to which the Lessee shall have exercised the option granted to it in this Section.

If such option relates to Building Site on which transportation or utility facilities are located, the Lessor shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project.

No purchase effected under the provisions of this Section shall affect the liability or the obligation of the Lessee for the payment of the Lease Obligations in the amounts and at the time provided in this Lease Agreement or the performance of any other agreement, covenant or provision hereof.

SECTION 7.3 Option to Purchase Project After Payment of the Bonds

(a) If for any reason, title to the Project shall not automatically vest in the Lessee pursuant to the Enabling Law and this Lease Agreement when the Bonds shall have been Fully Discharged, then the Lessee, if not in default hereunder, shall thereupon have the option to purchase the Project for a purchase price of one hundred dollars and the expenses of the Lessor and the Trustee incurred with respect thereto. To exercise the option granted in this Section, the Lessee shall notify the Lessor of its intention so to exercise such option not less than forty-five days nor more than ninety days prior to the proposed date of purchase and shall on the date of purchase pay such purchase price to the Lessor. If the option granted in this Section shall for any reason be held invalid upon the attempted exercise thereof by the Lessee following full payment of the Bonds, the Lessor shall be obligated to sell the Project to the Lessee for a price of one hundred dollars plus the expenses of the Lessor and the Trustee incurred with respect thereto. The date of closing such purchase shall be thirty days from the date of such holding.

(b) The provisions of this Section shall survive, and remain in full force and effect from and after, any termination of the Lease Agreement upon the Bonds having become Fully Discharged.

SECTION 7.4 Conveyance on Exercise of Option to Purchase

Pursuant to the exercise of any option granted herein, the Lessor will upon receipt of the purchase price deliver to the Lessee documents conveying to the Lessee the property with respect to which such option was exercised, as such property then exists, subject to the following: (i) all easements or other rights, if any, required to be reserved by the Lessor under the terms and provisions of the option being exercised by the Lessee; (ii) those Liens, if any, to which title to said property was subject when conveyed to the Lessor; (iii) those Liens created by the Lessee or to the creation or suffering of which the Lessee consented; and (iv) those Liens resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Lease Agreement.

ARTICLE 8

FEDERAL TAX EXEMPTION FOR BONDS

The Lessor and the Lessee covenant and agree for the benefit of the Trustee and the Owners that to the extent permitted by law, the Lessor and the Lessee (i) will not take any action, or omit to take any action, with respect to the Bonds that would cause the interest on the Bonds to be or become Taxable and (ii) will observe, perform and comply with all covenants and agreements thereof in the Tax Certificate and Agreement by the Lessor and the Lessee with respect to the Bonds, and (iii) will comply with all rules and regulations respecting the Bonds and the Project required by applicable Federal tax laws and regulations to be filed or complied with as a condition of the continued exemption from Federal income taxation of the interest on the Bonds.

ARTICLE 9

PROVISIONS OF GENERAL APPLICATION

The Building Authority and the Lessee agree:

- (a) Governing Law: This Agreement shall be governed by and construed in accordance with the laws of the State of Alabama without regard to principles of conflict of laws.
- (b) Binding Effect: This Agreement shall inure to the benefit and be binding upon the respective successors and assigns of the Lessor and the Lessee.
- (c) Counterparts: This Agreement may be executed in several counterparts each of which shall constitute one and the same agreement.
- (d) Amendment: This Agreement may be amended only in writing duly authorized, executed and delivered by each party to this Agreement.
- (e) Enforceability: If any provision herein shall be unenforceable, the parties hereto agree such provision shall be severed and the remaining provisions hereof shall not be affected thereby and shall remain in full force and effect.
- (f) Notices: Any notice given hereunder by any party shall be delivered simultaneously to all parties hereto at the respective addresses thereof set forth on the signature page hereof.
- (g) No Jury Trial: Each party hereto hereby (1) waives, to the extent permitted by law, any right to trial by jury in any action or proceeding under, or related to, this Agreement and (2) agrees that no person has represented (by expression or implication) that a party hereto would not seek to enforce such waiver in the event of litigation.
- (h) No Joint Venture: Each party hereto agrees that (1) this Agreement shall not operate or be construed to create a joint venture or partnership among the parties hereto and (2) it shall be solely responsible for the administration of its respective agreements and relationships with the other parties hereto.
- (i) No Other Beneficiaries: Each party hereto agrees that the Agreement is solely for the benefit of the parties hereto and the successors and assigns thereof and no other person shall have any benefit, interest or rights under or by virtue of this Agreement.
- (j) Final and Full Contract: This Agreement shall constitute the final and full contractual agreement of the parties and shall, except for any instrument by which the Lessor acquired the Building Site, supersede all prior or other agreements (written or oral), by the parties relating to the subject matter hereof.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Agreement to be executed in their respective corporate names, have caused their respective corporate seals to be hereunto affixed, have caused this Lease Agreement to be attested, all by their duly authorized officers, and have caused this Lease Agreement to be dated as of the day and year first above written.

**THE PUBLIC BUILDING AUTHORITY
OF THE CITY OF ASHVILLE**

By _____
Its Chairman

SEAL

Attest: _____
Its Secretary

CITY OF ASHVILLE, ALABAMA

By _____
Mayor

SEAL

Attest: _____
City Clerk

STATE OF ALABAMA)

ST. CLAIR COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that _____, whose name as Chairman of The Public Building Authority of the City of Ashville, a public corporation, is signed to the foregoing Lease Agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of said Lease Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand this the _____ day of _____, 2026.

Notary Public

NOTARIAL SEAL

My commission expires: _____

STATE OF ALABAMA)

ST. CLAIR COUNTY)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that _____, whose name as Mayor of the City of Ashville, Alabama, is signed to the foregoing Lease Agreement, and who is known to me, acknowledged before me on this day that, being informed of the contents of said Lease Agreement, he, as such officer and with full authority, executed the same voluntarily for and as the act of the City of Ashville, Alabama.

Given under my hand this the _____ day of _____, 2026.

Notary Public

NOTARIAL SEAL

My commission expires: _____

Parcel 4: Beginning at a point in or at the Northeast column of a garage once owned by Georgia Franklin, said point being on the southern boundary line of Eighth Street, according to the Town of Ashville, Alabama; thence west along and with the southern boundary line of Eighth Street to the northwest corner of Lot 49, according to the said plan of the Town of Ashville, Alabama, thence south along and with the eastern line of California Street 104 feet to a stake; thence east about 38 feet and parallel with the said Eighth Street to the center line of a rock wall dividing the present Strand Picture Show building from said Garage; thence north along and with said partition 104 feet to the point of beginning, being a parcel of land 104 feet long and 38 feet wide, in the northwest corner of Lot No. 49, according to the original plan of the Town of Ashville, Alabama, on which is located the Ashville Auto Repair Shop, now C.D. Wilson and Sons, etc. Being part of the same property as described in Deed Book 2013, Page 9193 and Instrument No. N9905702. Being the same property described in Deed Book 119, Page 914 and Deed Book 106, Page 203, all in the Office of the Judge of Probate of St. Clair County, Ashville, Alabama.

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