

JEFFERSON COUNTY, ALABAMA
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

MATERIAL EVENT NOTICE
August 24, 2009

The following information is provided by Jefferson County, Alabama (the "County") pursuant to certain Continuing Disclosure Agreements executed and delivered by the County in connection with the issuance of certain of the warrants set forth on the attached Schedule A (the "Warrants"), in compliance with Securities and Exchange Commission Rule 15c2-12. Certain of the Warrants were issued at fixed interest rates (the "Fixed Rate Warrants" shown on Schedule A), others were issued as variable rate demand warrants (the "Variable Rate Demand Warrants" shown on Schedule A) and others were issued as auction rate warrants (the "Auction Rate Warrants" shown on Schedule A). Although the County has no Continuing Disclosure Agreement with regard to the Series 2002-A Warrants described in Schedule A (due to their exemption from the continuing disclosure obligations of SEC Rule 15c2-12), the County has nonetheless determined to include such Warrants in this Notice in order to provide a more thorough description of the events reflected herein.

The County filed material event notices dated February 20, 2008, February 27, 2008, March 4, 2008, March 11, 2008, March 31, 2008, April 1, 2008, June 2, 2008, June 9, 2008, June 30, 2008, August 1, 2008, August 13, 2008, September 10, 2008, September 22, 2008, October 6, 2008, October 9, 2008, October 24, 2008, October 28, 2008, November 10, 2008, December 8, 2008, December 19, 2008, January 5, 2009, February 24, 2009, March 9, 2009, April 6, 2009, May 4, 2009 and July 6, 2009 with regard to the Warrants (collectively, the "Prior Notices"). This material event notice describes certain events that have occurred subsequent to the filing of the Prior Notices.

The Warrants were issued and are outstanding under a Trust Indenture dated as of February 1, 1997, as amended and supplemented from time to time (the "Trust Indenture") between the County and The Bank of New York Mellon (the "Trustee").

Rating Corrections

At the time of their issuance, the various series of Warrants were insured either by Financial Security Assurance Inc., Financial Guaranty Insurance Company ("FGIC") or Syncora Guarantee Inc. (formerly XL Capital Assurance)("Syncora"), as reflected on Schedule A, and were assigned ratings by Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. and Fitch Ratings Ltd.. The ratings on the Warrants have been previously downgraded as described in the Prior Notices.

On August 3, 2009, S&P corrected its long-term insured rating on the FGIC insured Series 1997 A, Series 2001 A, Series 2003 B-1-A through Series 2003 B-1-E and Series 2003 C-1 through Series 2003 C-8 Warrants (the "FGIC Insured Warrants"). As provided in Prior

Notices, S&P's rating policy for those issuers or issues for which they currently have an underlying rating, or SPUR, is to rate to the higher of the SPUR or the insurer rating. On April 22, 2009, S&P withdrew its rating on FGIC and inadvertently did not change the long-term rating on the FGIC Insured Warrants to reflect their SPUR. The long-term insured rating on the FGIC Insured Warrants has been reduced from "CCC-" to "C" to match the SPUR associated with those Warrants. The reduced rating of the FGIC Insured Warrants was classified as "Outlook Negative" by S&P.

Likewise, on August 3, 2009, S&P corrected its long-term insured rating on the Series 2003 B-2 through Series 2003 B-7 Warrants insured by Syncora (the "Syncora Insured Warrants"). On April 27, 2009, S&P withdrew its rating of Syncora and inadvertently did not change the long-term rating of the Syncora Insured Warrants to reflect their SPUR. The long-term insured rating of the Syncora Insured Warrants has been reduced from "CC-" to "D" to match the SPUR associated with those Warrants. The reduced rating of the Syncora Insured Warrants was classified as "Outlook Negative" by S&P.

A rating reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Warrants. Such rating may be changed at any time, and no assurance can be given that it will not be subject to further revision or withdrawn entirely by the rating agency if, in its judgment, the circumstances so warrant. Any further reduction or withdrawal of the ratings on the Warrants may have an adverse effect on the market price of the affected Warrants.

Litigation

On September 16, 2008, the Trustee, at the direction of FGIC and Syncora, filed a lawsuit in the United States District Court, Northern District of Alabama against the County seeking, among other relief, the appointment of a receiver over the Jefferson County sewer system. On July 6, 2009, the District Court entered an order administratively terminating the Trustee's motion for the appointment of a receiver and stayed all proceedings on the Trustee's claims pending resolution of the receiver request in State court. On August 3, 2009, the Trustee, on behalf of the bondholders, filed suit against the County in the Circuit Court of Jefferson County seeking the appointment of a receiver and a court order requiring the County to raise sewer rates and impose additional user charges and fees to pay bondholders. The County will oppose the appointment of a receiver and the other relief requested in the lawsuit.

The County did not undertake in the Continuing Disclosure Agreements to inform investors of developments in this lawsuit. Warranholders should contact the Trustee for additional information regarding this lawsuit.

SCHEDULE A

| Fixed Rate Warrants | | Bond Insurer |
|--------------------------------------|------------------|---------------------|
| <i>Series 1997 A</i> | | |
| <u>CUSIP</u> | | |
| 472682NV1 | | FGIC |
| 472682NW9 | | FGIC |
| 472682NX7 | | FGIC |
| 472682MC4 | | FGIC |
| 472682MD2 | | FGIC |
| <i>Series 2001 A</i> | | |
| <u>CUSIP</u> | | |
| 472682JB0 | | FGIC |
| 472682JC8 | | FGIC |
| 472682JD6 | | FGIC |
| 472682JE4 | | FGIC |
| 472682JF1 | | FGIC |
| 472682JG9 | | FGIC |
| 472682JH7 | | FGIC |
| 472682JJ3 | | FGIC |
| 472682JL8 | | FGIC |
| 472682JM6 | | FGIC |
| 472682JN4 | | FGIC |
| <i>Series 2003 A</i> | | |
| <u>CUSIP</u> | | |
| 010653QU0 | | |
| 010653QV8 | | |
| 010653QW6 | | |
| 010653QX4 | | |
| 010653QY2 | | |
| 010653QZ9 | | |
| 010653RA3 | | |
| <i>Series 2003-B-8</i> | | |
| <u>CUSIP</u> | | |
| 472682ML4 | | FSA |
| 472682MM2 | | FSA |
| 472682MN0 | | FSA |
| 472682MP5 | | FSA |
| 472682MQ3 | | FSA |
| 472682MR1 | | FSA |
| 472682MS9 | | FSA |
| Variable Rate Demand Warrants | | |
| <i>Series 2002 A</i> | | |
| <u>CUSIP</u> | <u>Subseries</u> | |
| 472682JW4 | 2002 A | FGIC |
| <i>Series 2002 C</i> | | |
| <u>CUSIP</u> | <u>Subseries</u> | |
| 472682KE2 | 2002 C-2 | Syncora |
| 472682KF9 | 2002 C-3 | Syncora |
| 472682KG7 | 2002 C-4 | Syncora |
| 472682KJ1 | 2002 C-6 | Syncora |
| 472682KK8 | 2002 C-7 | Syncora |
| <i>Series 2003 B</i> | | |
| <u>CUSIP</u> | <u>Subseries</u> | |
| 472682LN1 | 2003 B-2 | Syncora |
| 472682LP6 | 2003 B-3 | Syncora |
| 472682LQ4 | 2003 B-4 | Syncora |
| 472682LR2 | 2003 B-5 | Syncora |
| 472682LS0 | 2003 B-6 | Syncora |
| 472682LT2 | 2003 B-7 | Syncora |

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Auction Rate Warrants**Bond
Insurer***Series 2002 C*

| CUSIP | Subseries | |
|-----------|------------|---------|
| 472682KA0 | 2002 C-1-A | Syncora |
| 472682KB8 | 2002 C-1-B | Syncora |
| 472682KC6 | 2002 C-1-C | Syncora |
| 472682KD4 | 2002 C-1-D | Syncora |
| 472682KH5 | 2002 C-5 | Syncora |

Series 2003 B

| CUSIP | Subseries | |
|-----------|------------|------|
| 472682LH4 | 2003 B-1-A | FGIC |
| 472682LJ0 | 2003 B-1-B | FGIC |
| 472682LK7 | 2003 B-1-C | FGIC |
| 472682LL5 | 2003 B-1-D | FGIC |
| 472682LM3 | 2003 B-1-E | FGIC |

Series 2003 C

| CUSIP | Subseries | |
|-----------|-----------|------|
| 472682NA7 | 2003 C-1 | FGIC |
| 472682NB5 | 2003 C-2 | FGIC |
| 472682NC3 | 2003 C-3 | FGIC |
| 472682ND1 | 2003 C-4 | FGIC |
| 472682NE9 | 2003 C-5 | FGIC |
| 472682NF6 | 2003 C-6 | FGIC |
| 472682NG4 | 2003 C-7 | FGIC |
| 472682NH2 | 2003 C-8 | FGIC |
| 472682NJ8 | 2003 C-9 | FSA |
| 472682NK5 | 2003 C-10 | FSA |