

JEFFERSON COUNTY, ALABAMA  
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

**MATERIAL EVENT NOTICE**  
**December 19, 2008**

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 and December 8, 2008 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").

**Extension of Liquidity Facility Forbearance Agreements**

As described in Prior Notices, the County entered into a separate Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, with each of the banks (the "Liquidity Providers") providing a Standby Warrant Purchase Agreement (the "Liquidity Facilities") with respect to Variable Rate Demand Warrants, JPMorgan Chase Bank, as liquidity agent (the "Liquidity Agent"), The Bank of New York Mellon, as trustee (the "Trustee"), Syncora Guarantee (formerly XL Capital Assurance) ("Syncora") and Financial Guaranty Insurance Corporation ("FGIC"), which were subsequently extended by all the parties. On December 8, 2008, the County entered into a separate letter agreement with each of the Liquidity Providers and the Liquidity Agent which further extended the forbearance period. The letter agreements provide that it is not the Liquidity Providers current intent to exercise their rights and remedies prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on February 20, 2009, provided that

the Liquidity Providers have reserved the right to exercise their rights and remedies at any time in their sole discretion (the Forbearance Agreements and Reservation of Rights with respect to the Liquidity Facilities, as amended and described above, are collectively referred to as the "Liquidity Facility Forbearance Agreements").

Copies of the Liquidity Facility Forbearance Agreements are available on the County's Department of Finance website at [www.jeffcofinance.com](http://www.jeffcofinance.com).

### **Extension of Swap Forbearance Agreements**

As described in Prior Notices, the County entered into a separate Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, with each of the counterparties to the County's interest rate swap transactions with respect to the Warrants, which were subsequently extended by all the parties. On December 8, 2008, JPMorgan Chase Bank, Bear Stearns Capital Markets Inc., and Bank of America, N.A. extended the forbearance period with regard to its interest rate swap transactions through February 20, 2009, subject to termination at any time at the discretion of such counterparties, provided that such counterparties have reserved the right to exercise their rights and remedies at any time in their sole discretion (the Forbearance Agreements and Reservation of Rights with respect to the interest rate swap transactions, as amended as described above, are collectively referred to as the "Swap Forbearance Agreements"). The Swap Forbearance Agreement with Lehman Brothers Special Financing Inc. ("Lehman") expired on November 17, 2008 and as of the date of this Notice, the County has not obtained an extension.

Copies of the Swap Forbearance Agreements are available on the County's Department of Finance website at [www.jeffcofinance.com](http://www.jeffcofinance.com).

### **Termination of Lehman Brothers Swap Transactions**

The County received a notice dated December 12, 2008 from Lehman designating December 15, 2008 as the Early Termination Date under the Swap Agreement (defined below) with regard to each of the interest rate swap transactions between Lehman and the County. The notice does not provide a calculation of the swap termination payment due to Lehman.

The County has not made any periodic payments with regard to the interest rate swap transactions with Lehman since the date of the original Swap Forbearance Agreement, and a net payment from the County to Lehman will be due in addition to the swap termination payment if an extension of the Swap Forbearance Agreement with Lehman cannot be obtained. As described in a Prior Notice, the County's obligations to Lehman with regard to swap termination payments under the ISDA Master Agreement and related schedules and annexes (collectively, the "Swap Agreement") that governs such transactions are secured by a pledge of the net sewer revenues of the County that is on a parity with the pledge of such net revenues for the benefit of the Warrants, except with respect to swap termination payments which are secured by a subordinate pledge. No assurances can be given that the County will be able to obtain a forbearance agreement with respect to such interest rate swap transactions.

## **Ratings Downgrade**

At the time of their issuance, the various series of Warrants were insured either by Financial Security Assurance Inc. ("FSA"), Financial Guaranty Insurance Company ("FGIC") or Syncora Guarantee (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. ("Moody's") and Fitch Ratings Ltd. ("Fitch"). The ratings on the Warrants have been previously downgraded as described in the Prior Notices.

On December 19, 2008, the long-term insured ratings assigned to those Warrants insured by FGIC were further reduced from "B1" to "Caa1" by Moody's in conjunction with the corresponding reduction in such rating agency's financial strength and financial enhancement ratings of FGIC. The current reduced ratings of the FGIC insured Warrants are classified as "Negative Outlook" by Moody's. In addition, the current "CCC" long-term insured ratings assigned to the FGIC insured Warrants by S&P are listed as "Negative Outlook". Fitch withdrew its long-term insured ratings assigned to the FGIC insured Warrants on November 24, 2008.

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.

## SCHEDULE A

<b>Fixed Rate Warrants</b>	<b>Bond Insurer</b>	
<i>Series 1997 A</i>		
CUSIP		
472682NV1	FGIC	
472682NW9	FGIC	
472682NX7	FGIC	
472682MC4	FGIC	
472682MD2	FGIC	
 <i>Series 2001 A</i>		
CUSIP		
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-B-8</i>		
CUSIP		
472682ML4	FSA	
472682MM2	FSA	
472682MN0	FSA	
472682MP5	FSA	
472682MQ3	FSA	
472682MR1	FSA	
472682MS9	FSA	
 <b>Variable Rate Demand Warrants</b>		
<i>Series 2002 A</i>		
CUSIP	Subseries	
472682JW4	2002 A	FGIC
 <i>Series 2002 C</i>		
CUSIP	Subseries	
472682KE2	2002 C-2	XLCA
472682KF9	2002 C-3	XLCA
472682KG7	2002 C-4	XLCA
472682KJ1	2002 C-6	XLCA
472682KK8	2002 C-7	XLCA
 <i>Series 2003 B</i>		
CUSIP	Subseries	
472682LN1	2003 B-2	XLCA
472682LP6	2003 B-3	XLCA
472682LQ4	2003 B-4	XLCA
472682LR2	2003 B-5	XLCA
472682LS0	2003 B-6	XLCA
472682LT8	2003 B-7	XLCA

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

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

*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