

JEFFERSON COUNTY, ALABAMA
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

MATERIAL EVENT NOTICE
December 8, 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 and November 10, 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").

Notice of Default

The Trustee delivered a notice of default (the "Notice of Default") to the County by letter dated November 14, 2008, a copy of which is attached as Exhibit I. The Notice of Default states that the County is in violation of certain covenants set forth in the Indenture and that such covenant defaults will become "Events of Default", as defined in the Indenture, if not cured within thirty (30) days of the date of the Notice of Default. The Notice of Default also states that certain Events of Default have occurred.

As described in a prior notice, the Trustee, at the direction of Financial Guaranty Insurance Company and Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.), has filed a lawsuit against the County seeking, among other relief, the appointment of a receiver over the County's sewer system. The lawsuit is styled The Bank of New York Mellon, as Trustee, Financial Guaranty Insurance Company and Syncora Guarantee Inc. (f/k/a XL Capital Assurance

Inc.) v. Jefferson County, Alabama, et al., and is pending in the United States District Court, Northern District of Alabama, CV-08-H-1703-S. The Trustee has asserted, among other grounds, the existence of the covenant defaults and Events of Default described in the Notice of Default as the basis for the relief sought in the lawsuit. The County has in effect denied the existence of such covenant defaults and Events of Default in its answer to the complaint filed by the plaintiffs. At this time, the court has not made any determinations regarding the existence of such covenant defaults or Events of Default.

EXHIBIT I



THE BANK OF NEW YORK MELLON

November 14, 2008

VIA OVERNIGHT COURIER

Jefferson County, Alabama
Jefferson County Courthouse
Birmingham, Alabama 35203

Re: Trust Indenture dated as of October 1, 1997, between Jefferson County, Alabama, and The Bank of New York Mellon, as successor trustee to AmSouth Bank of Alabama

Ladies and Gentlemen:

The Bank of New York Mellon serves as successor trustee (the "Trustee") to AmSouth Bank of Alabama under that certain Trust Indenture dated as of October 1, 1997 (as supplemented to the date hereof, the "Indenture"), executed by Jefferson County, Alabama (the "County"), in favor of the Trustee. Capitalized terms not otherwise defined in this letter have the meanings ascribed to them in the Indenture. This letter is a notice of default pursuant to Section 13.1(c) of the Indenture.

On September 2, 2008 (the first Business Day of the month), the amount held by the Trustee in the Reserve Fund was less than the Reserve Fund Requirement. The Trustee hereby gives notice that covenant defaults have occurred and are continuing as a result of the failure of the County (i) to pay into the Reserve Fund on or before September 15, 2008, and October 15, 2008, amounts required by Section 11.3 of the Indenture for the purpose of restoring the balance of the Reserve Fund to the Reserve Fund Requirement, and (ii) to pay into the Reserve Fund monthly payments for the months of September and October, 2008, required by Section 11.11 of the Indenture as a result of the downgrade in the respective ratings of Syncora Guarantee Inc., formerly known as XL Capital Assurance Inc. and Financial Guaranty Insurance Company. These covenant defaults will become Events of Default under Section 13.1(c) of the Indenture if not cured within 30 days of the date of this notice.

The Trustee has previously given notice on October 15, 2008, that covenant defaults have occurred and are continuing as a result of the failure of the County (i) to apply the moneys in the Revenue Account that remain after the payment of Operating Expenses for payment into the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund, in such order and in such amounts and at such times as required by the Indenture, (ii) to fix, revise and maintain such rates for services furnished by the System as shall be sufficient (a) to provide for the payment of the interest and premium (if any) on and the principal of the Parity Securities, as and when the same shall become due and payable, (b) to provide for the payment of the Operating Expenses and (c) to enable the County to perform and comply with all of its covenants


contained in the Indenture, in each case as required by Section 12.5(a) of the Indenture, and (iii) to make from time to time, to the extent permitted by law, such increases and other changes in such rates and charges as may be necessary to comply with the provisions of Section 12.5(a) of the Indenture, as required by Section 12.5(b) of the Indenture. These covenant defaults will become Events of Default under Section 13.1(c) of the Indenture if not cured within 30 days of the date of that notice.

Events of Default under the Indenture have occurred and are continuing (i) under Section 13.1(a) of the Indenture as a result of the failure of the County to make payment of approximately \$87,473,050 in principal installments due on Parity Securities previously called for redemption on June 1, 2008, August 1, 2008, and October 1, 2008, pursuant to the terms of the Indenture and certain standby warrant purchase agreements executed by the County and certain liquidity banks in connection with the issuance of certain of the Parity Securities outstanding under the Indenture and (ii) under Section 13.1(b) of the Indenture as a result of the failure of the County to comply with the Rate Covenant set forth in Section 12.5(b) of the Indenture.

This letter shall not constitute a waiver of any right, remedy or claim to which the Trustee, any holder of a Parity Security, or any of the Bond Insurers is or may be entitled pursuant to the Indenture or any document executed therewith or in respect thereof, at law, in equity or otherwise, all of which are expressly reserved hereunder.

Sincerely,

The Bank of New York Mellon, as Trustee

By: 
Bridget M. Schessler

SCHEDULE A

Fixed Rate Warrants	Bond Insurance	
<i>Series 1997 A</i>		
CUSIP		
472682NVI	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	
 Variable Rate Demand Warrants		
<i>Series 2002 A</i>		
CUSIP	Subseries	
472682JW4	2002 A	FGIC
 <i>Series 2002 C</i>		
CUSIP	Subseries	
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>		
CUSIP	Subseries	
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
472682LT8	2003 B-7	Syncora

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

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

Syncora
Syncora
Syncora
Syncora
Syncora

Series 2003 B

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

FGIC
FGIC
FGIC
FGIC
FGIC

Series 2003 C

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

FGIC
FGIC
FGIC
FGIC
FGIC
FGIC
FGIC
FGIC
FSA
FSA