

JEFFERSON COUNTY, ALABAMA  
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

**MATERIAL EVENT NOTICE**  
**June 4, 2013**

The following information is provided by Jefferson County, Alabama (the "County") pursuant to continuing disclosure undertakings 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").

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, between the County and The Bank of New York Mellon.

On November 9, 2011, the County filed a petition for relief under Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Proceeding") in the United States Bankruptcy Court for the Northern District of Alabama. The Bankruptcy Proceeding is styled *In re: Jefferson County, Alabama, Case No. 11-05736-9*.

**Execution of Plan Support Agreements**

In an effort to propose and pursue confirmation of a consensual plan of adjustment in the Bankruptcy Proceeding, the Jefferson County Commission has adopted the attached resolution (the "Resolution") by a 4-1 vote at a meeting held on June 4, 2013. The Resolution approved the execution and delivery of three separate Plan Support Agreements by and among the County and certain holders of the Warrants and approved a proposed plan of finance for refinancing the Warrants as provided in the Plan Support Agreements. Copies of the Plan Support Agreements and the Financing Plan are attached to the Resolution and this Notice. The Plan Support Agreements have been executed and delivered by the County and the other parties thereto.

# SCHEDULE A

## Jefferson County, Alabama Sewer Revenue Warrants

### **Fixed Rate Warrants**

#### *Series 1997 A*

<u>CUSIP</u>
472682NV1
472682NW9
472682NX7
472682MC4
472682MD2

#### *Series 2001 A*

<u>CUSIP</u>
472682JF1
472682JG9
472682JH7
472682JJ3
472682JL8
472682JM6
472682JN4

#### *Series 2003-B-8*

<u>CUSIP</u>
472682MQ3
472682MR1
472682MS9

### **Variable Rate Demand Warrants**

#### *Series 2002 A*

<u>CUSIP</u>	<u>Subseries</u>
472682PU1	2002 A

#### *Series 2002 C*

<u>CUSIP</u>	<u>Subseries</u>
472682PV9	2002 C-2
472682PW7	2002 C-3
472682PX5	2002 C-4
472682PY3	2002 C-6
472682PZ0	2002 C-7

#### *Series 2003 B*

<u>CUSIP</u>	<u>Subseries</u>
472682QA4	2003 B-2
472682QB2	2003 B-3
472682QC0	2003 B-4
472682QD8	2003 B-5
472682QE6	2003 B-6
472682QF3	2003 B-7

[Continued on following page]

**Auction Rate Warrants**

**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

**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

**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

**Alabama Water Pollution Control  
Authority**

**Revolving Fund Loan Refunding Bonds**

**Series 2003-B**

CUSIP
010653QY2
010653QZ9
010653RA3

## RESOLUTION OF THE JEFFERSON COUNTY COMMISSION

WHEREAS, Jefferson County, Alabama (the "County") has engaged in negotiations with various creditors in an effort to reach a consensual settlement with respect to its outstanding sewer revenue warrants; and

WHEREAS, negotiation of a reduced debt burden on the County's sewer system (the "System") is in the best interests of the County and benefits all residents of the County; and

WHEREAS, as a result of the ongoing negotiations with certain creditors, the Commission has received and reviewed the following Plan Support Agreements:

(i) a Plan Support Agreement dated as of June 6, 2013, including the Term Sheet attached as Exhibit A thereto (the "JPMorgan Plan Support Agreement"), proposed to be entered into by and the County, JPMorgan Chase Bank, N.A., JPMorgan Chase Funding, Inc. and J.P. Morgan Securities LLC, a copy of which is attached to the minutes of this meeting;

(ii) a Plan Support Agreement dated as of June 6, 2013, including the Term Sheet attached as Exhibit A thereto (the "Supporting Warrantholders Plan Support Agreement") proposed to be entered into by and among the County, Brigade Capital Management, LLC, Claren Road Credit Master Fund, Ltd., Claren Road Credit Opportunities Master Fund, Ltd., Emerald Eagle Holdings, L.L.C., Emerald Eagle Holdings South, L.L.C., Fundamental Partners LP, Fundamental Partners II LP, Glendon Capital Management L.P., various Monarch parties signatories to the Supporting Warrantholders Plan Support Agreement, Red Mountain Holdings LLC, Stone Lion Capital Partners L.P., and JPMorgan Chase Bank, N.A., a copy of which is attached to the minutes of this meeting; and

(iii) a Plan Support Agreement dated as of June 6, 2013, including the Term Sheet attached as Exhibit A thereto (the "Monoline Plan Support Agreement") proposed to be entered into by and among the County, Assured Guaranty Municipal Corp., Financial Guaranty Insurance Company, and Syncora Guarantee Inc., a copy of which is attached to the minutes of this meeting; and

WHEREAS, the Commission has determined that entry into the JPMorgan Plan Support Agreement, the Supporting Warrantholders Plan Support Agreement and the Monoline Plan Support Agreement (collectively, the "Sewer Plan Support Agreements") is in the best interests of the County and will assist the County in its efforts to propose and pursue confirmation of a plan of adjustment to be filed in the County's Chapter 9 bankruptcy case; and

WHEREAS, the Commission has received and reviewed a financing plan containing assumptions regarding an issuance amount, costs of issuance, issuance proceeds, rate and revenue forecasts, and assumptions concerning elasticity, operating expenditures and capital expenditures, for consideration and approval by the Commission, subject to compliance with procedures required by state law, simultaneously with the above-referenced Sewer Plan Support Agreements and as a predicate component of the transactions described in such Sewer Plan Support Agreements (the "Financing Plan").

NOW THEREFORE BE IT RESOLVED BY THE COUNTY COMMISSION that the Sewer Plan Support Agreements and the Financing Plan are hereby approved. The President of the Commission is hereby authorized and directed to execute and deliver the Sewer Plan Support Agreements on behalf of the County in substantially the forms presented to this meeting, with such changes thereto and deletions therefrom as he may approve as necessary and appropriate, his execution thereof to be conclusive evidence of his approval of such changes or deletions.

APPROVED BY THE  
JEFFERSON COUNTY COMMISSION  
DATE: 6-4-13  
MINUTE BOOK: 165  
PAGE(S): 91

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among (i) Jefferson County, Alabama (the "**County**"); (ii) each holder of Sewer Warrants signatory hereto (as further defined below, including those holders that become party hereto by signing a Transfer Agreement (as defined below), the "**Supporting Warrantholders**"); and (iii) JPMorgan Chase Bank, N.A. ("**JPMorgan**"). Each of the Supporting Warrantholders, JPMorgan, and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein and, in the case of JPMorgan and the County, in the JPMorgan PSA (as defined below), each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "**Restructuring**") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County and JPMorgan are contemporaneously entering into a separate plan support agreement (the “JPMorgan PSA”) and JPMorgan is a party to this Agreement to give effect to the agreement between JPMorgan and the Supporting Warranholders set forth in Section 5 hereof;

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the “Sewer Warrant Insurer PSA”) with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. (“Assured”), Financial Guaranty Insurance Company (“FGIC”), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. (“Syncora”), each of which is referred to as a “Sewer Warrant Insurer” and collectively with the Supporting Warranholders and JPMorgan are the “Plan Support Parties”;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 8.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the Ad Hoc Professionals and counsel to JPMorgan draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Ad Hoc Professionals and counsel to JPMorgan will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), the Backstop/Put Agreement, and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the

expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Supporting Warrantholders shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, vote all Sewer Warrants it holds as of the date hereof or may hereafter acquire (the “Covered Sewer Warrants,” including those Sewer Warrants held as of the date hereof and set forth opposite its name on Schedule 1 (the “Eligible Sewer Warrants”)) to accept an Acceptable Plan (through submission of a ballot directly to the County’s balloting agent to the extent so permitted by the solicitation procedures order or to its prime broker or nominee holder, as applicable, in either case with a copy to the County and JPMorgan) on or before the day that is twenty-one (21) calendar days prior to the deadline set by the Bankruptcy Court for voting on an Acceptable Plan (as confirmed in writing by the County once determined, the “Ballot Submission Deadline”) and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 8.4; (iii) make the election described in Section 3[b] of the Plan Term Sheet with respect to all Covered Sewer Warrants as of the Ballot Submission Deadline contemporaneously with the vote to accept an Acceptable Plan (except to the extent provided in Section 3(e)); and (iv) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties of all claims arising under or in connection with the Covered Sewer Warrants (including providing releases as contemplated by the Plan Term Sheet) (except to the extent provided in Section 3(e)). For the avoidance of doubt, such releases shall not release any rights of the Supporting Warrantholders (x) vis-à-vis each other to the extent not released in or reserved in any agreement among the Supporting Warrantholders, or (y) under an Acceptable Plan. Also for the avoidance of doubt, Covered Sewer Warrants shall not include any Sewer Warrants that are acquired after the date hereof in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders for which such Supporting Warrantholder does not have the power to bind (“Fiduciary Sewer Warrants”).

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) Each Supporting Warrantholder confirms its intention to purchase a portion of the offering of New Sewer Warrants to the extent necessary and as contemplated in the Plan Term Sheet, subject to execution of a Backstop/Put Agreement containing terms and conditions acceptable to such Supporting Warrantholder and the County (including agreement concerning the terms of the indenture for the New Sewer Warrants), with commitments to be allocated among the Supporting Warrantholders on a pro rata basis based upon the Supporting

Warrantheolders' holdings of Eligible Sewer Warrants or on other terms acceptable to each Supporting Warrantheolder and the County.

(h) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Supporting Warrantheolders or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(i) At any time, a Supporting Warrantheolder shall be required to comply with the terms of this Agreement with respect to Covered Sewer Warrants it holds at such time, and not with respect to Sewer Warrants that it has transferred in accordance with Section 3.

(j) Whenever this Agreement provides that any Party has the "right to approve" a document or that a document must be "acceptable" or "satisfactory" to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Litigation" shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC rehabilitation proceeding, except for any actions taken in the FGIC rehabilitation proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC rehabilitation proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of any Party to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction), including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of any Party) expose any such Party to liability (contingent or otherwise) or unreimbursed material expense.

(b) The County and each Supporting Warrantholder agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) Each Supporting Warrantholder shall, with respect to all Sewer Warrants held by it, shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 8.

(d) So long as none of this Agreement, the JPMorgan PSA, or the Sewer Warrant Insurer PSA has been terminated, each Supporting Warrantholder shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any Litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring such Supporting Warrantholder’s Covered Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of such Supporting Warrantholder to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and the Majority Eligible Warrantholders (as defined below) (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the

Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Section 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 8 of the Agreement, other than under Section 8(w) of this Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Ownership; Transfers of Sewer Warrants.**

(a) Except as otherwise provided, permitted, or exempted in this Section 3, each Supporting Warrantholder, severally, and not jointly, represents, warrants, and covenants that:

(i) such Supporting Warrantholder is the owner of, or advises the accounts that own, the Eligible Sewer Warrants set forth opposite its name on Schedule 1 hereto, and has and shall maintain the power and authority to bind all the legal and beneficial owner(s) of such Eligible Sewer Warrants to the terms of this Agreement;

(ii) such Supporting Warrantholder (a) has and shall maintain full power and authority to execute and deliver its signature page(s) to this Agreement and, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants to accept an Acceptable Plan or (b) has received an irrevocable direction from the party having full power and authority, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants and execute and deliver its signature page(s) to this Agreement;

(iii) none of the Eligible Sewer Warrants constitute Fiduciary Sewer Warrants;

(iv) other than as permitted under this Agreement, its Eligible Sewer Warrants are and shall continue to be free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition, or encumbrances of any kind, that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed; and

(v) such Supporting Warrantholder has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Eligible Sewer Warrants held by such Supporting Warrantholder as of the date hereof that are inconsistent with, or in violation of, the representations and warranties of such Supporting Warrantholder herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Supporting Warrantholder individually covenants that, from the date hereof until the termination of this Agreement, it will not sell, pledge, hypothecate, or otherwise

transfer, assign or dispose of any of its Eligible Sewer Warrants, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”), except (x) to another Supporting Warrantholder (and any such Eligible Sewer Warrants so transferred shall remain Eligible Sewer Warrants) or (y) to a person or entity (a “Transferee”) that as a condition to such Transfer executes and delivers to the County at least three (3) Business Days prior to the settlement of such Transfer an agreement in writing substantially in the form of Exhibit B-1 hereto (a “Transfer Agreement”), pursuant to which such Transferee agrees (i) to become a party to and be bound by all terms of this Agreement applicable to a Supporting Warrantholder as if such Transferee were an original signatory hereto; (ii) to become a party to and be bound by the Backstop/Put Agreement, to the extent such transferring Supporting Warrantholder was so bound in respect of the Eligible Sewer Warrants that are the subject of the Transfer; and (iii) to retain the same counsel and financial advisor that, at the time of the Transfer, are retained by Supporting Warrantholders holding at least a majority of the Eligible Sewer Warrants (the “Majority Eligible Warrantholders”) through appropriate retention documentation with respect to matters concerning the Sewer Warrants or to otherwise abide by the decisions of the Majority Eligible Warrantholders. “Business Day” means any day other than a Saturday, a Sunday, a “legal holiday” (as defined in Federal Rule of Bankruptcy Procedure 9006(a)), or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order. For the avoidance of doubt, a Supporting Warrantholder’s rights and obligations under this Agreement and the Backstop/Put Agreement (if any) may not be transferred separately and must be transferred together.

(c) Notwithstanding Section 3(b), if a Transferee is a Qualified Marketmaker, then the Supporting Warrantholder making the Transfer shall cause such Transferee to execute and deliver to the County at least three (3) Business Days prior to the settlement of such Transfer a Marketmaker Transfer Agreement substantially in the form of Exhibit B-2 hereto and such Qualified Marketmaker shall cause any subsequent Transferee to execute a Transfer Agreement in the form of Exhibit B-1, to the extent such subsequent Transferee is not a Qualified Marketmaker or a Transfer Agreement substantially in the form of Exhibit B-2 to the extent such Transferee is a Qualified Marketmaker. “Qualified Marketmaker” means an entity that (x) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Sewer Warrants issued by the County or other claims against the County, or enter with customers into positions in Sewer Warrants issued by the County or other claims against the County, in either case in its capacity as a dealer or market maker in Sewer Warrants or other claims against the County; and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers.

(d) This Agreement shall not be construed to preclude any Supporting Warrantholder from acquiring additional Sewer Warrants; *provided, however*, that any additional Sewer Warrants acquired by such Supporting Warrantholder (i) shall be Covered Sewer Warrants but (ii) shall not be Eligible Sewer Warrants unless such warrants were, initially, Eligible Sewer Warrants. For the avoidance of doubt, a Transfer of Covered Sewer Warrants that are not Eligible Sewer Warrants (“Excess Sewer Warrants”) shall not be subject to the transfer restrictions contained in this Section 3 other than during the Excess Warrant Restriction Period (as defined below); *provided, further, however*, that for so long as a Supporting

Warrantholder owns Covered Sewer Warrants, it must otherwise comply with all obligations under this Agreement with respect to such Covered Sewer Warrants.

(e) Notwithstanding anything to the contrary herein, to the extent that Excess Sewer Warrants consist of Sewer Warrants in Series 2003-B-8 with a CUSIP# 472682MP5, 472682MQ3, 472682MR1, or 472682MS9 (“Exempt Excess Sewer Warrants”), the relevant Supporting Warrantholder, solely with respect to such Exempt Excess Sewer Warrants, shall not be required (i) to elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement or (ii) to otherwise comply with the restrictions on transfer in Section 3; *provided, however*, that to the extent that a Supporting Warrantholder who is an original signatory to this Agreement holds any Exempt Excess Sewer Warrants on the Ballot Submission Deadline, such Party shall elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement.

(f) Notwithstanding Section 3(d), for the period beginning on the date on which the Disclosure Statement is approved by the Bankruptcy Court and continuing through and including the date(s) on which a confirmation hearing for an Acceptable Plan is held (the “Excess Warrant Restriction Period”), the Transfer of any Excess Sewer Warrants held by a Supporting Warrantholder or any option, right to acquire, or voting, participation, or other interest therein to any person or entity may be completed only in accordance with Section 3(b) and (c), as though such Excess Sewer Warrants were Eligible Sewer Warrants. On the first date of the Excess Warrant Restriction Period, each Supporting Warrantholder shall provide an update of the relevant portion of Schedule 1 showing such Party’s holdings of Covered Sewer Warrants (including both Eligible Sewer Warrants and Excess Sewer Warrants) to the County and JPMorgan. For the avoidance of doubt, other than during the Excess Warrant Restriction Period, any transfer of Excess Sewer Warrants may be completed without complying with the requirements for Transfers of Eligible Sewer Warrants in Section 3(b) and (c).

(g) No Supporting Warrantholder will create or use any subsidiary or affiliate to evade or attempt to evade the transfer restrictions set forth in this Section 3 or any other obligations set forth in this Agreement. Any attempt by any Supporting Warrantholder to transfer any Sewer Warrants or related rights or interests therein other than in compliance with this Section 3 shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Upon completion of a Transfer in compliance with this Section 3, the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement to the extent of such transferred Covered Sewer Warrants (and relinquished rights and released obligations).

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Covered Sewer Warrants to the extent and in the amount that distributions made generally available from the County to holders of Other Warrants (including in respect of the Covered Sewer Warrants) are increased.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Supporting Warrantholders and the other Plan Support Parties) shall be approximately \$1.835 billion, plus the distribution of the Reinstated Interest Payments and Reinstated Principal Payments pursuant to an Acceptable Plan as set forth in the Plan Term Sheet, plus the premium payable under the Backstop/Put Agreement.

(c) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan (in the case of the Sewer Warrant Insurer PSA) of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA or to the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Supporting Warrantholders and to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County represents that the Sewer Warrant Insurer PSA and the JPMorgan PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit C** and **Exhibit D**.

**Section 5. Agreements Between the Supporting Warrantholders and JPMorgan.**

As a material component of the Supporting Warrantholders' agreement to the transactions described in this Agreement and the Restructuring:

(a) In order to facilitate the various settlements to be implemented pursuant to an Acceptable Plan and the occurrence of the Effective Date, each Supporting Warrantholder hereby agrees (i) subject to Bankruptcy Code sections 1125 and 1126, to elect by the Ballot Submission Deadline the treatment under an Acceptable Plan set forth in Section 3[b] of the Plan Term Sheet in respect of all of its Covered Sewer Warrants (except to the extent provided in Section 3(e)); (ii) conditioned upon and effective as of the Effective Date, (A) to release each

Sewer Warrant Insurer from any claims it may have arising out of or relating to any insurance policies relating to its Covered Sewer Warrants (except to the extent provided in Section 3(e)), and (B) to waive any claims it may have for interest accruing or payable under its Covered Sewer Warrants at any rate other than the rate applicable to such Covered Sewer Warrants prior to the occurrence of an event of default under the Indenture or any Standby Agreement, as applicable; (iii) to comply with Section 2 above; and (iv) to comply with the restrictions on the transfer of its Sewer Warrants set forth in Section 3 above.

(b) Based upon the Supporting Warrantholders' agreements set forth in Section 5(a) above, JPMorgan will on or before the Effective Date, provide irrevocable directions to the County and the Trustee (or "paying agent" under an Acceptable Plan) to reallocate and distribute to each Supporting Warrantholder, instead of JPMorgan (and any of its affiliates holding Sewer Warrants), a portion of the cash recovery on the Sewer Warrants held by JPMorgan (and any such affiliates) under an Acceptable Plan, equal to (x) the principal amount of Eligible Sewer Warrants held by such holder (subject to Section 5(c) below) multiplied by (y) 3.46%; *provided, however*, that any increase in distributions made generally available from the County to holders of Other Warrants (including in respect of the Eligible Sewer Warrants) in excess of the amount set forth in part [b] of Section 3 of the Plan Term Sheet shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Eligible Sewer Warrants, and shall correspondingly reduce the amount of the JPMorgan reallocation to the benefited Supporting Warrantholders in respect of their Eligible Sewer Warrants pursuant to this Section 5(b); *provided, further, however*, that the aggregate JPMorgan reallocation to Supporting Warrantholders shall not be reduced below \$4 million.

(c) Each Supporting Warrantholder shall certify in writing to the County and JPMorgan no later than the third Business Day after the record date for distributions pursuant to the Acceptable Plan the amount of Eligible Sewer Warrants held by such Supporting Warrantholder as of such record date, *provided that*, for purposes of the reallocation pursuant to Section 5(b) above, the total amount of Eligible Sewer Warrants shall not exceed the total set forth on Schedule 1 on the date of execution of this Agreement, and the aggregate amount of such reallocation shall not exceed the product of such total set forth on Schedule 1 multiplied by the percentage referenced in Section 5(b) above.

(d) Each of the Supporting Warrantholders' agreement to provide the releases and waivers as set forth in Section 5(a)(ii)(A) and (B) shall be conditioned on the continued effectiveness of this Agreement and the JPMorgan PSA, and compliance by JPMorgan with all of its obligations under or contemplated by this Agreement.

(e) JPMorgan's obligation to reallocate to the Supporting Warrantholders pursuant to Section 5(b) above a portion of JPMorgan's cash distributions under an Acceptable Plan on account of the Sewer Warrants held by JPMorgan (and any of its affiliates holding Sewer Warrants) shall be subject to Section 5(c) above and conditioned upon confirmation of an Acceptable Plan and the occurrence of the Effective Date, approval by the Bankruptcy Court of such reallocation by JPMorgan to the Supporting Warrantholders pursuant to Section 5(b) above, receipt by JPMorgan (and any such affiliates) of an indefeasible cash recovery on the Effective Date of not less than the amount set forth in the JPMorgan PSA, plus all Reinstated Interest Payments and any Reinstated Principal Payments, which amount shall be after giving effect to all

other concessions by JPMorgan pursuant to or in furtherance of an Acceptable Plan and such reallocation pursuant to Section 5(b) above, the continued effectiveness of this Agreement, the Backstop/Put Agreement and the JPMorgan PSA, and compliance by all Supporting Warrantholders with all of their obligations under or contemplated by this Agreement and the Backstop/Put Agreement.

**Section 6. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party (pursuant to Section 5 hereof, in the case of JPMorgan), including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 7. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this

Agreement has not been terminated in accordance with Section 8, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 8.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 8.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Majority Eligible Warrantholders (and, in relation to the matters addressed in Section 5 hereof, JPMorgan);

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the deadline set forth in Section 8.1(o)(v) of this Agreement;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

(b) In connection with the agreement of the Supporting Warrantholders to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 8, each of the Supporting Warrantholders shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

## **Section 8. Termination & Default.**

### **8.1 Events of Termination & Default.**

(a) The County, JPMorgan, and the Majority Eligible Warrantholders may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the Majority Eligible Warrantholders, JPMorgan, or the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a "Market Shift"), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Majority Eligible Warrantholders, JPMorgan, or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County's control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice

have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then the Majority Eligible Warranholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(e) If the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then the Majority Eligible Warranholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the "Standstill Date"), then the Majority Eligible Warranholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) the Majority Eligible Warranholders, JPMorgan, or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then the Majority Eligible Warranholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Supporting Warrantholder materially breaches this Agreement (a “Breaching Warrantholder”) and such breach is not remedied, either by the Breaching Warrantholder or by one or more Supporting Warrantholders who have purchased the Covered Sewer Warrants held by the Breaching Warrantholder (or an equivalent amount of replacement Sewer Warrants of like series, type, and insurer, as applicable, which replacement warrants shall thereafter be treated as Covered Sewer Warrants or Eligible Sewer Warrants to the same extent as the replaced warrants were Covered Sewer Warrants or Eligible Sewer Warrants), within fifteen (15) calendar days of receiving written notice thereof from JPMorgan or the County to each Party or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by a Supporting Warrantholder, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by the County, then either JPMorgan or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan (but only if such modification adversely affects a right, obligation, or interest of such Party), and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of the Majority Eligible Warrantholders or JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the Supporting Warrantholders or JPMorgan, as applicable, under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, but only if such action adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If JPMorgan or any of the Supporting Warrantholders files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then

the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants, the Supporting Warrantholders, or JPMorgan (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court on or prior to July 1, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement on or prior to August 30, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; or

(v) the Effective Date shall not have occurred on or prior to December 20, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; *provided, however*, that such date may not be extended beyond December 31, 2013 (the "Outside Date");

then, in each case, the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If JPMorgan materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by JPMorgan, then either the County or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(q) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders, without the written consent of each affected Supporting Warrantholder) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders or JPMorgan, without the written consent of each affected Party) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(t) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County, the Majority Eligible Warrantholders, and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County, the Majority Eligible Warrantholders, and JPMorgan, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(u) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(v) If the County amends the Financing Plan in any material respect without the written approval of the Majority Eligible Warranholders and JPMorgan and does not rescind such amendment or obtain the written approval of the Majority Eligible Warranholders and JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from the Majority Eligible Warranholders or JPMorgan (which written notice must be provided by the Majority Eligible Warranholders or JPMorgan, as applicable, within seven (7) calendar days after the County provides the notice required by Section 4(d)), then either JPMorgan or the Majority Eligible Warranholders, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(w) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (w) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a “Trigger Event.”

## **8.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 8.2(a) shall only apply to Sections 8.1(b)-(d), (f)-(m), (p), (s), (t), and (v), and a Trigger Event under all other clauses of Section 8.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 8.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 8.1(b)-(c), (g)-(m), (p), (t), and (v), and not the other Trigger Events in Section 8.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 8.2(c) shall prejudice any Party’s rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

## **8.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure

of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 8.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

#### **8.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 8.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 9.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 8.1 (other than a termination under Section 8.1(w)), any and all ballots with respect to an Acceptable Plan delivered by each Supporting Warrantholder prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 8.1(w), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 9.10) shall be fully reserved.

### **Section 9. Miscellaneous Terms.**

#### **9.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Supporting Warrantholder or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Sewer Warrant Insurer, any other Supporting Warrantholder, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

#### **9.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

#### **9.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County, JPMorgan, and all of the Supporting Warrantholders listed on Schedule 1 as of the date hereof. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without

constituting a Trigger Event except as provided in Section 8.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

#### **9.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

#### **9.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE “CHOICE OF LAW” PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 9.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

#### **9.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the JPMorgan PSA and certain agreements among the Supporting Warranholders, this Agreement, together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by (x) the County, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of the County; (y) JPMorgan, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of JPMorgan; and (z) the Majority Eligible Warranholders, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of all Supporting Warranholders; *provided*, that (i) any modification of, or amendment or supplement to, this Agreement that has a disproportionate material adverse effect on any Supporting Warranholder shall require the written consent of such Supporting Warranholder so affected; (ii) any modification of, or amendment or supplement to, the consideration payable to the Supporting Warranholders (other than an increase in the consideration payable thereto in accordance with the Plan Term Sheet, which such increases shall not require the written consent of such affected

Supporting Warrantholders); (iii) any modification of, or amendment or supplement to, this Agreement that imposes additional obligations, cost or liability on a Party shall require the written consent of the Party so affected; and (iv) any modification of, or amendment or supplement to, this Section 9.6(c) or the Outside Date shall require the written consent of all Parties.

(d) Other than waivers contemplated by Section 8.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **9.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **9.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **9.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

## **9.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 9.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 9.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

## **9.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

## **9.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Supporting Warrantholder hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. Neither the execution nor delivery of this Agreement by the Supporting Warrantholders, nor the terms and conditions contained herein, shall provide a basis for the establishment or formation of a "group" under section 13(d)(3) of the Securities Exchange Act of 1934, as amended. Each Supporting Warrantholder disclaims the beneficial ownership of any securities of the County held by any other Supporting Warrantholder and its affiliates. It is understood and agreed that no Supporting Warrantholder has any duty of trust or confidence in any form with any other Supporting Warrantholder. In this regard, it is understood and agreed that, subject to Section 3, any Supporting Warrantholder may trade in the Sewer Warrants or other debt securities of the County without the consent of the County or JPMorgan, as the case may be, or any other Supporting Warrantholder, subject to all applicable securities laws and the terms of this Agreement; *provided, further*, that no Supporting Warrantholder shall have any responsibility for any such trading by any other entity by virtue of this Agreement. No prior history, pattern or practice of sharing confidences among or between the Supporting Warrantholders shall in any way affect or negate this understanding and agreement.

### 9.13 Notices.

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babbc.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to JPMorgan:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue

New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

If to Supporting Warrantholders:

At the addresses set forth in the signature pages hereto or set forth in a Transfer Agreement

-and-

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036  
Attn: Thomas Moers Mayer, Esq.; Elan Daniels, Esq.  
Facsimile: (212) 715-8169  
Email: tmayer@kramerlevin.com; edaniels@kramerlevin.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 9.13.

**9.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 8.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(y), 8.3, 8.4, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.9, 9.10, 9.11, 9.12, 9.13, 9.15, 9.16, 9.17, and this Section 9.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

**9.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency

between any provision of this Agreement and Section 3 of the Plan Term Sheet, Section 3 of the Plan Term Sheet shall control.

**9.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

**9.17 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

  
\_\_\_\_\_  
By: *W.D. Carrington*  
Its: *President*

**JPMorgan Chase Bank, N.A.**

\_\_\_\_\_  
By:  
Its:

**[Signature pages for each Supporting Warrantholder follow separately below]**

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

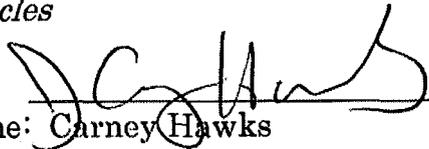
\_\_\_\_\_  
By:  
Its:

**JPMorgan Chase Bank, N.A.**

  
\_\_\_\_\_  
By: WILLIAM A. AUSTIN  
Its: EXECUTIVE DIRECTOR

**[Signature pages for each Supporting Warrantholder follow separately below]**

BRIGADE CAPITAL MANAGEMENT, LLC, *on  
behalf of certain managed funds and investment  
vehicles*

By: 

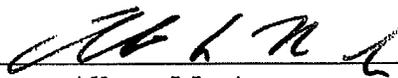
Name: Carney Hawks

Title: Partner

Address for Notices:

Brigade Capital Management, LLC  
399 Park Avenue  
16th Floor  
New York, NY 10022  
Attn: Carney Hawks  
Email: [ch@brigadecapital.com](mailto:ch@brigadecapital.com)

CLAREN ROAD CREDIT MASTER FUND, LTD.

By:   
Name: Albert Marino  
Title: Director

Address for Notices:

Claren Road Credit Master Fund, Ltd.  
c/o Claren Road Asset Management, LLC  
900 Third Avenue  
29th Floor  
New York, NY 10022  
Attn: Legal Dept.  
Email: ruberti@clarenroad.com

CLAREN ROAD CREDIT OPPORTUNITIES  
MASTER FUND, LTD.

By: \_\_\_\_\_

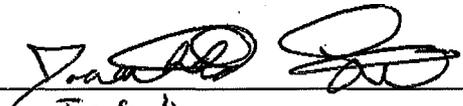
Name: Albert Marino

Title: Director

Address for Notices:

Claren Road Credit Opportunities Master Fund, Ltd.  
c/o Claren Road Asset Management, LLC  
900 Third Avenue  
29th Floor  
New York, NY 10022  
Attn: Legal Dept.  
Email: [ruberti@clarenroad.com](mailto:ruberti@clarenroad.com)

EMERALD EAGLE HOLDINGS, L.L.C.

By:   
Name: Jon Smith  
Title: Authorized Signatory

Address for Notices:

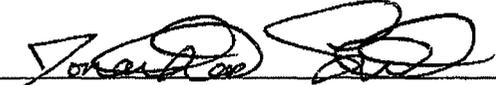
Emerald Eagle Holdings, L.L.C.  
c/o Trade Claims  
P.O. Box 1203  
New York, NY 10150  
claims@emeraldeagle.net

EMERALD EAGLE HOLDINGS SOUTH, L.L.C.

By:

Name:

Title:

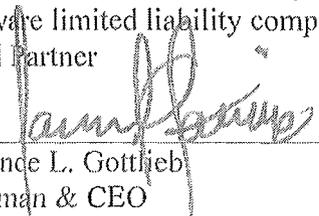
  
Jon Smith  
Authorized Signatory

Address for Notices:

Emerald Eagle Holdings South, L.L.C.  
c/o Trade Claims  
P.O. Box 1211  
New York, NY 10150  
bankruptcy@eaglesouth.net

FUNDAMENTAL PARTNERS LP  
a Delaware limited partnership, as Holder

By: Fundamental Partners GP LLC,  
a Delaware limited liability company, its  
General Partner

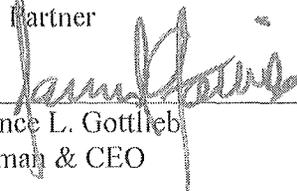
By:   
Laurence L. Gottlieb  
Chairman & CEO

Address for Notices:

Fundamental Partners LP  
c/o Fundamental Advisors, L.P.  
745 Fifth Avenue  
30th Floor  
New York, NY 10151  
Attn:  
Email:

**FUNDAMENTAL PARTNERS II LP**  
a Delaware limited partnership, as Holder

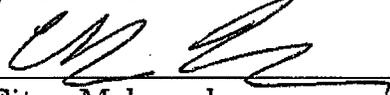
By: Fundamental Partners II GP LLC,  
a Delaware limited liability company, its  
General Partner

By:   
\_\_\_\_\_  
Laurence L. Gottlieb  
Chairman & CEO

Address for Notices:

Fundamental Partners II LP  
c/o Fundamental Advisors, L.P.  
745 Fifth Avenue  
30th Floor  
New York, NY 10151  
Attn:  
Email:

GLENDON CAPITAL MANAGEMENT L.P., *on  
behalf of its advised accounts*

By: 

Name: Eitan Melamed

Title: Partner

Address for Notices:

Glendon Capital Management L.P.

1620 26th Street, Suite 2000N

Santa Monica, CA 90404

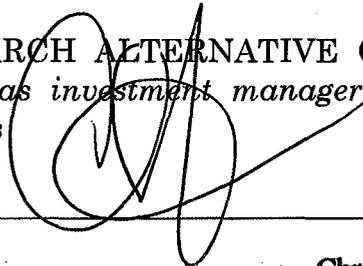
Attn:

Email:

MONARCH RESEARCH ALPHA MASTER FUND LTD  
MONARCH ALTERNATIVE SOLUTIONS MASTER  
FUND LTD  
MONARCH CAPITAL MASTER PARTNERS II-A LP  
MONARCH DEBT RECOVERY MASTER FUND LTD  
MONARCH OPPORTUNITIES MASTER FUND LTD  
P MONARCH RECOVERY LTD.  
MONARCH CAYMAN FUND LIMITED  
MONARCH CAPITAL MASTER PARTNERS II LP  
MONARCH CAPITAL MASTER PARTNERS LP  
OAKFORD MF LIMITED

By: MONARCH ALTERNATIVE CAPITAL LP,  
*solely as investment manager to the above  
entities*

By: \_\_\_\_\_  
Name:  
Title:

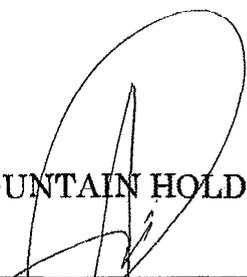
  
**Christopher Santana**  
**Managing Principal**

Address for Notices:

Monarch Alternative Capital LP  
535 Madison Avenue  
New York, NY 10022

Attn: Michael Kelly, Managing Principal - Chief Legal Officer

Email: michael.kelly@monarchlp.com



RED MOUNTAIN HOLDINGS LLC

By: \_\_\_\_\_

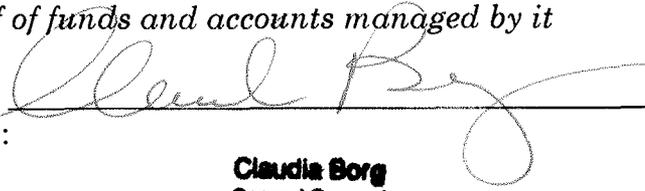
Name: *Andrew Harenstein*

Title: *Authorized Person*

Address for Notices:

Red Mountain Holdings LLC  
535 Madison Avenue, 26<sup>th</sup> Floor  
New York, NY 10022  
Attn: Michael Gillin  
Email: michael.gillin@monarchlp.com

STONE LION CAPITAL PARTNERS L.P., *on  
behalf of funds and accounts managed by it*

By: 

Name:

Title:

**Claudia Borg**  
**General Counsel**

Address for Notices:

Stone Lion Capital Partners L.P.  
555 Fifth Avenue  
18th Floor  
New York, NY 10017  
Attn: Claudia Borg  
Email: [cborg@stonelioncapital.com](mailto:cborg@stonelioncapital.com)

## Schedule 1

### Eligible Sewer Warrants

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KA0	\$19,375,000.00
Claren Road Credit Master Fund, LTD.	472682KA0	\$1,875,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KA0	\$800,000.00
Emerald Eagle Holdings South, L.L.C.	472682KA0	\$2,437,875.00
Emerald Eagle Holdings, L.L.C.	472682KA0	\$1,237,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KA0	\$45,000.00
Monarch Capital Master Partners II LP	472682KA0	\$99,000.00
Monarch Capital Master Partners II-A LP	472682KA0	\$143,000.00
Monarch Capital Master Partners LP	472682KA0	\$93,000.00
Monarch Cayman Fund Limited	472682KA0	\$88,000.00
Monarch Debt Recovery Master Fund Ltd	472682KA0	\$1,241,000.00
Monarch Opportunities Master Fund Ltd	472682KA0	\$1,448,000.00
Oakford MF Limited	472682KA0	\$221,000.00
P Monarch Recovery LTD	472682KA0	\$122,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KB8	\$16,125,000.00
Claren Road Credit Master Fund, LTD.	472682KB8	\$425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KB8	\$200,000.00
Emerald Eagle Holdings South, L.L.C.	472682KB8	\$166,250.00
Emerald Eagle Holdings, L.L.C.	472682KB8	\$83,750.00
Monarch Alternative Solutions Master Fund Ltd	472682KB8	\$51,000.00
Monarch Capital Master Partners II LP	472682KB8	\$19,000.00
Monarch Capital Master Partners II-A LP	472682KB8	\$159,000.00
Monarch Capital Master Partners LP	472682KB8	\$70,000.00
Monarch Cayman Fund Limited	472682KB8	\$99,000.00
Monarch Debt Recovery Master Fund Ltd	472682KB8	\$1,406,000.00
Monarch Opportunities Master Fund Ltd	472682KB8	\$455,000.00
Oakford MF Limited	472682KB8	\$16,000.00
P Monarch Recovery LTD	472682KB8	\$250,000.00
Claren Road Credit Master Fund, LTD.	472682KC6	\$950,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Opportunities Master Fund, LTD.	472682KC6	\$400,000.00
Emerald Eagle Holdings South, L.L.C.	472682KC6	\$256,875.00
Emerald Eagle Holdings, L.L.C.	472682KC6	\$118,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KC6	\$751,000.00
Monarch Capital Master Partners II LP	472682KC6	\$329,000.00
Monarch Capital Master Partners II-A LP	472682KC6	\$2,237,000.00
Monarch Capital Master Partners LP	472682KC6	\$2,185,000.00
Monarch Cayman Fund Limited	472682KC6	\$1,290,000.00
Monarch Debt Recovery Master Fund Ltd	472682KC6	\$8,565,000.00
Monarch Opportunities Master Fund Ltd	472682KC6	\$3,733,000.00
Oakford MF Limited	472682KC6	\$485,000.00
P Monarch Recovery LTD	472682KC6	\$1,125,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682KC6	\$9,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KD4	\$10,100,000.00
Emerald Eagle Holdings South, L.L.C.	472682KD4	\$6,788,500.00
Emerald Eagle Holdings, L.L.C.	472682KD4	\$3,636,500.00
Monarch Alternative Solutions Master Fund Ltd	472682KD4	\$127,000.00
Monarch Capital Master Partners II LP	472682KD4	\$41,000.00
Monarch Capital Master Partners II-A LP	472682KD4	\$414,000.00
Monarch Capital Master Partners LP	472682KD4	\$613,000.00
Monarch Cayman Fund Limited	472682KD4	\$190,000.00
Monarch Debt Recovery Master Fund Ltd	472682KD4	\$2,671,000.00
Monarch Opportunities Master Fund Ltd	472682KD4	\$491,000.00
Oakford MF Limited	472682KD4	\$71,000.00
P Monarch Recovery LTD	472682KD4	\$232,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KH5	\$16,525,000.00
Claren Road Credit Master Fund, LTD.	472682KH5	\$18,675,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KH5	\$8,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682KH5	\$9,560,000.00
Emerald Eagle Holdings, L.L.C.	472682KH5	\$5,140,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LH4	\$8,925,000.00
Emerald Eagle Holdings South, L.L.C.	472682LH4	\$3,661,125.00
Emerald Eagle Holdings, L.L.C.	472682LH4	\$2,038,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LH4	\$13,275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LH4	\$168,000.00
Monarch Capital Master Partners II LP	472682LH4	\$19,000.00
Monarch Capital Master Partners II-A LP	472682LH4	\$757,000.00
Monarch Capital Master Partners LP	472682LH4	\$125,000.00
Monarch Cayman Fund Limited	472682LH4	\$666,000.00
Monarch Debt Recovery Master Fund Ltd	472682LH4	\$4,659,000.00
Monarch Opportunities Master Fund Ltd	472682LH4	\$1,376,000.00
Oakford MF Limited	472682LH4	\$93,000.00
P Monarch Recovery LTD	472682LH4	\$187,000.00
Emerald Eagle Holdings South, L.L.C.	472682LJ0	\$2,130,000.00
Emerald Eagle Holdings, L.L.C.	472682LJ0	\$1,045,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LJ0	\$275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LJ0	\$84,000.00
Monarch Capital Master Partners II LP	472682LJ0	\$23,000.00
Monarch Capital Master Partners II-A LP	472682LJ0	\$272,000.00
Monarch Capital Master Partners LP	472682LJ0	\$363,000.00
Monarch Cayman Fund Limited	472682LJ0	\$217,000.00
Monarch Debt Recovery Master Fund Ltd	472682LJ0	\$2,323,000.00
Monarch Opportunities Master Fund Ltd	472682LJ0	\$460,000.00
Oakford MF Limited	472682LJ0	\$83,000.00
P Monarch Recovery LTD	472682LJ0	\$125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LK7	\$20,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682LK7	\$3,559,375.00
Emerald Eagle Holdings, L.L.C.	472682LK7	\$1,765,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LK7	\$1,100,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LK7	\$71,000.00
Monarch Capital Master Partners II LP	472682LK7	\$28,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682LK7	\$232,000.00
Monarch Capital Master Partners LP	472682LK7	\$398,000.00
Monarch Cayman Fund Limited	472682LK7	\$144,000.00
Monarch Debt Recovery Master Fund Ltd	472682LK7	\$1,992,000.00
Monarch Opportunities Master Fund Ltd	472682LK7	\$643,000.00
Oakford MF Limited	472682LK7	\$91,000.00
P Monarch Recovery LTD	472682LK7	\$176,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LL5	\$1,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682LL5	\$3,360,125.00
Emerald Eagle Holdings, L.L.C.	472682LL5	\$1,664,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LL5	\$5,650,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LL5	\$353,000.00
Monarch Capital Master Partners II LP	472682LL5	\$168,000.00
Monarch Capital Master Partners II-A LP	472682LL5	\$1,357,000.00
Monarch Capital Master Partners LP	472682LL5	\$695,000.00
Monarch Cayman Fund Limited	472682LL5	\$2,057,000.00
Monarch Debt Recovery Master Fund Ltd	472682LL5	\$2,166,000.00
Monarch Opportunities Master Fund Ltd	472682LL5	\$1,432,000.00
Oakford MF Limited	472682LL5	\$522,000.00
P Monarch Recovery LTD	472682LL5	\$550,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LM3	\$11,200,000.00
Emerald Eagle Holdings South, L.L.C.	472682LM3	\$9,533,305.00
Emerald Eagle Holdings, L.L.C.	472682LM3	\$5,326,695.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LM3	\$12,350,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LM3	\$166,000.00
Monarch Capital Master Partners II LP	472682LM3	\$33,000.00
Monarch Capital Master Partners II-A LP	472682LM3	\$723,000.00
Monarch Capital Master Partners LP	472682LM3	\$654,000.00
Monarch Cayman Fund Limited	472682LM3	\$606,000.00
Monarch Debt Recovery Master Fund Ltd	472682LM3	\$4,686,000.00
Monarch Opportunities Master Fund Ltd	472682LM3	\$1,928,000.00
Oakford MF Limited	472682LM3	\$205,000.00
P Monarch Recovery LTD	472682LM3	\$224,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682LN1	\$35,589,820.76
Emerald Eagle Holdings South, L.L.C.	472682LT8	\$12,500,000.00
Emerald Eagle Holdings, L.L.C.	472682LT8	\$7,500,000.00
Fundamental Partners II LP	472682LT8	\$17,500,000.00
Fundamental Partners LP	472682LT8	\$17,500,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LT8	\$12,910,420.86
Emerald Eagle Holdings South, L.L.C.	472682MD2	\$253,450.00
Emerald Eagle Holdings, L.L.C.	472682MD2	\$116,550.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NA7	\$9,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682NA7	\$6,505,625.00
Emerald Eagle Holdings, L.L.C.	472682NA7	\$3,369,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NA7	\$4,175,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NA7	\$21,000.00
Monarch Capital Master Partners II-A LP	472682NA7	\$203,000.00
Monarch Cayman Fund Limited	472682NA7	\$254,000.00
Monarch Debt Recovery Master Fund Ltd	472682NA7	\$607,000.00
Monarch Opportunities Master Fund Ltd	472682NA7	\$774,000.00
Oakford MF Limited	472682NA7	\$41,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NB5	\$2,500,000.00
Claren Road Credit Master Fund, LTD.	472682NB5	\$1,200,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NB5	\$525,000.00
Emerald Eagle Holdings South, L.L.C.	472682NB5	\$10,186,625.00
Emerald Eagle Holdings, L.L.C.	472682NB5	\$5,163,375.00
Monarch Alternative Solutions Master Fund Ltd	472682NB5	\$84,000.00
Monarch Capital Master Partners II LP	472682NB5	\$286,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682NB5	\$1,022,000.00
Monarch Cayman Fund Limited	472682NB5	\$422,000.00
Monarch Debt Recovery Master Fund Ltd	472682NB5	\$1,412,000.00
Monarch Opportunities Master Fund Ltd	472682NB5	\$1,370,000.00
Oakford MF Limited	472682NB5	\$57,000.00
P Monarch Recovery LTD	472682NB5	\$172,000.00
Emerald Eagle Holdings South, L.L.C.	472682NC3	\$330,000.00
Emerald Eagle Holdings, L.L.C.	472682NC3	\$170,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NC3	\$375,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NC3	\$108,000.00
Monarch Capital Master Partners II LP	472682NC3	\$49,000.00
Monarch Capital Master Partners II-A LP	472682NC3	\$350,000.00
Monarch Capital Master Partners LP	472682NC3	\$992,000.00
Monarch Cayman Fund Limited	472682NC3	\$216,000.00
Monarch Debt Recovery Master Fund Ltd	472682NC3	\$3,040,000.00
Monarch Opportunities Master Fund Ltd	472682NC3	\$1,217,000.00
Oakford MF Limited	472682NC3	\$227,000.00
P Monarch Recovery LTD	472682NC3	\$151,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NC3	\$250,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682ND1	\$2,000,000.00
Claren Road Credit Master Fund, LTD.	472682ND1	\$8,250,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682ND1	\$3,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682ND1	\$2,129,375.00
Emerald Eagle Holdings, L.L.C.	472682ND1	\$995,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682ND1	\$2,800,000.00
Monarch Alternative Solutions Master Fund Ltd	472682ND1	\$48,000.00
Monarch Capital Master Partners II LP	472682ND1	\$241,000.00
Monarch Capital Master Partners II-A LP	472682ND1	\$153,000.00
Monarch Capital Master Partners LP	472682ND1	\$436,000.00
Monarch Cayman Fund Limited	472682ND1	\$319,000.00
Monarch Debt Recovery Master Fund Ltd	472682ND1	\$1,334,000.00
Monarch Opportunities Master Fund Ltd	472682ND1	\$3,759,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Oakford MF Limited	472682ND1	\$596,000.00
P Monarch Recovery LTD	472682ND1	\$64,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NE9	\$2,700,000.00
Emerald Eagle Holdings South, L.L.C.	472682NE9	\$4,410,625.00
Emerald Eagle Holdings, L.L.C.	472682NE9	\$2,239,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NE9	\$4,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NF6	\$35,000,000.00
Claren Road Credit Master Fund, LTD.	472682NF6	\$3,500,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NF6	\$1,500,000.00
Emerald Eagle Holdings South, L.L.C.	472682NF6	\$12,950,000.00
Emerald Eagle Holdings, L.L.C.	472682NF6	\$7,050,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NF6	\$2,500,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NF6	\$10,000,000.00
Claren Road Credit Master Fund, LTD.	472682NG4	\$14,425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NG4	\$6,200,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NG4	\$7,325,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NG4	\$336,000.00
Monarch Capital Master Partners II LP	472682NG4	\$65,000.00
Monarch Capital Master Partners II-A LP	472682NG4	\$1,282,000.00
Monarch Cayman Fund Limited	472682NG4	\$791,000.00
Monarch Debt Recovery Master Fund Ltd	472682NG4	\$3,797,000.00
Monarch Opportunities Master Fund Ltd	472682NG4	\$3,455,000.00
Oakford MF Limited	472682NG4	\$197,000.00
P Monarch Recovery LTD	472682NG4	\$577,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NH2	\$39,850,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Master Fund, LTD.	472682NH2	\$6,925,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NH2	\$2,975,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NH2	\$15,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682NJ8	\$34,250.00
Emerald Eagle Holdings, L.L.C.	472682NJ8	\$15,750.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NJ8	\$225,000.00
Monarch Capital Master Partners II LP	472682NJ8	\$2,000.00
Monarch Debt Recovery Master Fund Ltd	472682NJ8	\$6,000.00
Monarch Opportunities Master Fund Ltd	472682NJ8	\$62,000.00
P Monarch Recovery LTD	472682NJ8	\$30,000.00
Emerald Eagle Holdings South, L.L.C.	472682NK5	\$68,500.00
Emerald Eagle Holdings, L.L.C.	472682NK5	\$31,500.00
Monarch Capital Master Partners II LP	472682NK5	\$1,000.00
Monarch Debt Recovery Master Fund Ltd	472682NK5	\$2,000.00
Monarch Opportunities Master Fund Ltd	472682NK5	\$15,000.00
P Monarch Recovery LTD	472682NK5	\$7,000.00
Red Mountain Holdings LLC	472682PJ6	\$4,918,002.82
Red Mountain Holdings LLC	472682PJ6	\$1,448,295.26
Red Mountain Holdings LLC	472682PJ6	\$674,970.72
Red Mountain Holdings LLC	472682PJ6	\$5,118,831.65
Red Mountain Holdings LLC	472682PJ6	\$29,015,611.89
Red Mountain Holdings LLC	472682PJ6	\$16,501,131.27
Red Mountain Holdings LLC	472682PJ6	\$1,940,704.55
Red Mountain Holdings LLC	472682PJ6	\$2,236,623.73
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PL1	\$30,000,000.00
Monarch Alternative Solutions Master Fund Ltd	472682PL1	\$1,534,000.00
Monarch Capital Master Partners II-A LP	472682PL1	\$4,886,000.00
Monarch Debt Recovery Master Fund Ltd	472682PL1	\$15,218,947.00
Monarch Opportunities Master Fund Ltd	472682PL1	\$9,350,000.00
Monarch Research Alpha Master Fund Ltd	472682PL1	\$1,368,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
P Monarch Recovery LTD	472682PL1	\$1,298,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682PL1	\$30,000,000.60
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PM9	\$31,770,000.00

**Excess Sewer Warrants**

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
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**Exhibit A**

**Plan Term Sheet**

**JEFFERSON COUNTY, ALABAMA:  
SUMMARY OF INDICATIVE TERMS FOR  
TREATMENT OF SUPPORTING WARRANTHOLDERS  
UNDER A CHAPTER 9 PLAN OF ADJUSTMENT**

THIS TERM SHEET (THE “**TERM SHEET**”) DOES NOT CONSTITUTE (NOR SHALL IT BE CONSTRUED AS) AN OFFER WITH RESPECT TO ANY SECURITIES OR A SOLICITATION OF ACCEPTANCES OR REJECTIONS AS TO ANY PLAN OF ADJUSTMENT, IT BEING UNDERSTOOD THAT SUCH A SOLICITATION, IF ANY, WILL ONLY BE MADE IN COMPLIANCE WITH APPLICABLE PROVISIONS OF SECURITIES AND/OR BANKRUPTCY LAWS. THIS TERM SHEET DOES NOT ADDRESS ALL MATERIAL TERMS THAT WOULD BE REQUIRED IN CONNECTION WITH ANY POTENTIAL RESTRUCTURING AND IS SUBJECT TO THE COMPLETION OF DUE DILIGENCE, CREDIT APPROVAL AND DEFINITIVE DOCUMENTS IN FORM AND SUBSTANCE REASONABLY ACCEPTABLE TO THE SUPPORTING WARRANTHOLDERS. THIS TERM SHEET AND THE TRANSACTIONS CONTEMPLATED HEREIN ARE PART OF A PROPOSED SETTLEMENT OF CLAIMS AND DISPUTES AMONG THE COUNTY, JPM AND THE SUPPORTING WARRANTHOLDERS. NOTHING IN THIS TERM SHEET SHALL CONSTITUTE A WAIVER OF ANY RIGHTS WITH RESPECT TO ANY OF THE PROPOSED TERMS CONTAINED HEREIN OR ANY RIGHTS TO MAKE ANY ARGUMENTS OR TAKE ANY POSITIONS CONSISTENT WITH OR CONTRARY TO THE TERMS OF THIS TERM SHEET AND ALL SUCH RIGHTS ARE RESERVED PENDING COMPLETION OF FINAL AGREED DEFINITIVE DOCUMENTATION. THIS TERM SHEET IS SUBJECT IN ALL RESPECTS TO THE TERMS AND CONDITIONS OF THE ACCOMPANYING AD HOC PLAN SUPPORT AGREEMENT.

<p>1. Plan Support Agreement &amp; Time Period</p>	<p>Jefferson County, Alabama (the “<b>County</b>”), JPMorgan Chase Bank, N.A. (“<b>JPM</b>”) and the holders (including any transferee of such holders, the “<b>Supporting Warrantholders</b>”) of \$872,559,361.11 outstanding principal amount of warrants secured by special revenues from the Jefferson County sewer system (the “<b>Sewer Warrants</b>”) issued pursuant to that certain Trust Indenture, dated as of February 1, 1997 (as amended and supplemented, the “<b>Indenture</b>”), by and among the County, as issuer and The Bank of New York Mellon, as successor indenture trustee (the “<b>Indenture Trustee</b>”), will execute an agreement (the “<b>Ad Hoc Plan Support Agreement</b>”) under which [a] the County will announce its support for, file and pursue confirmation of the Plan (as defined below) containing the terms set forth herein and for adoption of sewer rates sufficient to support the Plan and [b] the Supporting Warrantholders will agree to support the Plan; <i>provided, however,</i> that the agreement shall terminate, if not previously terminated, if the effective date of the Plan (the “<b>Effective Date</b>”) does not occur before <b>December 20, 2013</b> (such date or the earliest date of a termination of the Ad Hoc Plan Support Agreement, the “<b>Termination Date</b>”).</p> <p>As used herein, the term “<b>Plan</b>” shall mean a plan of adjustment containing terms set forth herein, in the Ad Hoc Plan Support Agreement, the JPM plan support agreement and the other plan support agreements described in Section 2 below and otherwise reasonably acceptable to the County, the Supporting Warrantholders and JPM. The Plan shall provide for (i) the consensual allowance and treatment under the Plan of (A) the claims of Supporting Warrantholders against the County; and (B) the sewer related claims of JPM and its affiliates against the County to the extent provided in the JPM plan support agreement; (ii) the settlement and release of all subordination and other claims, causes of action and avoidance actions (including those arising under the Bankruptcy Code or nonbankruptcy law) against JPM or its affiliates and the other PSA Released Parties (as defined below) related to the County, the County sewer system, the Sewer Warrants or any insurance issued in respect of the Sewer Warrants, including any</p>
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	<p>such claims, causes of action and avoidance actions of the County, the monoline insurance companies (the “<b>Monolines</b>”; and collectively with the County, JPM, and the Supporting Warrantholders, the “<b>PSA Released Parties</b>”), JPM and its affiliates, the Supporting Warrantholders or other holders of claims against the County, but excluding claims under any applicable wrap insurance policies (x) on account of \$6 million of principal amount of Series 2003-B-8 Sewer Warrants held by FGIC as an investment and (y) exempted in Section 3(e) of the Ad Hoc Plan Support Agreement; and (iii) the dismissal with prejudice or other conclusive resolution acceptable to JPM and the other applicable PSA Released Parties of all pending litigation involving JPM or its affiliates and such other applicable PSA Released Party(ies) related thereto. The broad releases to be incorporated into the Plan will be presented as a resolution of disputed claims inextricably bound with the Plan pursuant to Federal Rule of Bankruptcy Procedure 9019 and will bind all parties in interest (including, without limitation, plaintiffs purporting to assert claims derivatively on the County’s behalf, including, without limitation, in pending adversary proceedings). The Plan will provide for the Bankruptcy Court to issue injunctions enforcing the releases and, to the maximum extent permitted by law, broad exculpations for actions taken by the PSA Released Parties in negotiations and litigation with respect to these matters prior to the filing of the chapter 9 case, in the chapter 9 case, and in any adversary proceedings.</p>
<p>2. Financing Plan &amp; Rate Schedule</p>	<p>By the Commission adopting a resolution directing the President of the Commission to execute each plan support agreement with the Supporting Warrantholders, JPM and the Monolines, including the Ad Hoc Plan Support Agreement, the County shall commit (subject to confirmation and the occurrence of the Effective Date, and in accordance with and pursuant to the Plan) to institute future sewer rate modifications adequate to achieve rate increases of up to 7.41% in each of the first four years after the Effective Date, and up to 3.49% in each year thereafter so long as the new sewer warrants issued under and in connection with the Plan (the “<b>New Sewer Warrants</b>”) remain outstanding (the “<b>Approved Rate Schedule</b>”), consistent with a financing plan containing assumptions regarding an issuance amount, costs of issuance, issuance proceeds, rate forecasts, revenue forecasts, elasticity, operating expenditures and capital expenditures, each as presented for consideration and approval by the Commission simultaneously with the above-referenced plan support agreements (the “<b>Financing Plan</b>”). To the extent the County can issue the New Sewer Warrants, in the amounts required hereunder, by committing to rate increases that are lower than those set forth in the Approved Rate Schedule, the County may do so. In addition, the documents governing the New Sewer Warrants shall contain rate, revenue and other customary covenants permitting the County, following the Effective Date, to institute sewer rate modifications reducing, or requiring the County to institute sewer rate modifications increasing, rates from those set forth in the Approved Rate Schedule, depending on positive or negative variances following the</p>

	<p>Effective Date from the Financing Plan.</p> <p>Following the aforementioned adoptions, the parties will then negotiate reasonably and in good faith any remaining definitive documentation, specifically including the Plan, the Backstop/Put Agreement (as defined below), the indenture for the New Sewer Warrants, the disclosure statement for the Plan, the confirmation order for the Plan and documents ancillary thereto.</p>
<p>3. Treatment of Sewer Warrants other than those held by JPM and the Monolines other than \$6 million of principal amount of Series 2003-B-8 Sewer Warrants held by FGIC as an investment (“<b><u>Other Warrants</u></b>”)</p>	<p>As a result of the concessions to be made by JPM and the Monolines pursuant to the Plan, including the reallocation from JPM to holders of Other Warrants of a substantial portion of the pro rata recovery that would otherwise be made to JPM and the contribution of consideration by the Monolines through the settlement of claims and the allowance of reallocated amounts from JPM to flow to the holders of Other Warrants, the recovery on all Other Warrants will be increased as set forth below, and the total amount of New Sewer Warrants to be issued pursuant to the Plan will be lower than would otherwise be necessary to implement the Plan. After implementation of the Financing Plan and on the Effective Date, the County shall distribute to the Indenture Trustee on account of Other Warrants (and for ratable distribution by the Indenture Trustee to the beneficial holders of such Other Warrants) cash in an amount equal to:</p> <ul style="list-style-type: none"> <li>a) <b><u>65%</u></b> of outstanding principal amount (after giving effect to the payment of Reinstated Principal Payments described below) if the holders of such warrants elect to retain their claims under any applicable wrap insurance policy against the Monolines relating to the County, or elect to retain any claims on account of pre-petition default interest, in each case, if any; <b><i>or</i></b></li> <li>b) <b><u>80%</u></b> of outstanding principal amount (after giving effect to payment of Reinstated Principal Payments described below) if the holders of such warrants waive their claims under any insurance policies against the Monolines relating to the County, release any claims against the PSA Released Parties relating to the County, and waive any claims on account of pre-petition default interest, in each case, if any</li> <li>c) <b><i>plus</i></b> in each case of [a] and [b], payment in full (from the sources described in Section 4 below, and only such sources) of all Reinstated Interest Payments and all Reinstated Principal Payments.</li> </ul> <p>Subject to court approval of a disclosure statement and solicitation in accordance with the Bankruptcy Code, all of the Supporting Warrantholders shall vote to accept the Plan, grant the releases contemplated by the Plan, including, without limitation, of JPM, and elect to receive the treatment set forth in [b], other than as otherwise exempted in Section 3(e) of the Ad Hoc Plan Support Agreement.</p>

<p>4. Reinstated Principal &amp; Interest Payments</p>	<p>On or about February 1, 2013, the Indenture Trustee declared sewer revenues insufficient to pay all amounts due and payable under the Indenture and thereafter retained, and did not pay to warrant holders, cash that would have been used to pay interest and principal amounts scheduled to become due on and after such date under the terms of the Indenture (without giving effect to any acceleration of indebtedness thereunder). As a part of the standstill on all pending litigation, pursuant to a stipulated form of order to be proposed to effect a standstill in the declaratory judgment action commenced by the Indenture Trustee (the “<b><u>Declaratory Judgment Action</u></b>”), the Indenture Trustee will continue to retain such amounts and those that continue to be collected until the earlier of the occurrence of the Effective Date or the Termination Date, as set forth below.</p> <p>The Plan will provide that, to implement a settlement incorporated into the Plan pursuant to Federal Rule of Bankruptcy Procedure 9019 of any and all claims and matters raised in the Declaratory Judgment Action, and any claims related to the reapplication to principal of any interest payments made on the Sewer Warrants during the chapter 9 case, on the Effective Date, all non-default rate interest accrued and unpaid as of the Effective Date (without providing for interest on interest) (“<b><u>Reinstated Interest Payments</u></b>”) and all principal amounts which have become due and payable on or after February 1, 2013 and prior to the Effective Date (without giving effect to any acceleration or any accelerated redemption schedule) (“<b><u>Reinstated Principal Payments</u></b>”) shall be distributed from funds in the accounts maintained by the Indenture Trustee under the Indenture to the holders of the Sewer Warrants entitled thereto, including payments on the Sewer Warrants held by the Supporting Warrantheolders, JPM and the Monolines (including on account of any principal or interest payments made by any Monolines between February 1, 2013 and the Effective Date pursuant to any applicable insurance policies).</p>
<p>5. Backstop/Put Agreement</p>	<p>If the underwriter can sell at least 80% of each of the series of CUSIPs of the New Sewer Warrants but cannot sell the balance in accordance with the Financing Plan because a market clearing price consistent with the Financing Plan does not exist, then the Supporting Warrantheolders who commit to purchase New Sewer Warrants under the agreement (the “<b><u>Backstop/Put Agreement</u></b>”) will fund, in proportion to the commitment made by each, 50% of the shortfall by accepting, in lieu of cash, a principal amount equal to 50% of the shortfall at the lowest price offered by the underwriter to the public for each of the CUSIPs of the New Sewer Warrants that are being purchased by Supporting Warrantheolders who commit to purchase such New Sewer Warrants (with the underwriter to fund the remaining 50% of the shortfall).</p>
<p>6. Backstop/Put Fee; Restriction on Transfer</p>	<p>In accordance with and subject to confirmation of the Plan and the occurrence of the Effective Date, the County will agree to pay each Supporting Warrantheolder who signs the Backstop/Put Agreement its pro rata share, based on commitment amount, of a fee in an amount equal to</p>

	<p>1.5% of the principal amount of the Sewer Warrants committed by such Supporting Warrantholder to the backstop/put in cash on the Effective Date.</p> <p>The Ad Hoc Plan Support Agreement and Backstop/Put Agreement will provide that rights and obligations of Supporting Warrantholders committing to purchase New Sewer Warrants may not be assigned or otherwise transferred separately from such Supporting Warrantholders' Sewer Warrants, and vice versa. The Ad Hoc Plan Support Agreement and the Backstop/Put Agreement will further provide that Sewer Warrants held by Supporting Warrantholders, and the rights and obligations under the Backstop/Put Agreement, may not be transferred to or assumed by a third party unless such third party agrees to become a party to, bound by and assume all obligations under both the Ad Hoc Plan Support Agreement and the Backstop/Put Agreement. To the extent a selling Supporting Warrantholder transfers its Sewer Warrants in accordance with the transfer restrictions contemplated by the Ad Hoc Plan Support Agreement and the Backstop/Put Agreement, such selling Supporting Warrantholder will be deemed to relinquish its rights (and be released from its obligations) under such agreements to the extent of such transferred rights and obligations with respect to the transferred Sewer Warrants.</p>
<p>7. JPMorgan Distribution</p>	<p>As a material component of the Supporting Warrantholders' agreement to the transactions described herein to be incorporated into the Ad Hoc Plan Support Agreement (including, without limitation, the agreement to waive all insurance and default interest claims, and to restrict transfer of Sewer Warrants only to parties who agree to become party to and bound by all obligations under the Ad Hoc Plan Support Agreement and the Backstop/Put Agreement) and implemented pursuant to the Plan, which agreement will facilitate the various settlements to be implemented pursuant the Plan and occurrence of the Effective Date, JPM has agreed to the reallocation/distribution to the Supporting Warrantholders of a portion of JPM's Plan recovery (an indefeasible cash recovery on the Effective Date of not less than the dollar amount to be specified in the JPM plan support agreement (plus all Reinstated Interest Payments and any Reinstated Principal Payments), after giving effect to all other concessions by JPM pursuant to or in furtherance of the Plan enhancing the recovery generally of holders of Sewer Warrants and such reallocation/distribution), in an aggregate amount equal to 3.46% of the aggregate outstanding principal amount, not to exceed \$872,559,361.11, of Sewer Warrants held by the Supporting Warrantholders on the Effective Date (after giving effect to Reinstated Principal Payments), which reallocation/distribution shall be payable in cash to each Supporting Warrantholder on a pro rata basis, based on outstanding principal amount (after giving effect to Reinstated Principal Payments) not to exceed \$872,559,361.11 and be conditioned upon confirmation of the Plan and the occurrence of the Effective Date, the continued effectiveness of the Ad Hoc Plan Support Agreement and the Backstop/Put Agreement, the JPM plan support agreement and compliance</p>

	<p>by the Supporting Warranholders with all of their obligations under or contemplated by the Ad Hoc Plan Support Agreement and the Backstop/Put Agreement.</p> <p><b><u>Offset of JPM Distribution:</u></b> Any increase in distributions made generally available from the County to holders of Other Warrants (including the Supporting Warranholders) in excess of the amount set forth in part [b] in Section 3 shall increase the amount payable in part [b] in Section 3 to the Supporting Warranholders in respect of their Sewer Warrants and correspondingly reduce the amount of the JPMorgan distribution to the benefitted Supporting Warranholders pursuant to this Section 7; <i>provided, however,</i> that the JPM distribution shall not be reduced below \$4 million. For the avoidance of doubt, the consideration payable under the Backstop/Put Agreement shall not be subject to reduction herein.</p>
<p>8. Treatment of Sewer Warrant Principal</p>	<p>All distributions on Other Warrants and the Sewer Warrants held by JPM shall be made on account of outstanding principal amount (after giving effect to Reinstated Principal Payments). Except with respect to the calculation of distributions to any holders of bank warrants electing to receive the treatment described in part [a] in Section 3, interest accrued pre-petition at the default rate in excess of the contract rate shall not be applied to increase principal. As part of the settlement referenced above of matters raised in the Declaratory Judgment Action and concerning reapplication of interest to principal, the Plan will provide that for purposes of distributions under the Plan, no payments made during the case (other than amounts used to repay Sewer Warrants at maturity or to redeem Sewer Warrants prior to maturity, including, as applicable, making regularly scheduled principal payments on the Sewer Warrants and the Reinstated Principal Payments) shall be applied or recharacterized to reduce principal.</p>
<p>9. Treatment of Sewer Warrant Interest</p>	<p>As part of the settlement referenced above of matters raised in the Declaratory Judgment Action and concerning reapplication of interest to principal, the Plan will provide that no distribution shall be made on account of post-petition interest accrued in excess of pre-default rates. Under a stipulated form of order to be proposed to effect a standstill in the Declaratory Judgment Action, (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee, the Supporting Warranholders and JPMorgan will not present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of (i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to the Plan in accordance with “Reinstated Principal &amp; Interest Payments” above; and</p>

	<p>(y) the Termination Date, after which the all parties’ rights shall be reserved and determined as if this Ad Hoc Plan Support Agreement and Term Sheet had never been executed.</p>
<p>10. Market Risk &amp; Other Conditions</p>	<p>The County and the Supporting Warrantholders acknowledge that the transactions described in this Term Sheet are contingent on implementation of the Financing Plan. The County acknowledges that the Financing Plan contemplates the issuance of New Sewer Warrants to produce net proceeds for distribution to sewer creditors under the Plan of approximately \$1.835 billion, which amount excludes the consideration payable under the Backstop/Put Agreement.</p> <p>Adverse changes in financing markets (including, without limitation, increases in market interest rates) shall not constitute a termination event under the Ad Hoc Plan Support Agreement unless the County, in consultation with its financial advisors, reasonably determines in good faith that it is not economically possible to implement the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “<u>Market Shift</u>”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.</p> <p>The transactions described in this Term Sheet are conditioned on: entry of order approving a Disclosure Statement by August 30; Plan confirmation and validation of New Sewer Warrants by November 25; and occurrence of the Effective Date by December 20, 2013.</p> <p>Unless the County reasonably determines on the advice of its lead underwriter that obtaining ratings will increase the rates necessary to repay the New Sewer Warrants, the County shall use reasonable efforts to obtain ratings for the New Sewer Warrants from at least two of the following rating agencies: Moody’s Investors Service, Standard &amp; Poor’s Ratings Services and Fitch Ratings.</p> <p>The conditions to the Effective Date will include, among things, Bankruptcy Court approval (pursuant to the order confirming the Plan or otherwise) prior to such date of the settlement, releases and other transactions</p>

	<p>contemplated hereby, including payment in cash in full of all of the distributions and other payments provided herein to the Supporting Warrantholders.</p> <p>The conditions to the Effective Date will also include a requirement that the County shall have entered into a settlement agreement with the IRS regarding the pending audit on terms reasonably acceptable to the County and the parties to plan support agreements; <i>provided, however</i>, that if any settlement payment is required to be made to the IRS, such payment shall be payable exclusively from gross sewer revenues or funds in the accounts maintained under the Indenture, including, without limitation, accounts into which net sewer revenues are deposited or have been accumulating after February 1, 2013; <i>provided, further, however</i>, that any such settlement payment shall not reduce the aggregate refinancing consideration paid to sewer creditors, the Reinstated Principal Payments, the Reinstated Interest Payments or any other payments described herein to be paid to sewer creditors under the Plan or in connection therewith.</p> <p>Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the New Sewer Warrants and the covenants made by the County for the benefit of the holders thereof (including, without limitation, the revenue and rate covenants) will constitute valid, binding, legal and enforceable obligations of the County under Alabama law and that the provisions made to pay or secure payment of such obligations are valid, binding, legal, and enforceable security interests or liens on or pledges of special revenues, which validation will be set forth in the Plan and confirmation order. Confirmation of the Plan shall also constitute a finding that the Approved Rate Structure complies with the requirements of Bankruptcy Code sections 943(b)(6) and 1129(a)(6). Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the Approved Rate Structure is appropriate and binding on and specifically enforceable against the County, the County Commission, and all parties in interest in accordance with the Plan, including because such Approved Rate Structure is a valid provision made to pay or secure payment of the New Sewer Warrants.</p> <p>The Ad Hoc Plan Support Agreement, the Backstop/Put Agreement, the Plan and other definitive documents shall contain other customary and mutually acceptable terms and conditions, including without limitation provisions relating to achieving a standstill of all sewer-related litigation (including appeals) that has been commenced or threatened since the County filed its bankruptcy case, other than the Lehman Brothers claim priority adversary proceeding; <i>provided, however</i>, that no party shall be required to incur or become obligated in respect of any material liability or</p>
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	<p>expense to achieve such a standstill.</p> <p>For the avoidance of doubt, nothing in this term sheet or in the Ad Hoc Plan Support Agreement shall preclude the Supporting Warrantholders from reallocating consideration contemplated by Section 3 and Section 7 among them in such fashion as may be agreed among the affected Supporting Warrantholders.</p> <p>For the avoidance of doubt, neither the County nor JPMorgan shall have any obligation to pay any additional consideration under the Plan or otherwise on account of any Sewer Warrants acquired by any of the Supporting Warrantholders after the execution of the Ad Hoc Plan Support Agreement beyond the consideration that will result from the treatment set forth in parts [b] and [c] of Section 3 above.</p>
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**EXHIBIT B-1**

**JOINDER TO PLAN SUPPORT AGREEMENT**

## JOINDER TO PLAN SUPPORT AGREEMENT

This Joinder (“Joinder”) to the Plan Support Agreement (the “PSA”), dated as of June 6, 2013, a copy of which is attached as Annex 1 hereto, by and among Jefferson County, Alabama, JPMorgan Chase Bank, N.A., and the Supporting Warrantholders (collectively, the “Parties”), is executed and delivered by \_\_\_\_\_ (the “Joining Party”) as of \_\_\_\_\_, \_\_\_\_\_.<sup>1</sup>

1. Agreement to be Bound by PSA. The Joining Party hereby agrees to become a Party to and, at any time the Joining Party owns Covered Sewer Warrants, to be bound by and timely perform all of the terms and provisions of the PSA (as the same may be hereafter amended, restated or otherwise modified from time to time), and shall hereafter be deemed to have all of the rights and obligations of, and to be, a “Supporting Warrantholder” and a “Party” for all purposes under the PSA; *provided, however*, that, consistent with Section 3 of the PSA, the Transfer of Excess Sewer Warrants shall not be subject to the transfer restrictions contained in Section 3 of the PSA except during the Excess Warrant Restriction Period; *provided, further, however*, that the Joining Party shall not be required to elect to waive any claims with respect to any wrap insurance for any Exempt Excess Sewer Warrants owned by the Joining Party at the time of execution of this Joinder or after acquired.

2. Agreement to be Bound by the Agreement Among Supporting Warrantholders: By delivering a signature page to this Joinder, the Joining Party hereby agrees to be bound by and timely perform all of the terms and provisions of the Agreement Among Supporting Warrantholders attached as Annex 3 (as the same may be hereafter amended, restated or otherwise modified from time to time, the “Agreement Among Warrantholders”), shall hereafter be deemed to have all of the rights and obligations of, and to be, a “Supporting Warrantholder” for all purposes under the Agreement Among Warrantholders.

3. Backstop/Put Agreement: Consistent with Section 1(g) of the PSA, [OPTION A] the Joining Party confirms its intention to backstop an offering of New Sewer Warrants as contemplated in the Plan Term Sheet, subject to execution of a Backstop/Put Agreement containing terms and conditions reasonably acceptable to such Supporting Warrantholder and the County (including agreement concerning the terms of the indenture for the New Sewer Warrants), with commitments to be allocated among the Supporting Warrantholders on a pro rata basis based upon the Supporting Warrantholders’ holdings of Eligible Sewer Warrants or on other terms acceptable to each Supporting Warrantholder and the County; OR [OPTION B] by delivering a signature page to this Joinder, the Joining Party hereby agrees to be bound by and timely perform all of the terms and provisions of the Backstop/Put Agreement attached as Annex 4 (as the same may be hereafter amended, restated or otherwise modified from time to time), shall hereafter be deemed to have all of the rights and obligations of, and to be, a “Supporting Warrantholder” for all purposes under the Backstop/Put Agreement.<sup>2</sup>

<sup>1</sup> Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the PSA.

<sup>2</sup> [TBD Depending on whether Backstop/Put Agreement has been Executed]

4. Representations and Warranties. With respect to all Eligible Sewer Warrants and other Covered Sewer Warrants held by the Joining Party after giving effect to the transactions as to which this Joinder is being executed (which the Joining Party has listed in full on Annex 2 hereto) and all related rights and causes of action arising out of or in connection with or otherwise relating to such Sewer Warrants, the Joining Party hereby makes all of the representations and warranties of a Supporting Warrantholder set forth in the PSA to each other Party to the PSA, to the extent applicable, including, without limitation, the representations and warranties set forth in Sections 3 and 6 of the PSA, as of the date hereof.

5. Retention of Counsel and Financial Advisors of Supporting Warrantholders. For so long the Joining Party owns Covered Sewer Warrants, the Joining Party shall [OPTION A] retain each of \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, the current advisors for the Majority Eligible Warrantholders, in accordance with the form of retention letter document provided by such advisor(s) or [OPTION B] not retain separate advisors to participate in discussions involving the Sewer Warrants with JPMorgan or the County and abide by the decisions of the Majority Eligible Warrantholders, even if such Joining Party votes against such a constituency.

6. Governing Law. This Joinder shall be governed by and construed in accordance with the laws of the State of Alabama, without regard to the “choice of law” principles of that or any other jurisdiction. By its execution and delivery of this Joinder, the Joining Party hereby irrevocably and unconditionally agrees that any dispute with respect to this Joinder shall be resolved by the Bankruptcy Court, which shall also have non-exclusive jurisdiction and power to enforce the terms of this Joinder.

Notice Information

Attention: [ ]

[ADDRESS 1]

[ADDRESS 2]

Telephone: [ ]

Facsimile: [ ]

E-mail: [ ]

[NAME OF JOINING PARTY]

By: \_\_\_\_\_

Name:

Title:

**ANNEX 1**

**Plan Support Agreement**

**ANNEX 2**

**Eligible Sewer Warrants**

<b><u>TRANSFERRING WARRANTHOLDER</u></b>	<b><u>NEW WARRANTHOLDER</u></b>	<b><u>CUSIP#</u></b>	<b><u>AMOUNT</u></b>
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**Excess Sewer Warrants**

<b><u>TRANSFERRING WARRANTHOLDER<sup>3</sup></u></b>	<b><u>NEW WARRANTHOLDER</u></b>	<b><u>CUSIP#</u></b>	<b><u>AMOUNT</u></b>
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<sup>3</sup> List "N/A" for Excess Sewer Warrants not being acquired from an Existing Supporting Warranholder.

**EXHIBIT B-2**

**MARKETMAKER JOINDER TO PLAN SUPPORT AGREEMENT**

## MARKETMAKER JOINDER TO PLAN SUPPORT AGREEMENT

This Marketmaker Joinder (“Joinder”) to the Plan Support Agreement (the “PSA”), dated as of June 6, 2013, a copy of which is attached as Annex 1 hereto, by and among Jefferson County, Alabama, JPMorgan Chase Bank, N.A., and the Supporting Warrantholders (collectively, the “Parties”), is executed and delivered by \_\_\_\_\_ (the “Marketmaker Joining Party”) as of \_\_\_\_\_, \_\_\_\_.<sup>4</sup>

### 1. Agreement to Transfer or Join.

(a) As a condition to the settlement of the Transfer, the Marketmaker Joining Party agrees, within [ten (10)] Business Days of the closing of such initial Transfer, to either: (a) Transfer any Eligible Sewer Warrants and, during the Excess Warrant Restriction Period, also transfer Excess Sewer Warrants, acquired from a Supporting Warrantholder to a Supporting Warrantholder or other person (“Subsequent Transferee”) who will execute a Transfer Agreement substantially in the form of Exhibit B-1 or Exhibit B-2 to the PSA, as applicable; or (b) if a Transfer cannot be completed during such time period, to itself execute a Transfer Agreement substantially in the form of Exhibit B-1 to the PSA. Only the Subsequent Transferee (and not the Marketmaker Joining Party, unless it later executes a Transfer Agreement substantially in the form of Exhibit B-1) shall agree to be bound by and be required to timely perform all of the terms and provisions of the PSA (as the same may be hereafter amended, restated or otherwise modified from time to time), and shall hereafter be deemed to have all of the rights and obligations of, and to be, a “Supporting Warrantholder” and a “Party” for all purposes under the PSA.

(b) Notwithstanding the foregoing, to the extent that a Marketmaker Joining Party has acquired, in connection with an execution of a joinder to the PSA, Eligible Sewer Warrants or Excess Sewer Warrants, as applicable, and continues to hold such Sewer Warrants on the Ballot Submission Deadline, such Marketmaker Joining Party shall be required to vote such Sewer Warrants and make such elections as are required under the PSA solely with respect to such Sewer Warrants.

(c) For the avoidance of doubt, in the event the Marketmaker Joining Party is required to execute a Transfer Agreement substantially in the form of Exhibit B-1 to the PSA or is required to comply with the requirements in Section 1(a) and (b) of this Joinder, the transfer restrictions in Section 3 of the PSA or other obligations under the PSA shall not apply to any other Sewer Warrants or other claims against the County such Marketmaker Joining Party owns on such date or later acquires solely to the extent such Party holds such Sewer Warrants or other claims in its capacity as a Qualified Marketmaker; *provided, however*, that if the Marketmaker Joining Party acquires applicable Covered Sewer Warrants from a Supporting Warrantholder in any capacity it must otherwise comply with the obligations in the respective joinder (Exhibits B-1 or B-2) with respect to such Covered Sewer Warrants it is required to execute (if any) in connection with such transaction.

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<sup>4</sup> Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the PSA.

2. Representations and Warranties. The Marketmaker Joining Party represents and warrants that it is acquiring the applicable Covered Sewer Warrants listed on Annex 2 hereto subject to the PSA with the purpose and intent of acting as a Qualified Marketmaker for such Sewer Warrants. The Marketmaker Joining Party disclaims any other representations, warranties and covenants under the PSA of a “Supporting Warrantholder” other than the covenant to transfer or become bound and vote or make such elections with respect to any Eligible Sewer Warrants or Excess Sewer Warrants, as applicable, owned on the Ballot Submission Deadline in accordance with the PSA as contemplated by Section 1 herein.

3. Governing Law. This Joinder shall be governed by and construed in accordance with the laws of the State of Alabama, without regard to the “choice of law” principles of that or any other jurisdiction. By its execution and delivery of this Joinder, the Joining Party hereby irrevocably and unconditionally agrees that any dispute with respect to this Joinder shall be resolved by the Bankruptcy Court, which shall also have non-exclusive jurisdiction and power to enforce the terms of this Joinder.

Notice Information

Attention: [ ]  
[ADDRESS 1]  
[ADDRESS 2]  
Telephone: [ ]  
Facsimile: [ ]  
E-mail: [ ]

[NAME OF JOINING PARTY]

By: \_\_\_\_\_  
Name:  
Title:

**ANNEX 1**

**Plan Support Agreement**

**ANNEX 2**

**Eligible Sewer Warrants**

<b><u>TRANSFERRING</u></b> <b><u>WARRANTHOLDER</u></b>	<b><u>NEW</u></b> <b><u>WARRANTHOLDER</u></b>	<b><u>CUSIP#</u></b>	<b><u>AMOUNT</u></b>
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**Excess Sewer Warrants**

<b><u>TRANSFERRING</u></b> <b><u>WARRANTHOLDER</u></b>	<b><u>NEW</u></b> <b><u>WARRANTHOLDER</u></b>	<b><u>CUSIP#</u></b>	<b><u>AMOUNT</u></b>
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**Exhibit C**

**Form of Sewer Warrant Insurer PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the “**Plan Term Sheet**”), which are expressly incorporated herein by reference, this “**Agreement**”, dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the “**County**”), on the one hand, and Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. (“**Assured**”), Financial Guaranty Insurance Company (“**FGIC**”), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. (“**Syncora**” and collectively with Assured and FGIC, the “**Sewer Warrant Insurers**”), on the other hand. Each of the Sewer Warrant Insurers and the County are referred to herein as a “**Party**” and collectively as the “**Parties**.” Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the “**Indenture**”), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the “**Trustee**”), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County’s sewer system (the “**Sewer Warrants**”);

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond New Issue Insurance Policy* number 97010082 issued by FGIC on or around February 27, 1997; (ii) that certain *Municipal Bond New Issue Insurance Policy* number 01010225 issued by FGIC on or around March 22, 2001; (iii) that certain *Municipal Bond New Issue Insurance Policy* number 02010251 issued by FGIC on or around March 6, 2002; (iv) that certain *Municipal Bond Insurance Policy* number CA00370A issued by Syncora on or around October 25, 2002; (v) that certain *Municipal Bond New Issue Insurance Policy* number 03010448 issued by FGIC on or around May 1, 2003; (vi) that certain *Municipal Bond Insurance Policy* number 200777-N issued by Assured on or around May 1, 2003; (vii) that certain *Municipal Bond Insurance Policy* number CA00522A issued by Syncora on or around May 1, 2003; (viii) that certain *Municipal Bond New Issue Insurance Policy* number 03010824 issued by FGIC on or around August 7, 2003; and (ix) that certain *Municipal Bond Insurance Policy* number 201371-N issued by Assured on or around August 7, 2003 (collectively, the “**Sewer Wrap Policies**”);

**WHEREAS**, in connection with the issuance of certain series of Sewer Warrants and in order to satisfy certain requirements under the Indenture, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 01010226 issued by FGIC on or around March 22, 2001; (ii) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 02010252 issued by FGIC on or around March 6, 2002; (iii) that certain *Debt Service Reserve Insurance Policy* number CA01568A issued by Syncora on or around December 30, 2004; and (iv) that certain *Municipal Bond Debt Service Reserve Insurance Policy* number 201371-R issued by Assured on or around April 1, 2005 (collectively, the “Sewer DSRF Policies”);

**WHEREAS**, in connection with the issuance of the Sewer DSRF Policies, the County entered into the following agreements: (i) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 22, 2001, by and between the County and FGIC; (ii) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 6, 2002, by and between the County and FGIC; (iii) that certain *Financial Guaranty Agreement* dated as of December 30, 2004, by and between the County and Syncora; and (iv) that certain *Insurance Agreement* dated as of April 1, 2005, by and between the County and Assured (collectively, the “Sewer DSRF Reimbursement Agreements”);

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a “Standby Agreement”);

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the “Bankruptcy Case”) before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “Bankruptcy Court”);

**WHEREAS**, each of the Sewer Warrant Insurers has filed claims in the Bankruptcy Case against the County asserting rights to be paid various amounts arising from or in connection with the Sewer Wrap Policies, the Sewer DSRF Policies, and the Sewer DSRF Reimbursement Agreements, including on account of certain Sewer Warrants that are individually held by certain of the Sewer Warrant Insurers (collectively and with any and all other claims of the Sewer Warrant Insurers, whatever the origin or nature, the “Sewer Warrant Insurer Claims”);

**WHEREAS**, the County disputes the Sewer Warrant Insurers’ entitlements with respect to certain of the Sewer Warrant Insurer Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the Sewer Warrant Insurers dispute the County’s contentions;

**WHEREAS**, on June 28, 2012, the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) appointed Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, solely in his capacity as the rehabilitator (the “Rehabilitator”) of FGIC in the matter styled as *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”);

**WHEREAS**, notwithstanding any representation or warranty by, or provision of this Agreement applicable to, FGIC, FGIC's obligations hereunder (and any applicable representations, warranties, or provisions herein) are expressly subject to the Rehabilitator obtaining an order in the FGIC Rehabilitation Proceeding approving FGIC's execution and performance of this Agreement no later than June 28, 2013 (or such later date as the County, FGIC, and the Rehabilitator may agree in writing for obtaining such approval);

**WHEREAS**, on or about February 6, 2013, the Trustee commenced an adversary proceeding against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the "Declaratory Judgment Action");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "JPMorgan PSA") with JPMorgan Chase Bank, N.A. ("JPMorgan") and a plan support agreement (the "Supporting Warrantholder PSA") with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders" and collectively with JPMorgan and the Sewer Warrant Insurers, the "Plan Support Parties");

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, the Sewer Warrant Insurers are contemporaneously entering into certain agreements among themselves (to which the County is not a party) in order to address, among other things, how the consideration payable to the Sewer Warrant Insurers pursuant to an Acceptable Plan (as defined below) shall be distributed and allocated among the Sewer Warrant Insurers and pursuant to the commutation of reinsurance agreements between and among the Sewer Warrant Insurers related to the Sewer Warrants (collectively, the "Sewer Warrant Insurers Agreements");

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 7.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing the Sewer Warrant Insurers (the “Insurer Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Insurer Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a Disclosure Statement (as defined below), and a Confirmation Order (as defined below), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement (as defined below) or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Sewer Warrant Insurers shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all Sewer Warrant Insurer Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; *provided*, that for the purposes of the Sewer Warrant Insurers voting to accept an Acceptable Plan (including as provided in this Section 1(e)), the term “Sewer Warrant Insurer Claims” shall not include any claims on account of Sewer Warrants that are insured, but not owned, by a Sewer Warrant Insurer, but shall include claims that arise under the Sewer DSRF Reimbursement

Agreements or on account of any principal or interest scheduled to become payable on or after February 1, 2013, that is paid by such Sewer Warrant Insurer and the FGIC Assured-Insured Warrants; and (iii) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan. For the avoidance of doubt, such releases shall not release any rights of the Sewer Warrant Insurers (x) *vis-à-vis* each other to the extent not released in or reserved in any Sewer Warrant Insurers Agreement, (y) under an Acceptable Plan or the Tail Risk Payment Agreements, and (z) of FGIC against Assured under any Sewer Wrap Policies issued by Assured insuring the FGIC Assured-Insured Warrants.

(f) No Party will contest any other Party's ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Sewer Warrant Insurers or any other creditors with respect to an Acceptable Plan until such parties have received a disclosure statement for an Acceptable Plan (the "Disclosure Statement"), any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) The Sewer Warrant Insurers will have the right to approve all provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the applicable Sewer Warrant Insurer prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the order confirming an Acceptable Plan (the "Confirmation Order"); (ii) the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the work to be done by KCC (or any other entity retained by the County acceptable to the Sewer Warrant Insurers) as a solicitation agent acceptable to the Sewer Warrant Insurers, which will take all reasonable efforts as approved by the Bankruptcy Court to provide holders of Class 1-A claims with actual notice regarding the Commutation Election and an Acceptable Plan (the "Solicitation Procedures"), including the ballots or such other documents that contain the Commutation Election (the "Solicitation Ballots") and any

affidavit of service to be filed by KCC (or any other agent) in connection therewith; (iii) the Disclosure Statement, including the description of the Solicitation Procedures set forth in the Disclosure Statement and any other document to be distributed to holders of Class 1-A claims and the form of the Solicitation Ballots; (iv) procedures by which holders of Class 1-A claims that do not vote or make the Commutation Election, or that elect to both make and not make the Commutation Election, are deemed to have made such an election (the “Commutation Election Procedures”); (v) procedures by which holders of Series 2003-C-9 or 2003-C-10 Sewer Warrants insured by Assured, who have been “deemed” to make the Commutation Election, will be notified of their right to rescind such “deemed” Commutation Election by providing written notice thereof to KCC (or any other agent), Assured, and the County within not less than 29 calendar days after the deadline for making the Commutation Election (the “Rescission Procedures”); (vi) the order or orders approving the Disclosure Statement, Solicitation Procedures, form of Solicitation Ballots, Commutation Election Procedures, and Rescission Procedures; (vii) the Confirmation Order; (viii) the Stipulated Order (as defined below); (ix) the Tail Risk Payment Agreements; (x) all other related Acceptable Plan and closing documentation; and (xi) any other document which is subject to approval by the Sewer Warrant Insurers pursuant to the Plan Term Sheet. The County shall provide the Insurer Professionals with a copy of the ballot tabulation and Commutation Election results (after giving effect to any rescissions exercised by any holders of the Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured) within one (1) business day of the completion of the report of such results by KCC (or any other agent) and the County.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC Rehabilitation Proceeding, except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder

as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any of the Sewer Wrap Policies or any of the Sewer DSRF Policies); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), the Sewer Warrant Insurers providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the Sewer Warrant Insurers to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the Sewer Warrant Insurers, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of such Sewer Warrant Insurer) expose any such Sewer Warrant Insurer to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The Sewer Warrant Insurers shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 7.

(d) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any of the Sewer Wrap Policies and Sewer DSRF Policies, pursuant to a stipulated form of order acceptable to the County and each of the Sewer Warrant Insurers (the “Stipulated Order”) to effect a standstill or suspension of the Declaratory Judgment Action, (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any Sewer Wrap Policies or Sewer DSRF Policies; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(d)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the

termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(x) of the Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

(e) So long as none of this Agreement, the Supporting Warrantholder PSA, or the JPMorgan PSA has been terminated, FGIC shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the FGIC Assured-Insured Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of FGIC to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

### **Section 3. Representations and Covenants Regarding Claims.**

(a) FGIC represents that as of the date of this Agreement, FGIC owns (i) Series 2002-A Sewer Warrants in the principal amount of \$101,465,000, and (ii) Series 2003-B-8 Sewer Warrants in the principal amount of \$6,000,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Syncora represents that as of the date of this Agreement, Syncora owns Sewer Warrants in the principal amount of \$214,191,875.11 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Assured represents that as of the date of this Agreement, Assured owns Sewer Warrants in the principal amount of \$20,375,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Each Sewer Warrant Insurer represents that as of the date of this Agreement, and except (i) pursuant to any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) as may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to such insurer or such insurer's inability to pay claims in full; or (iii) pursuant to a stipulation, agreement, or court order described in Section 3(c) below, it has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Sewer Warrant Insurer Claims held by such Sewer Warrant Insurer that are inconsistent with, or in violation of, the representations and warranties of such Sewer Warrant Insurer herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Sewer Warrant Insurer's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Sewer Warrant Insurer covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of the Agreement, it will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of its Sewer Warrant Insurer Claims (including any Sewer Warrants), or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a "Transfer"). Any attempt to Transfer any Sewer Warrant Insurer Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance

with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*.

(c) Notwithstanding the foregoing, each of (i) any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) any transfer that may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to a Sewer Warrant Insurer or such insurer's inability to pay claims in full; and (iii) any stipulation, other agreement, or court order resolving or otherwise addressing any dispute between one or more holders of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of holders, as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by holders and insured by such Sewer Warrant Insurer shall not constitute a "Transfer" under this Agreement.

(d) This Agreement shall in no way be construed to preclude any Sewer Warrant Insurer from acquiring additional Sewer Warrants or any claims directly related thereto as a result of such Sewer Warrant Insurer making payment under any applicable Sewer Wrap Policy or Sewer DSRF Policies on account of regularly scheduled principal or interest due on Sewer Warrants insured by such Sewer Warrant Insurer; *provided, however*, that any additional Sewer Warrants or claims against the County directly related thereto so acquired by any Sewer Warrant Insurer shall automatically be deemed to be subject to the terms of this Agreement, including the voting requirements set forth in Section 1 hereof, and the Sewer Warrant Insurer's rights to receive payments on account of such Sewer Warrants as part of the Insurer Outlay Amount set forth in the Plan Term Sheet.

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the JPMorgan PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as Exhibit B and Exhibit C, respectively, and that the Supporting Warrantholders as of the date of the Supporting Warrantholder PSA have represented in the Supporting Warrantholder PSA that they hold in the aggregate no less than \$872,559,361.11 principal amount of Sewer Warrants as of the date of the Supporting Warrantholder PSA.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an

Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to the Sewer Warrant Insurers of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA, the Supporting Warrantholder PSA, or the GO PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Sewer Warrant Insurers under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Sewer Warrant Insurers of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County shall provide the Insurer Professionals a copy of the update of the relevant portion of Schedule 1 of the Supporting Warrantholder PSA that is required under Section 3(f) of the Supporting Warrantholder PSA within one (1) business day of the County's receipt of such update from the Supporting Warrantholders.

**Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 and approval by the FGIC Rehabilitation Court (in the case of FGIC), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) Subject to approval by the FGIC Rehabilitation Court (in the case of FGIC), the execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126, and except for the FGIC Rehabilitation Court (in the case of FGIC) and the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Sewer Warrant Insurers;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

(b) In connection with the agreement of the Sewer Warrant Insurers to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring,

as long as this Agreement has not been terminated in accordance with Section 7, each of the Sewer Warrant Insurers shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, the Sewer Wrap Policies, the Sewer DSRF Policies, the Sewer DSRF Reimbursement Agreements, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1. Events of Termination & Default.**

(a) The County and the Sewer Warrant Insurers may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within

twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Sewer Warrant Insurers or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County, as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC’s execution and performance of this Agreement on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the Rehabilitator for obtaining such approval, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the “Standstill Date”), then any of the Sewer Warrant Insurers or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been

obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) any of the Sewer Warrant Insurers or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a “Litigation Termination Notice”). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then any of the Sewer Warrant Insurers or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Sewer Warrant Insurer materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County or any non-breaching Sewer Warrant Insurer, then, subject to such Party’s rights under Section 7.2(a), the County or any non-breaching Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then any of the Sewer Warrant Insurers, but only if such breach adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of any of the Sewer Warrant Insurers, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the applicable Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from any Sewer Warrant Insurer, then any of the Sewer Warrant Insurers, but only if such action adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If any of the Sewer Warrant Insurers files any motion or pleading that, in the reasonable judgment of the County or any other Sewer Warrant Insurer, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County or any other Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County or any other Sewer Warrant Insurer, then the County or any other Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the Sewer Warrant Insurer Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the Sewer Warrant Insurers (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement, the Solicitation Procedures, the form of Solicitation Ballots, and the

Commutation Election Procedures by August 30, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

then, in each case, any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(q) If the Supporting Warrantholder PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If any of the Sewer Warrant Insurers materially breaches one of the Sewer Warrant Insurers Agreements and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then any non-breaching Sewer Warrant Insurer, but only if such breach is in respect of a right, obligation, or interest that extends to such non-breaching Sewer Warrant Insurer's benefit, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(s) If any of the Sewer Warrant Insurers Agreements shall have been terminated or is otherwise no longer in full force and effect, then any Sewer Warrant Insurer that is a party to and has not breached the applicable Sewer Warrant Insurers Agreement may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If any condition precedent (including for the avoidance of doubt each condition precedent set forth in paragraph E. of the Plan Term Sheet) to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then the County or any of the Sewer Warrant Insurers may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the

condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(u) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and the Sewer Warrant Insurers on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and the Sewer Warrant Insurers, then the County or any of the Sewer Warrant Insurers may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(v) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(w) If the County amends the Financing Plan in any material respect without the written approval of each Sewer Warrant Insurer and does not rescind such amendment or obtain the written approval of each Sewer Warrant Insurer regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from one or more of the Sewer Warrant Insurers (which written notice must be provided by the applicable Sewer Warrant Insurer within seven (7) calendar days after the County provides the notice required by Section 4(d)), then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(x) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (x) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a "Trigger Event."

## **7.2. Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(m), (r), and (t)-(u), and (w), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(m), (r), (u), and (w), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3. Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties (including in the case of FGIC, the Rehabilitator); *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4. Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(x)), any and all ballots with respect to an Acceptable Plan delivered by each Sewer Warrant Insurer prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. For the avoidance of doubt, termination of this Agreement in accordance with Section 7 of this Agreement as to one of the Sewer Warrant Insurers will result in a termination of this Agreement as to all of the Sewer Warrant Insurers. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(x), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement, the Plan Term Sheet, and the Sewer Warrant Insurers Agreements were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Sewer Warrant Insurer or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Supporting Warrantholder, any other Sewer Warrant Insurer, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

### **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties (including in the case of FGIC, the Rehabilitator), and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

### **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the Sewer Warrant Insurers (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court). Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

### **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

### **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for

the sole and express benefit of each of the other Parties to this Agreement. Notwithstanding the foregoing, any dispute regarding whether FGIC has been authorized by the FGIC Rehabilitation Court to execute and perform (a) this Agreement or (b) any of the Sewer Warrant Insurers Agreements shall be subject to the exclusive jurisdiction of the FGIC Rehabilitation Court.

#### **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Sewer Warrant Insurers Agreements, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and each Sewer Warrant Insurer.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

#### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

## **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court) represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party

## **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

## **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than (i) a proceeding to enforce or interpret the terms of this Agreement or (ii) with respect to FGIC, in any proceeding seeking approval of this Agreement by the FGIC Rehabilitation Court. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

## **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Sewer Warrant Insurer hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. It is understood and agreed that no Sewer Warrant Insurer has any duty of trust or confidence in any form with any other Sewer Warrant Insurer.

### **8.13 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babco.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: [kklee@ktbslaw.com](mailto:kklee@ktbslaw.com); [lbogdanoff@ktbslaw.com](mailto:lbogdanoff@ktbslaw.com); [wholt@ktbslaw.com](mailto:wholt@ktbslaw.com)

If to Assured:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: Bruce Stern

With a copy to:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: General Counsel

and

Winston & Strawn, LLP  
200 Park Avenue  
New York, New York 10166  
Attn: Lawrence A. Larose  
Facsimile: (212) 294-4700  
Email: [LLarose@winston.com](mailto:LLarose@winston.com)

If to FGIC:

Financial Guaranty Insurance Company  
125 Park Avenue  
New York, NY 10017  
Attn: Timothy Travers

With a copy to:

Dabney, PLLC  
303 Grande Court  
Richmond, VA 23229  
Attn: H. Slayton Dabney, Jr., Esq.  
Email: [sdabney@dabneypllc.com](mailto:sdabney@dabneypllc.com)

and

Heller, Draper, Patrick & Horn, L.L.C.  
650 Poydras Street, Suite 2500  
New Orleans, Louisiana 70130  
Attn: William H. Patrick, III, Esq.  
Facsimile: (504) 299-3399  
Email: WPatrick@hellerdraper.com

If to Syncora:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: Frederick B. Hnat, Esq.

With a copy to:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: James W. Lundy, Jr., Esq.  
General Counsel  
Facsimile: (212) 478-3479  
Email: james.lundy@scafg.com

and

DLA Piper LLP (US)  
1251 Avenue of the Americas  
New York, New York 10020  
Attn: George B. South III, Esq.  
Facsimile: (917) 778-8540  
Email: george.south@dlapiper.com

and

Quinn Emanuel Urquhart & Sullivan LLP  
51 Madison Avenue, 22nd Floor  
New York, New York 10010  
Attn: Susheel Kirpalani, Esq.  
Eric M. Kay, Esq.  
Facsimile: (212) 849-7100  
Email: susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.13.

#### **8.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(d)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.13, 8.15, 8.16, 8.17, and this Section 8.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

#### **8.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however,* that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., E., or F. of the Plan Term Sheet, parts C., D., E., and F. of the Plan Term Sheet shall control.

#### **8.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

#### **8.17 Use of “Including” and “FGIC”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”. Whenever this Agreement uses the word “FGIC,” such reference shall be deemed to mean “FGIC or the Rehabilitator acting on behalf of FGIC”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**ASSURED GUARANTY MUNICIPAL CORP.**

\_\_\_\_\_  
By:  
Its:

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: \_\_\_\_\_

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawsky,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

\_\_\_\_\_  
By:  
Its:

**Exhibit D**

**Form of JPMorgan PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the "**County**"), on the one hand, and JPMorgan Chase Bank, N.A. ("**JPMorgan**") and each affiliate of JPMorgan beneficially owning Sewer Warrants signatory hereto (together with JPMorgan, the "**JPM Parties**"), on the other hand. Each of the JPM Parties and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, JPMorgan and the Trustee, on behalf of the JPM Parties and other beneficial holders of the Sewer Warrants, have filed claims in the Bankruptcy Case against the County asserting rights to be paid, among other things, various amounts on account of principal and interest arising from or in connection with the Standby Agreements and the Indenture in respect of the Sewer Warrants held by the JPM Parties (collectively, the "**JPMorgan Sewer Warrant Claims**");

**WHEREAS**, the County disputes the JPM Parties' entitlements with respect to certain of the JPMorgan Sewer Warrant Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the JPM Parties dispute the County's contentions;

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of all sewer system and Sewer Warrant related disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Supporting Warrantholder PSA") with JPMorgan and with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders");

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Sewer Warrant Insurer PSA") with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. ("Assured"), Financial Guaranty Insurance Company ("FGIC"), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. ("Syncora"), each of which is referred to as a "Sewer Warrant Insurer" and collectively with the JPM Parties and the Supporting Warrantholders are the "Plan Support Parties";

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an "Acceptable Plan") and to meet the deadlines set forth in Section 7.1(q) hereof. The

County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing JPMorgan (the “JPMorgan Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The JPMorgan Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) The JPM Parties shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all JPMorgan Sewer Warrant Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; and (iii) provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan of all claims arising under or in connection with all JPMorgan Sewer Warrant Claims. For the avoidance of doubt, such releases shall not release any rights of the JPM Parties under an Acceptable Plan.

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the JPM

Parties or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) JPMorgan shall have the right to approve the provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the JPM Parties prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the Confirmation Order, (ii) the Disclosure Statement and the order or orders approving the Disclosure Statement and the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the ballots or such other documents that contain the Commutation Election, (iii) the Confirmation Order, (iv) the Stipulated Order (as defined below), (v) all other Acceptable Plan and closing documentation, and (vi) any other document which is subject to approval by JPMorgan pursuant to the Plan Term Sheet.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the proceeding pending before the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) styled *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”), except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and

a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order), the JPM Parties providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the JPM Parties to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the JPM Parties, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of the JPM Parties) expose the JPM Parties to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The JPM Parties shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date, at which time all pending Litigation against the JPM Parties will, pursuant to an Acceptable Plan, be dismissed with prejudice or (y) termination of this Agreement in accordance with Section 7.

(d) So long as none of this Agreement, the Supporting Warrantholder PSA, or the Sewer Warrant Insurer PSA has been terminated, the JPM Parties shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the JPM Parties’ Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of the JPM Parties to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and JPMorgan (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee*

*v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(y) of the Agreement, after which the Parties’ rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Representations and Covenants Regarding Claims.**

(a) JPMorgan represents that the JPM Parties own the Sewer Warrants set forth on Schedule 1 hereto, and retain all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. For the avoidance of doubt, all references in this Agreement to the JPM Parties and the JPMorgan Sewer Warrant Claims shall relate to the JPM Parties in their capacity as the beneficial owners of the Sewer Warrants set forth on Schedule 1 hereto, and shall not include any such JPM Party or JPMorgan Sewer Warrant Claims to the extent of any Sewer Warrants not included on Schedule 1 that may be held by a JPM Party in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders. JPMorgan represents that as of the date of this Agreement, the JPM Parties have not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of their respective right, title, or interest in any Sewer Warrants that is inconsistent with, or in violation of, the representations and warranties of JPMorgan herein, in violation of the obligations of the JPM Parties under this Agreement, or that would adversely affect in any way the performance of their obligations under this Agreement at the time such obligations are required to be performed.

(b) JPMorgan covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement, the JPM Parties will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of the JPMorgan Sewer Warrant Claims, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”) other than any Transfer between one JPM Party and another JPM Party. Other than any Transfer between one JPM Party and another JPM Party, any attempt to Transfer any JPMorgan Sewer Warrant Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Unless the County and JPMorgan otherwise agree, other than any

Transfer between one JPM Party and another JPM Party, the JPM Parties shall not acquire any additional Sewer Warrants.

**Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the Sewer Warrant Insurer PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit B** and **Exhibit C**.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the JPM Parties and the other Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to JPMorgan of any termination of, amendment to, or written notice of potential termination of the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

**Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

## **Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(q)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(q)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to JPMorgan;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

(b) In connection with the agreement of the JPM Parties to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, each of the JPM Parties shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1 Events of Termination & Default.**

(a) The County and the JPM Parties may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If either the County or JPMorgan provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the County and JPMorgan in writing (the "Standstill Date"), then JPMorgan or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) JPMorgan or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then JPMorgan or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any of the JPM Parties materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County, then, subject to the JPM Parties' rights under Section 7.2(a), the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If JPMorgan materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then, subject to JPMorgan's rights under Section 7.2(a), the County may terminate this Agreement by giving a

second written notice to each other Party within twenty (20) calendar days of the first written notice.

(k) If the County materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan, and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(m) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the JPM Parties under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from JPMorgan, then JPMorgan, but only if such action adversely affects a right, obligation, or interest of the JPM Parties, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(n) If any of the JPM Parties files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(o) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the JPMorgan Sewer Warrant Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the JPM Parties (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(p) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then either the County or JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(q) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement by August 30, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

then, in each case, JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If the Supporting Warrantholder PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If the GO PSA shall have been terminated by (i) either the County or JPMorgan, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter; or (ii) any other party to the GO PSA, then either the County or JPMorgan may terminate this Agreement by giving ten (10) calendar days written notice to each other Party after any such termination of the GO PSA by such other party.

(u) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date,

then either the County or JPMorgan may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(v) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and JPMorgan, then either the County or JPMorgan may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(w) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(x) If the County amends the Financing Plan in any material respect without the written approval of JPMorgan and does not rescind such amendment or obtain the written approval of JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from JPMorgan (which written notice must be provided by JPMorgan within seven (7) calendar days after the County provides the notice required by Section 4(d)), then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(y) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (y) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a "Trigger Event."

## **7.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(o), and (u), (v), and (x), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(o), (v), and (x), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.13; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(y)), any and all ballots with respect to an Acceptable Plan delivered by the JPM Parties prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(y), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict the JPM Parties or their respective officers or representatives from engaging in discussions with or among any or all of: the County, any Supporting Warrantholder, any Sewer Warrant Insurer,

any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

## **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

## **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the JPM Parties. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

## **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

## **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.12 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

## **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Supporting Warrantholder PSA and the GO PSA, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject

matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and the JPM Parties.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

### **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

### **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203

Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@bab.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to the JPM Parties:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue  
New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017

Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.12.

### **8.13 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.14, 8.15, 8.16, and this Section 8.13 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

### **8.14 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., and E. of the Plan Term Sheet, parts C., D., and E. of the Plan Term Sheet shall control.

### **8.15 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

### **8.16 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation.”

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

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By:  
Its:

**JPMORGAN CHASE BANK, N.A.**

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By: William A. Austin  
Its: Executive Director

**JPMORGAN CHASE FUNDING INC.**

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By: William A. Austin  
Its: Authorized Signatory

**J.P. MORGAN SECURITIES LLC**

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By: William A. Austin  
Its: Authorized Signatory

## Schedule 1

### Sewer Warrants Owned By the JPM Parties

#### Sewer Warrants<sup>1</sup>

Series 2002-C 1 and 5:	\$ 200,750,000
Series 2002-C 2:	\$ 47,711,810
Series 2003-B 1:	\$ 495,455,000
Series 2003-C 1-5:	\$ 373,500,000
Series 2003-C 9-10:	\$ 103,950,000
Total:	\$1,221,366,810 <sup>2</sup>

<sup>1</sup> Principal amount of Sewer Warrants; amounts exclude (i) prepetition default interest and fees (Series 2002-C 2) to be waived on the Effective Date, (ii) accrued and unpaid non-default interest on all Series to be paid on the Effective Date from Accumulated Revenues, (iii) regularly scheduled principal amortization (Series 2003-B 1) to be paid on the Effective Date from Accumulated Revenues, and (iv) swap claims of JPMorgan affiliate to be waived on the Effective Date.

<sup>2</sup> Total Adjusted Principal Amount estimated to be \$1,218,000,000.

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the "**County**"), on the one hand, and Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. ("**Assured**"), Financial Guaranty Insurance Company ("**FGIC**"), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. ("**Syncora**" and collectively with Assured and FGIC, the "**Sewer Warrant Insurers**"), on the other hand. Each of the Sewer Warrant Insurers and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond New Issue Insurance Policy* number 97010082 issued by FGIC on or around February 27, 1997; (ii) that certain *Municipal Bond New Issue Insurance Policy* number 01010225 issued by FGIC on or around March 22, 2001; (iii) that certain *Municipal Bond New Issue Insurance Policy* number 02010251 issued by FGIC on or around March 6, 2002; (iv) that certain *Municipal Bond Insurance Policy* number CA00370A issued by Syncora on or around October 25, 2002; (v) that certain *Municipal Bond New Issue Insurance Policy* number 03010448 issued by FGIC on or around May 1, 2003; (vi) that certain *Municipal Bond Insurance Policy* number 200777-N issued by Assured on or around May 1, 2003; (vii) that certain *Municipal Bond Insurance Policy* number CA00522A issued by Syncora on or around May 1, 2003; (viii) that certain *Municipal Bond New Issue Insurance Policy* number 03010824 issued by FGIC on or around August 7, 2003; and (ix) that certain *Municipal Bond Insurance Policy* number 201371-N issued by Assured on or around August 7, 2003 (collectively, the "**Sewer Wrap Policies**");

**WHEREAS**, in connection with the issuance of certain series of Sewer Warrants and in order to satisfy certain requirements under the Indenture, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 01010226 issued by FGIC on or around March 22, 2001; (ii) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 02010252 issued by FGIC on or around March 6, 2002; (iii) that certain *Debt Service Reserve Insurance Policy* number CA01568A issued by Syncora on or around December 30, 2004; and (iv) that certain *Municipal Bond Debt Service Reserve Insurance Policy* number 201371-R issued by Assured on or around April 1, 2005 (collectively, the “Sewer DSRF Policies”);

**WHEREAS**, in connection with the issuance of the Sewer DSRF Policies, the County entered into the following agreements: (i) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 22, 2001, by and between the County and FGIC; (ii) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 6, 2002, by and between the County and FGIC; (iii) that certain *Financial Guaranty Agreement* dated as of December 30, 2004, by and between the County and Syncora; and (iv) that certain *Insurance Agreement* dated as of April 1, 2005, by and between the County and Assured (collectively, the “Sewer DSRF Reimbursement Agreements”);

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a “Standby Agreement”);

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the “Bankruptcy Case”) before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “Bankruptcy Court”);

**WHEREAS**, each of the Sewer Warrant Insurers has filed claims in the Bankruptcy Case against the County asserting rights to be paid various amounts arising from or in connection with the Sewer Wrap Policies, the Sewer DSRF Policies, and the Sewer DSRF Reimbursement Agreements, including on account of certain Sewer Warrants that are individually held by certain of the Sewer Warrant Insurers (collectively and with any and all other claims of the Sewer Warrant Insurers, whatever the origin or nature, the “Sewer Warrant Insurer Claims”);

**WHEREAS**, the County disputes the Sewer Warrant Insurers’ entitlements with respect to certain of the Sewer Warrant Insurer Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the Sewer Warrant Insurers dispute the County’s contentions;

**WHEREAS**, on June 28, 2012, the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) appointed Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, solely in his capacity as the rehabilitator (the “Rehabilitator”) of FGIC in the matter styled as *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”);

**WHEREAS**, notwithstanding any representation or warranty by, or provision of this Agreement applicable to, FGIC, FGIC's obligations hereunder (and any applicable representations, warranties, or provisions herein) are expressly subject to the Rehabilitator obtaining an order in the FGIC Rehabilitation Proceeding approving FGIC's execution and performance of this Agreement no later than June 28, 2013 (or such later date as the County, FGIC, and the Rehabilitator may agree in writing for obtaining such approval);

**WHEREAS**, on or about February 6, 2013, the Trustee commenced an adversary proceeding against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the "Declaratory Judgment Action");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "JPMorgan PSA") with JPMorgan Chase Bank, N.A. ("JPMorgan") and a plan support agreement (the "Supporting Warrantholder PSA") with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders" and collectively with JPMorgan and the Sewer Warrant Insurers, the "Plan Support Parties");

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, the Sewer Warrant Insurers are contemporaneously entering into certain agreements among themselves (to which the County is not a party) in order to address, among other things, how the consideration payable to the Sewer Warrant Insurers pursuant to an Acceptable Plan (as defined below) shall be distributed and allocated among the Sewer Warrant Insurers and pursuant to the commutation of reinsurance agreements between and among the Sewer Warrant Insurers related to the Sewer Warrants (collectively, the "Sewer Warrant Insurers Agreements");

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 7.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing the Sewer Warrant Insurers (the “Insurer Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Insurer Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a Disclosure Statement (as defined below), and a Confirmation Order (as defined below), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement (as defined below) or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Sewer Warrant Insurers shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all Sewer Warrant Insurer Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; *provided*, that for the purposes of the Sewer Warrant Insurers voting to accept an Acceptable Plan (including as provided in this Section 1(e)), the term “Sewer Warrant Insurer Claims” shall not include any claims on account of Sewer Warrants that are insured, but not owned, by a Sewer Warrant Insurer, but shall include claims that arise under the Sewer DSRF Reimbursement

Agreements or on account of any principal or interest scheduled to become payable on or after February 1, 2013, that is paid by such Sewer Warrant Insurer and the FGIC Assured-Insured Warrants; and (iii) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan. For the avoidance of doubt, such releases shall not release any rights of the Sewer Warrant Insurers (x) *vis-à-vis* each other to the extent not released in or reserved in any Sewer Warrant Insurers Agreement, (y) under an Acceptable Plan or the Tail Risk Payment Agreements, and (z) of FGIC against Assured under any Sewer Wrap Policies issued by Assured insuring the FGIC Assured-Insured Warrants.

(f) No Party will contest any other Party's ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Sewer Warrant Insurers or any other creditors with respect to an Acceptable Plan until such parties have received a disclosure statement for an Acceptable Plan (the "Disclosure Statement"), any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) The Sewer Warrant Insurers will have the right to approve all provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the applicable Sewer Warrant Insurer prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the order confirming an Acceptable Plan (the "Confirmation Order"); (ii) the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the work to be done by KCC (or any other entity retained by the County acceptable to the Sewer Warrant Insurers) as a solicitation agent acceptable to the Sewer Warrant Insurers, which will take all reasonable efforts as approved by the Bankruptcy Court to provide holders of Class 1-A claims with actual notice regarding the Commutation Election and an Acceptable Plan (the "Solicitation Procedures"), including the ballots or such other documents that contain the Commutation Election (the "Solicitation Ballots") and any

affidavit of service to be filed by KCC (or any other agent) in connection therewith; (iii) the Disclosure Statement, including the description of the Solicitation Procedures set forth in the Disclosure Statement and any other document to be distributed to holders of Class 1-A claims and the form of the Solicitation Ballots; (iv) procedures by which holders of Class 1-A claims that do not vote or make the Commutation Election, or that elect to both make and not make the Commutation Election, are deemed to have made such an election (the “Commutation Election Procedures”); (v) procedures by which holders of Series 2003-C-9 or 2003-C-10 Sewer Warrants insured by Assured, who have been “deemed” to make the Commutation Election, will be notified of their right to rescind such “deemed” Commutation Election by providing written notice thereof to KCC (or any other agent), Assured, and the County within not less than 29 calendar days after the deadline for making the Commutation Election (the “Rescission Procedures”); (vi) the order or orders approving the Disclosure Statement, Solicitation Procedures, form of Solicitation Ballots, Commutation Election Procedures, and Rescission Procedures; (vii) the Confirmation Order; (viii) the Stipulated Order (as defined below); (ix) the Tail Risk Payment Agreements; (x) all other related Acceptable Plan and closing documentation; and (xi) any other document which is subject to approval by the Sewer Warrant Insurers pursuant to the Plan Term Sheet. The County shall provide the Insurer Professionals with a copy of the ballot tabulation and Commutation Election results (after giving effect to any rescissions exercised by any holders of the Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured) within one (1) business day of the completion of the report of such results by KCC (or any other agent) and the County.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC Rehabilitation Proceeding, except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder

as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any of the Sewer Wrap Policies or any of the Sewer DSRF Policies); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), the Sewer Warrant Insurers providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the Sewer Warrant Insurers to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the Sewer Warrant Insurers, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of such Sewer Warrant Insurer) expose any such Sewer Warrant Insurer to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The Sewer Warrant Insurers shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 7.

(d) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any of the Sewer Wrap Policies and Sewer DSRF Policies, pursuant to a stipulated form of order acceptable to the County and each of the Sewer Warrant Insurers (the “Stipulated Order”) to effect a standstill or suspension of the Declaratory Judgment Action, (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any Sewer Wrap Policies or Sewer DSRF Policies; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(d)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the

termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(x) of the Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

(e) So long as none of this Agreement, the Supporting Warrantholder PSA, or the JPMorgan PSA has been terminated, FGIC shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the FGIC Assured-Insured Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of FGIC to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

### **Section 3. Representations and Covenants Regarding Claims.**

(a) FGIC represents that as of the date of this Agreement, FGIC owns (i) Series 2002-A Sewer Warrants in the principal amount of \$101,465,000, and (ii) Series 2003-B-8 Sewer Warrants in the principal amount of \$6,000,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Syncora represents that as of the date of this Agreement, Syncora owns Sewer Warrants in the principal amount of \$214,191,875.11 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Assured represents that as of the date of this Agreement, Assured owns Sewer Warrants in the principal amount of \$20,375,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Each Sewer Warrant Insurer represents that as of the date of this Agreement, and except (i) pursuant to any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) as may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to such insurer or such insurer's inability to pay claims in full; or (iii) pursuant to a stipulation, agreement, or court order described in Section 3(c) below, it has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Sewer Warrant Insurer Claims held by such Sewer Warrant Insurer that are inconsistent with, or in violation of, the representations and warranties of such Sewer Warrant Insurer herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Sewer Warrant Insurer's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Sewer Warrant Insurer covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of the Agreement, it will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of its Sewer Warrant Insurer Claims (including any Sewer Warrants), or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a "Transfer"). Any attempt to Transfer any Sewer Warrant Insurer Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance

with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*.

(c) Notwithstanding the foregoing, each of (i) any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) any transfer that may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to a Sewer Warrant Insurer or such insurer's inability to pay claims in full; and (iii) any stipulation, other agreement, or court order resolving or otherwise addressing any dispute between one or more holders of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of holders, as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by holders and insured by such Sewer Warrant Insurer shall not constitute a "Transfer" under this Agreement.

(d) This Agreement shall in no way be construed to preclude any Sewer Warrant Insurer from acquiring additional Sewer Warrants or any claims directly related thereto as a result of such Sewer Warrant Insurer making payment under any applicable Sewer Wrap Policy or Sewer DSRF Policies on account of regularly scheduled principal or interest due on Sewer Warrants insured by such Sewer Warrant Insurer; *provided, however*, that any additional Sewer Warrants or claims against the County directly related thereto so acquired by any Sewer Warrant Insurer shall automatically be deemed to be subject to the terms of this Agreement, including the voting requirements set forth in Section 1 hereof, and the Sewer Warrant Insurer's rights to receive payments on account of such Sewer Warrants as part of the Insurer Outlay Amount set forth in the Plan Term Sheet.

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the JPMorgan PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as Exhibit B and Exhibit C, respectively, and that the Supporting Warrantholders as of the date of the Supporting Warrantholder PSA have represented in the Supporting Warrantholder PSA that they hold in the aggregate no less than \$872,559,361.11 principal amount of Sewer Warrants as of the date of the Supporting Warrantholder PSA.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an

Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to the Sewer Warrant Insurers of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA, the Supporting Warrantholder PSA, or the GO PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Sewer Warrant Insurers under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Sewer Warrant Insurers of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County shall provide the Insurer Professionals a copy of the update of the relevant portion of Schedule 1 of the Supporting Warrantholder PSA that is required under Section 3(f) of the Supporting Warrantholder PSA within one (1) business day of the County's receipt of such update from the Supporting Warrantholders.

#### **Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 and approval by the FGIC Rehabilitation Court (in the case of FGIC), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) Subject to approval by the FGIC Rehabilitation Court (in the case of FGIC), the execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126, and except for the FGIC Rehabilitation Court (in the case of FGIC) and the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Sewer Warrant Insurers;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

(b) In connection with the agreement of the Sewer Warrant Insurers to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring,

as long as this Agreement has not been terminated in accordance with Section 7, each of the Sewer Warrant Insurers shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, the Sewer Wrap Policies, the Sewer DSRF Policies, the Sewer DSRF Reimbursement Agreements, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1. Events of Termination & Default.**

(a) The County and the Sewer Warrant Insurers may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within

twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Sewer Warrant Insurers or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County, as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC’s execution and performance of this Agreement on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the Rehabilitator for obtaining such approval, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the “Standstill Date”), then any of the Sewer Warrant Insurers or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been

obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) any of the Sewer Warrant Insurers or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a “Litigation Termination Notice”). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then any of the Sewer Warrant Insurers or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Sewer Warrant Insurer materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County or any non-breaching Sewer Warrant Insurer, then, subject to such Party’s rights under Section 7.2(a), the County or any non-breaching Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then any of the Sewer Warrant Insurers, but only if such breach adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of any of the Sewer Warrant Insurers, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the applicable Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from any Sewer Warrant Insurer, then any of the Sewer Warrant Insurers, but only if such action adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If any of the Sewer Warrant Insurers files any motion or pleading that, in the reasonable judgment of the County or any other Sewer Warrant Insurer, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County or any other Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County or any other Sewer Warrant Insurer, then the County or any other Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the Sewer Warrant Insurer Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the Sewer Warrant Insurers (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement, the Solicitation Procedures, the form of Solicitation Ballots, and the

Commutation Election Procedures by August 30, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

then, in each case, any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(q) If the Supporting Warrantholder PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If any of the Sewer Warrant Insurers materially breaches one of the Sewer Warrant Insurers Agreements and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then any non-breaching Sewer Warrant Insurer, but only if such breach is in respect of a right, obligation, or interest that extends to such non-breaching Sewer Warrant Insurer's benefit, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(s) If any of the Sewer Warrant Insurers Agreements shall have been terminated or is otherwise no longer in full force and effect, then any Sewer Warrant Insurer that is a party to and has not breached the applicable Sewer Warrant Insurers Agreement may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If any condition precedent (including for the avoidance of doubt each condition precedent set forth in paragraph E. of the Plan Term Sheet) to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then the County or any of the Sewer Warrant Insurers may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the

condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(u) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and the Sewer Warrant Insurers on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and the Sewer Warrant Insurers, then the County or any of the Sewer Warrant Insurers may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(v) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(w) If the County amends the Financing Plan in any material respect without the written approval of each Sewer Warrant Insurer and does not rescind such amendment or obtain the written approval of each Sewer Warrant Insurer regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from one or more of the Sewer Warrant Insurers (which written notice must be provided by the applicable Sewer Warrant Insurer within seven (7) calendar days after the County provides the notice required by Section 4(d)), then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(x) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (x) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a "Trigger Event."

## **7.2. Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(m), (r), and (t)-(u), and (w), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(m), (r), (u), and (w), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3. Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties (including in the case of FGIC, the Rehabilitator); *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4. Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(x)), any and all ballots with respect to an Acceptable Plan delivered by each Sewer Warrant Insurer prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. For the avoidance of doubt, termination of this Agreement in accordance with Section 7 of this Agreement as to one of the Sewer Warrant Insurers will result in a termination of this Agreement as to all of the Sewer Warrant Insurers. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(x), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement, the Plan Term Sheet, and the Sewer Warrant Insurers Agreements were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Sewer Warrant Insurer or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Supporting Warrantholder, any other Sewer Warrant Insurer, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

### **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties (including in the case of FGIC, the Rehabilitator), and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

### **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the Sewer Warrant Insurers (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court). Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

### **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

### **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for

the sole and express benefit of each of the other Parties to this Agreement. Notwithstanding the foregoing, any dispute regarding whether FGIC has been authorized by the FGIC Rehabilitation Court to execute and perform (a) this Agreement or (b) any of the Sewer Warrant Insurers Agreements shall be subject to the exclusive jurisdiction of the FGIC Rehabilitation Court.

#### **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Sewer Warrant Insurers Agreements, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and each Sewer Warrant Insurer.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

#### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

## **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court) represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party

## **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

## **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than (i) a proceeding to enforce or interpret the terms of this Agreement or (ii) with respect to FGIC, in any proceeding seeking approval of this Agreement by the FGIC Rehabilitation Court. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

## **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Sewer Warrant Insurer hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. It is understood and agreed that no Sewer Warrant Insurer has any duty of trust or confidence in any form with any other Sewer Warrant Insurer.

### **8.13 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babco.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: [kklee@ktbslaw.com](mailto:kklee@ktbslaw.com); [lbogdanoff@ktbslaw.com](mailto:lbogdanoff@ktbslaw.com); [wholt@ktbslaw.com](mailto:wholt@ktbslaw.com)

If to Assured:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: Bruce Stern

With a copy to:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: General Counsel

and

Winston & Strawn, LLP  
200 Park Avenue  
New York, New York 10166  
Attn: Lawrence A. Larose  
Facsimile: (212) 294-4700  
Email: [LLarose@winston.com](mailto:LLarose@winston.com)

If to FGIC:

Financial Guaranty Insurance Company  
125 Park Avenue  
New York, NY 10017  
Attn: Timothy Travers

With a copy to:

Dabney, PLLC  
303 Grande Court  
Richmond, VA 23229  
Attn: H. Slayton Dabney, Jr., Esq.  
Email: [sdabney@dabneypllc.com](mailto:sdabney@dabneypllc.com)

and

Heller, Draper, Patrick & Horn, L.L.C.  
650 Poydras Street, Suite 2500  
New Orleans, Louisiana 70130  
Attn: William H. Patrick, III, Esq.  
Facsimile: (504) 299-3399  
Email: WPatrick@hellerdraper.com

If to Syncora:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: Frederick B. Hnat, Esq.

With a copy to:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: James W. Lundy, Jr., Esq.  
General Counsel  
Facsimile: (212) 478-3479  
Email: james.lundy@scafg.com

and

DLA Piper LLP (US)  
1251 Avenue of the Americas  
New York, New York 10020  
Attn: George B. South III, Esq.  
Facsimile: (917) 778-8540  
Email: george.south@dlapiper.com

and

Quinn Emanuel Urquhart & Sullivan LLP  
51 Madison Avenue, 22nd Floor  
New York, New York 10010  
Attn: Susheel Kirpalani, Esq.  
Eric M. Kay, Esq.  
Facsimile: (212) 849-7100  
Email: susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.13.

#### **8.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(d)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.13, 8.15, 8.16, 8.17, and this Section 8.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

#### **8.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however,* that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., E., or F. of the Plan Term Sheet, parts C., D., E., and F. of the Plan Term Sheet shall control.

#### **8.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

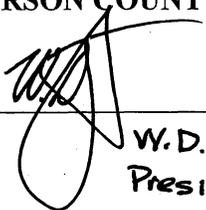
#### **8.17 Use of “Including” and “FGIC”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”. Whenever this Agreement uses the word “FGIC,” such reference shall be deemed to mean “FGIC or the Rehabilitator acting on behalf of FGIC”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

By:   
Its: W.D. Carrington  
President

**ASSURED GUARANTY MUNICIPAL CORP.**

By: \_\_\_\_\_  
Its:

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: \_\_\_\_\_

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawsky,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

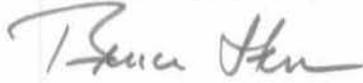
By: \_\_\_\_\_  
Its:

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**ASSURED GUARANTY MUNICIPAL CORP.**



\_\_\_\_\_  
By: Bruce E. Stern  
Its: Executive Officer

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: \_\_\_\_\_

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

\_\_\_\_\_  
By:  
Its:

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**ASSURED GUARANTY MUNICIPAL CORP.**

\_\_\_\_\_  
By:  
Its:

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: *Peter A. Giacone*

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

\_\_\_\_\_  
By:  
Its:

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**ASSURED GUARANTY MUNICIPAL CORP.**

\_\_\_\_\_  
By:  
Its:

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: \_\_\_\_\_

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawskey,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

  
\_\_\_\_\_  
By: **FREDERICK B. HNAT**  
Its: **MANAGING DIRECTOR AND SENIOR COUNSEL**

**Exhibit A**

**Plan Term Sheet**

**Jefferson County**  
**Monoline Summary Term Sheet**  
**For Purposes Of Sewer-Related**  
**Plan Discussions**

Settlement Communication  
Subject to FRE 408

*Any transaction is entirely contingent upon the negotiation and execution of definitive documentation, including a chapter 9 plan of adjustment, and satisfaction or waiver of all conditions contained in the definitive documentation, including confirmation of the plan and occurrence of its effective date.* This document is **not** a solicitation or a vote for any proposed plan or a definitive term sheet, but rather memorializes a broad agreement in principle to provide a basis for further discussion regarding the specific details of a plan and related transactions, which details remain subject to further review, comment, and final approval by all Plan Support Parties and Jefferson County, Alabama (the “**County**”). Capitalized terms used in this document (that are not otherwise defined herein) are defined in **Exhibit A**.

**A. Conceptual Overview**

This document is structured around the following broad concepts:

Through a confirmed chapter 9 plan of adjustment containing the terms set forth herein, in the Plan Support Agreements (as defined below) and the Sewer Warrant Insurers Agreements (as defined below) and otherwise acceptable to the County and the Plan Support Parties (the “**Plan**”), the County will execute a refinancing transaction that produces net cash proceeds for distribution to the County’s sewer creditors and the Sewer Warrant Insurers on the effective date of the Plan (the “**Effective Date**”). This document sets forth the treatment that will be provided in the Plan for sewer creditors and Sewer Warrant Insurers, with respect to claims held by or affecting the Sewer Warrant Insurers. This document is predicated on the County reaching satisfactory Plan Support Agreements with all Plan Support Parties and the negotiation and execution of additional documentation, all of which that affect the rights of a Plan Support Party must be satisfactory to such affected Plan Support Party and the County.

As part of the global settlement among the County, the Sewer Warrant Insurers, JPMorgan, and the other Plan Support Parties to be implemented pursuant to the Plan, and in consideration of the settlement and release of all subordination and other claims, causes of action, and avoidance actions (including those arising under the Bankruptcy Code or nonbankruptcy law) against JPMorgan and the Sewer Warrant Insurers related to the County, the sewer warrants, any financing or other transaction with the County, the sewer system, or any insurance issued in respect of the sewer warrants (except with respect to any wrap insurance policies applicable to those holders who do not make, or are not deemed to make, the Commutation Election), including in pending litigation brought by the County and certain Sewer Warrant Insurers against JPMorgan, and in order to increase the recovery received by all other holders of sewer warrants and reduce the amount of sewer indebtedness following the County’s emergence from chapter 9, JPMorgan will consent to the reallocation to other holders of sewer warrants of a substantial portion of the Plan consideration that would otherwise be distributed on a pro rata basis to JPMorgan, and the Sewer Warrant Insurers will contribute consideration by settling and releasing their claims against the County and JPMorgan and

**Jefferson County**  
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allowing their pro rata share of such reallocation by JPMorgan to be made available to other holders as part of the Commutation Election described below.

The Plan will include a Commutation Election mechanism whereby holders of sewer warrants may elect (or in certain circumstances described below will be deemed to elect) to commute claims that could be asserted against the Sewer Warrant Insurers under the applicable sewer warrant policies and, thereby, release or waive other sewer-related or sewer warrant-related claims against the County and the Plan Support Parties. All of the Plan Support Parties (other than FGIC with respect to the FGIC Assured-Insured Warrants or pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) will affirmatively make the Commutation Election, and any holder of sewer warrants that previously commuted the insurance obligations of a Sewer Warrant Insurer to such holder, shall remain bound by such prior commutation in accordance with the terms of the applicable agreements. The Commutation Election or deemed Commutation Election will be independent of the holder's vote for or against the Plan. In consideration for recoveries under the Plan on account of claims against the County, the commutation described herein, and for the resolution of numerous potential disputes regarding their claims against the County and others, the Sewer Warrant Insurers will accept (and be paid) on the Effective Date certain payments specified more fully below on account of all of their claims against the County, against the other Plan Support Parties and between and among the Sewer Warrant Insurers in connection with the County's sewer warrants. For the avoidance of doubt, such releases shall not release any rights of the Sewer Warrant Insurers (x) *vis-à-vis* each other to the extent not released in or reserved in any Sewer Warrant Insurers Agreement, (y) under an Acceptable Plan or the Tail Risk Payment Agreements, and (z) of FGIC against Assured under any Sewer Wrap Policies issued by Assured insuring the FGIC Assured-Insured Warrants.

There will also be broad mutual releases exchanged among the County and all the Plan Support Parties effective upon the Effective Date, including releases of any claims against each other (including on account of any claims under or in connection with any insurance policies issued by the Sewer Warrant Insurers, other than FGIC with respect to the FGIC Assured-Insured Warrants or pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) and of any claims being asserted by other parties on behalf of the County, excluding only the obligations imposed under the Plan and obligations unrelated to the County, the County's sewer warrants, and the policies insuring the County's sewer warrants. These releases will be presented as a resolution of disputed claims inextricably bound with the Plan pursuant to Federal Rule of Bankruptcy Procedure 9019, and to the extent provided therein, will bind all creditors and other parties in interest (including, without limitation, plaintiffs purporting to assert claims derivatively on the County's behalf, as in pending adversary proceedings). The Plan and form of order confirming the Plan (the "**Confirmation Order**") will contain injunctions enforcing the releases under the Plan and the Commutation Election.

**Jefferson County**  
**Monoline Summary Term Sheet**  
**For Purposes Of Sewer-Related**  
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Subject to FRE 408

The Sewer Warrant Insurers Agreements (as defined below) shall be in final form, and executed prior to or contemporaneously with the Plan Support Agreements.

**B. Plan Support Agreements**

1. Each of the Plan Support Parties and the County will enter into a Plan Support Agreement with respect to the Plan (each a “**Plan Support Agreement**” and collectively the “**Plan Support Agreements**”) on or before June 6, 2013.<sup>1</sup> Each Plan Support Agreement must be in a form acceptable to all the other Plan Support Parties. Subject to applicable bankruptcy law, including approval of a disclosure statement in respect of the Plan by the Bankruptcy Court, the Plan Support Agreements will obligate the County and the Plan Support Parties to use reasonable efforts to have the Effective Date occur on or before the Outside Date. Among other provisions, the Plan Support Agreements involving the Sewer Warrant Insurers will provide for (a) the right of each of the Sewer Warrant Insurers to approve the provisions of the following documents that would potentially affect the rights of the applicable Sewer Warrant Insurer (i) the Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into the Plan and the Confirmation Order, (ii) the order or orders approving the disclosure statement for the Plan and the notice and other procedures for soliciting votes on the Plan and affirmative or deemed elections with respect to the Commutation Election, including the ballots or such other documents that contain the Commutation Election, (iii) the form of the Confirmation Order, and (iv) all other relevant Plan and closing documentation, (b) a stay and standstill of litigation as discussed in paragraph B.2 below, (c) deadlines for approval of the disclosure statement for the Plan (August 30, 2013), confirmation of the Plan (November 25, 2013), and the Effective Date (December 31, 2013), (d) a forbearance as described further in paragraph B.5 below, (e) the obligation of all Plan Support Parties and the County to support the Plan’s confirmation and, subject to the approval of a disclosure statement by the Bankruptcy Court, of the Plan Support Parties to vote to accept the Plan, and (f) termination of the Plan Support Agreements upon the occurrence of certain events, including, for example, entry of an order denying confirmation of the Plan, failure of the Effective Date to occur by the Outside Date, failure of the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, to timely approve FGIC’s execution and performance of a Plan Support Agreement, and termination or any material amendment of any

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<sup>1</sup> FGIC’s obligations under any Plan Support Agreement are expressly subject to its rehabilitator obtaining an order approving FGIC’s execution and performance of the Plan Support Agreement from the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, no later than June 28, 2013 (or such later date as the County, FGIC, and FGIC’s rehabilitator may agree in writing for obtaining such court approval). FGIC and its rehabilitator will use reasonable efforts to obtain the required order on or before June 28, 2013, or within any otherwise agreed period referenced in the immediately preceding sentence.

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Plan Support Agreement (the date, if any, on which any Plan Support Agreement is terminated in accordance with its terms being the “**Plan Support Termination Date**”).

2. Subject to approval of the appropriate courts, the Plan Support Parties and the County will use reasonable efforts to assure that all pending litigation (including appeals) related to the County’s sewer warrants and involving any of the County, the Plan Support Parties, and/or the Bank of New York Mellon as Trustee under the Indenture (the “**Indenture Trustee**”), other than the Lehman Brothers claim priority adversary proceeding, will be stayed until (i) compromised, settled and/or dismissed on terms acceptable to the applicable parties pursuant to the Plan, or (ii) the Plan Support Termination Date (the “**Standstill Period**”); *provided, however*, that no party shall be required to incur or become obligated in respect of any material liability or expense to achieve such a standstill. As a part of the standstill of pending litigation and pursuant to a stipulated form of order to effect a standstill in the declaratory judgment action commenced by the Indenture Trustee, Adversary Proceeding No. 13-00019 (the “**Declaratory Judgment Action**”), the Indenture Trustee and the Plan Support Parties will not present any claims or seek to draw on the wrap policies or the DSRF policies during the Standstill Period. The County and the Plan Support Parties will use reasonable efforts to obtain and implement a litigation stay or standstill of any other litigation involving the Indenture Trustee and/or the Plan Support Parties related to the County’s sewer warrants through the Standstill Period. In addition, except as may otherwise be specified in the Plan Support Agreements, each of the County and the Plan Support Parties will agree to a standstill regarding any future litigation vis-à-vis any of each other related to the County’s sewer debt through the Standstill Period. As noted above, successfully obtaining and implementing such a litigation stay and standstill through the Standstill Period is a condition to the continued effectiveness of the Plan Support Agreements, *provided* that such condition may be waived by an agreement in writing of the County and the Plan Support Parties, in their sole discretion (but only the Plan Support Parties party to such litigation or whose rights would adversely be affected thereby in any material respect).

3. Except to the extent set forth in the Ad Hoc Warrantholders’ Plan Support Agreement or in the JPMorgan Plan Support Agreement, the Plan Support Agreements will contain provisions restricting the Plan Support Parties from assigning, selling, or otherwise transferring their claims against the County until the Plan Support Termination Date, *provided, however*, that (i) any sewer warrant holder that executes a Plan Support Agreement may sell or assign claims so long as any assignees or purchasers are bound to the provisions of, and become parties to, the applicable Plan Support Agreement, (ii) to the extent a Plan Support Party acquires any additional claims, such additional claims shall automatically be subject to the provisions of the applicable Plan Support Agreement, and (iii) prior to the effectiveness of the Commutation Election, the Plan Support Agreements will not prevent any sewer warrant holder from assigning or otherwise transferring (or any Sewer Warrant Insurer from acquiring) all or a portion of its sewer warrants or related claims to a Sewer Warrant Insurer in accordance with

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the applicable wrap policy or DSRF policy issued by such Sewer Warrant Insurer in exchange for payment by a Sewer Warrant Insurer under such wrap policy or DSRF policy, in which case such transferred warrants and claims and the Sewer Warrant Insurer holding them shall be subject to the terms of the applicable Plan Support Agreement.

4. The stipulated order to be entered in the Declaratory Judgment Action will provide that sewer revenues will continue to be timely remitted by the County to the Indenture Trustee in accordance with the present practices, but that during the Standstill Period no sewer revenues will be distributed to holders of sewer warrants on account of obligations becoming due on or after February 1, 2013, except (a) under the Plan (see paragraphs D.2 and G.1 below) or (b) until the Plan Support Termination Date. Following any Plan Support Termination Date, all parties' rights shall be reserved and will be determined as if the Plan Support Agreements were never executed.

5. In furtherance of the Standstill Period with respect to the payment of principal and interest on the sewer warrants otherwise payable on or after February 1, 2013, the Plan Support Agreements executed by Plan Support Parties other than the Sewer Warrant Insurers (the "**Non-Insurer PSAs**"), and by FGIC with respect to the FGIC Assured-Insured Warrants, will include a provision pursuant to which, so long as the Plan Support Termination Date has not occurred, each Plan Support Party will not assert a claim against such Sewer Warrant Insurer or demand payment from such Sewer Warrant Insurer or institute or prosecute any litigation to obtain payment from such Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring such Plan Support Party's Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit any rights of such Plan Support Party to assert that such Plan Support Party, and not such Sewer Warrant Insurer, owns, controls and may exercise all rights against the County related to such Sewer Warrants (but not with respect to any Sewer Warrants or other rights held by a Sewer Warrant Insurer as a result of payments made or to be made under any DSRF policy or wrap policy) and to appear in any rehabilitation or other proceeding (including, without limitation, the County's chapter 9 proceeding and FGIC's rehabilitation proceeding) to assert such rights. Nothing herein shall preclude or limit the right of any Sewer Warrant Insurer to make payments under any policy issued by it pursuant to the terms of such policy and the Indenture.

6. By the Commission approving the resolution directing the President of the Commission to execute each Plan Support Agreement, the County shall commit (subject to confirmation of the Plan and the occurrence of the Effective Date, and in accordance with and pursuant to the Plan) to institute future sewer rate modifications in the Approved Rate Schedule, which will be adequate to achieve rate increases of up to 7.41% in each of the first four years after the Effective Date, and up to 3.49% in each year thereafter so long as the New Sewer Warrants remain outstanding, consistent with a financing plan containing assumptions

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regarding an issuance amount, costs of issuance, issuance proceeds, rate and revenue forecasts, and assumptions concerning elasticity, operating expenditures and capital expenditures, each as will be presented for consideration and approval by the Commission simultaneously with the above-referenced plan support agreements (the “**Financing Plan**”). To the extent the County can issue the New Sewer Warrants, in the amounts required hereunder, by committing to rate increases that are lower than those set forth in the Approved Rate Schedule, the County may do so. In addition, the documents governing the New Sewer Warrants shall contain rate, revenue and other customary covenants permitting the County, following the Effective Date, to institute sewer rate modifications reducing, or requiring the County to institute sewer rate modifications increasing rates from those set forth in the Approved Rate Schedule, depending on positive or negative variances following the Effective Date from the Financing Plan.

7. The Plan Support Agreements will specify the exact holders and amounts of sewer warrants held by each counterparty as of the date on which the applicable Plan Support Agreement is executed, including the sewer warrants in the aggregate principal amount of approximately \$335 million that are held by the Sewer Warrant Insurers, exclusive of the FGIC Assured-Insured Warrants. The Plan Support Agreements between the County and the Sewer Warrant Insurers will include a representation that the applicable Sewer Warrant Insurer has not sold, assigned, or otherwise transferred (except pursuant to any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof) any claims asserted in any proof of claim filed by such Sewer Warrant Insurer and retains the right to vote on the Plan on account of all sewer warrants held by such Sewer Warrant Insurer.

**C. Plan Classification And Treatment Of Certain Sewer Debt Claims<sup>2</sup>**

**1. General Sewer Warrant Claims**

Class 1-A will largely consist of all general, non-insurer held sewer warrant claims and the FGIC Assured-Insured Warrants.<sup>3</sup> Claims in Class 1-A shall be allowed and treated as provided for herein and included in the Plan.

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<sup>2</sup> Additional classification issues will be addressed in the final documents, including regarding sewer swap and other subordinated claims.

<sup>3</sup> For the avoidance of doubt and notwithstanding anything to the contrary in this Term Sheet, (i) the FGIC Assured-Insured Warrants will be treated as a Class 1-A General Sewer Warrant Claims and not as a Class 1-B Sewer Warrant Insurers Claims, (ii) FGIC shall not be required to make a Commutation Election with respect to the FGIC Assured-Insured Warrants, and (iii) no release required in the Term Sheet or any Plan Support Agreement or any Sewer Warrant Insurers Agreements shall release or modify FGIC’s rights under any insurance policy issued by Assured insuring the FGIC Assured-Insured Warrants, except as provided in the Plan  
*(footnote continued on next page)*

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Each holder of an allowed Class 1-A claim shall receive the right to choose between the following two distribution options:

Option 1: if such holder makes or is deemed to make the Commutation Election, a distribution of cash from refinancing proceeds and other sources of cash in an amount equal to 80% of the Adjusted Principal Amount of such holder's sewer warrants in full settlement, satisfaction, and release of all of the holder's claims against the County and all the Plan Support Parties (including, without limitation, against the Sewer Warrant Insurers in respect of any insurance policies insuring such holder's sewer warrants, and any claims on account of prepetition default rate interest with respect to such holder's Sewer Warrants); or

Option 2: if such holder does not make or is deemed not to make the Commutation Election, (i) a distribution of cash from refinancing proceeds and other sources of cash in an amount equal to (A) 65% of the Adjusted Principal Amount of such holder's Sewer Warrants and (B) 65% of the allowed amount, if any, of any claims on account of prepetition default rate interest with respect to such holder's Sewer Warrants in full settlement, satisfaction, and release of all of the holder's claims against the County, and (ii) the retention of any rights against the applicable Sewer Warrant Insurer in respect of any wrap policies insuring such holder's sewer warrants which rights shall not be waived or impaired.

Consistent with the terms set forth in that certain plan support agreement by and between the County and JPMorgan, mechanisms to be determined will be specified in the Plan to result in the re-allocation of the *pro rata* consideration otherwise flowing to JPMorgan on account of sewer warrants it owns in order to, among other things, allow other sewer creditors and the Plan Support Parties to receive the treatment described in this term sheet.

## 2. Sewer Warrant Insurers Claims

Class 1-B or any separate subclasses thereof that may be agreed to among the County and the Sewer Warrant Insurers will consist of all claims against the County held by the Sewer Warrant Insurers, whatever the origin (including based on sewer warrants now held, claims under any of the DSRF or wrap policies, litigation claims, and all other claims of any nature whatsoever), but excluding (i) the Insurer Outlay Amount (which will be reimbursed from Accumulated Revenues on the Effective Date pursuant to paragraph D.2) and (ii) the FGIC Assured-Insured Warrants.

Claims in Class 1-B shall be allowed and treated as provided for herein and included in the Plan and shall not be subject to dispute or challenge by the County or any Plan Support Party prior to

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with respect to all other holders of Class 1-A General Sewer Warrant Claims. Subject to the approval of the disclosure statement for the Plan, FGIC will vote the FGIC Assured-Insured Warrants in favor of the Plan.

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any Plan Support Termination Date, and which claims shall not be subject to any further defense, counterclaim, subordination, or offset of any kind. The holders of Class 1-B claims shall receive from the County on the Effective Date, in full satisfaction, release, and exchange of each such holder's claims:

- a. An aggregate distribution of \$165,000,000 in cash from refinancing proceeds and other sources of cash, which aggregate amount shall be distributed and allocated among the Sewer Warrant Insurers as set forth and as agreed between and among the Sewer Warrant Insurers pursuant to one or more separate written agreements of the Sewer Warrant Insurers (to which the County is not a party), including those certain commutation and settlement agreements between and among the Sewer Warrant Insurers (collectively, the "**Sewer Warrant Insurers Agreements**") to be executed prior to or contemporaneously with the Plan Support Agreements.
- b. An aggregate distribution of cash from refinancing proceeds and other sources of cash in an amount equal to the Non-Commutation True-Up Amount, which aggregate amount shall be distributed among the Sewer Warrant Insurers such that each Sewer Warrant Insurer shall receive all such amounts that are attributable to its respective insured warrants held by persons that elected not to make or were not deemed to make the Commutation Election.
- c. A payment in full in an amount equal to each Sewer Warrant Insurer's Tail Risk, payable pursuant to individual agreements of each Sewer Warrant Insurer with the County, which will include provisions regarding Tail-Coverage Escrow Accounts and Tail-Coverage Protocols (the "**Tail Risk Payment Agreements**"), it being understood that a condition to the Effective Date is that the aggregate Tail Risk shall not exceed \$25 million as set forth in paragraph E.2 below.
- d. Distributions of cash as required pursuant to the terms of paragraph D.2 below.

**D. Certain Other Plan Provisions**

1. The County and each Plan Support Party will grant broad mutual releases as among each of them and their specified "Related Parties" with respect to claims related to the County, the sewer warrants, and the policies insuring the sewer warrants, excluding any claims by FGIC against Assured on the wrap policy or policies insuring the FGIC Assured-Insured Warrants and except to the extent provided in Section 3(e) of the Ad Hoc Warranholders' Plan Support Agreement, effective as of the Effective Date. The Plan will also include exculpation provisions in favor of the County, the Plan Support Parties, and their respective "Related Parties" to the maximum extent permitted by applicable law.

2. The Plan will provide that, to implement a settlement incorporated into the Plan pursuant to Federal Rule of Bankruptcy Procedure 9019 of any and all claims and

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matters raised in the Declaratory Judgment Action, and any claims related to the reapplication to principal of any interest payments made on the Sewer Warrants during the chapter 9 case, on the Effective Date, the Insurer Outlay Amount and all non-default rate interest accrued and unpaid as of the Effective Date (without providing for interest on interest) and all principal amounts which have become due and payable prior to the Effective Date (without giving effect to any acceleration or any accelerated redemption schedule) shall be distributed to the applicable parties from the Accumulated Revenues, including on the sewer warrants held by the Plan Support Parties.

3. The Plan and the Confirmation Order will enjoin the Indenture Trustee and any holders of sewer warrants or any other person from pursuing any right of payment under (i) any DSRF policy or (ii) any wrap policy with respect to any warrant holder which made or is deemed to have made the Commutation Election, but shall not enjoin any holders of sewer warrants from pursuing any right of payment under the applicable wrap policy against the applicable Sewer Warrant Insurer, but only with respect to any sewer warrants as to which the holder has not made or has not been deemed to make the Commutation Election. On the Effective Date, (x) the sewer warrants will be deemed discharged and cancelled; (y) all DSRF policies and DSRF related agreements shall be deemed cancelled and of no further force and effect, and the Indenture Trustee will close the Debt Service Reserve Account under the Indenture and return any surety bonds or other documentation evidencing the DSRF policies to the applicable Sewer Warrant Insurer; and (z) all wrap policies will be deemed cancelled and of no further force and effect except with respect to claims made or to be made under the applicable wrap policies against the applicable Sewer Warrant Insurer by any holders of Class 1-A claims who did not make or are not deemed to make the Commutation Election (including FGIC with respect to the FGIC Assured-Insured Warrants and pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) and such wrap policies (in the case of FGIC, as modified by any plan of rehabilitation shall remain in full force and effect with respect to such claims.

4. Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the New Sewer Warrants and the covenants made by the County for the benefit of the holders thereof (including, without limitation, the revenue and rate covenants) will constitute valid, binding, legal and enforceable obligations of the County under Alabama law and that the provisions made to pay or secure payment of such obligations are valid, binding, legal and enforceable security interests or liens on or pledges of special revenues, which validation will be set forth in the Plan and Confirmation Order.

5. Confirmation of the Plan shall constitute a finding that the Approved Rate Schedule complies with the requirements of Bankruptcy Code sections 943(b)(6) and 1129(a)(6). Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and

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the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the Approved Rate Schedule is appropriate and binding on and specifically enforceable against the County, the County Commission, and all parties in interest in accordance with the Plan, including because such Approved Rate Schedule is a valid provision made to pay or secure payment of the New Sewer Warrants.

6. All right, title, and interest in and to the sewer system will remain with the County and following the Effective Date, the County Commission will continue to govern the County and oversee the sewer system in accordance with the Plan, the County's constituent documents, the Constitution and applicable statutes of the State of Alabama, the Consent Decree, and other applicable laws.

7. The Plan and the Confirmation Order will provide for broad retained bankruptcy jurisdiction to the maximum extent permitted by law, which will expressly include any and all controversies, suits, or issues that may arise regarding the validity of any actions taken by any person pursuant to or in furtherance of the Plan, including implementation or enforcement of the Approved Rate Schedule, issuance of the New Sewer Warrants, implementation or enforcement of the Commutation Election, and implementation or enforcement of all injunctions or releases associated with the Plan.

8. The County will enter into a backstop/put agreement with the Ad Hoc Warrantholders in respect of certain obligations with respect to the New Sewer Warrants in exchange for consideration to be paid on the Effective Date.

9. The Plan and solicitation procedures relating to the Plan will provide that any holder of sewer warrants that votes to accept the Plan will be deemed to have released as of the Effective Date all of such holder's claims against the County, against the Plan Support Parties, and against their respective "Related Parties" other than any rights of a holder not making the Commutation Election (including FGIC with respect to the FGIC Assured-Insured Warrants and pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) against the applicable Sewer Warrant Insurer under the applicable wrap policy.

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**E. Certain Conditions To The Effective Date**

1. The County shall have entered into a settlement agreement with the IRS regarding the pending audit on terms acceptable to the County and the Plan Support Parties; *provided, however*, that if any settlement payment is required to be made to the IRS, such payment shall be payable exclusively from the Indenture Funds, Accumulated Revenues, or gross sewer revenues received by the County; *provided further, however*, that any such settlement payment shall not reduce the aggregate refinancing consideration to be paid to sewer creditors or any other payments described herein to be paid to the Plan Support Parties.

2. The aggregate Tail Risk shall not exceed \$25.0 million.

3. No Sewer Warrant Insurer shall incur Tail Risk that is not Covered Tail Risk.

4. The issuance of the New Sewer Warrants has closed (or will close simultaneously with the occurrence of the Effective Date), and the aggregate refinancing and other cash consideration to make the payments to holders of Class 1-A claims as provided in the Plan Support Agreements (and the Plan) shall be available to the County and shall have been paid under the Plan to the Indenture Trustee for distribution in accordance with the Plan on the Effective Date. The aggregate refinancing and other cash consideration to make the payments to holders of Class 1-B claims as provided in the Plan Support Agreements (and the Plan) shall be available to the County and shall have been paid under the Plan to the applicable Sewer Warrant Insurer on the Effective Date.

5. All of the settlements and releases contemplated by the Plan shall have been approved pursuant to the Confirmation Order.

6. The Plan Support Agreements, the Sewer Warrant Insurers Agreements, and the Tail Risk Payment Agreements shall be in full force and effect and any and all payments required under (i) the Sewer Warrant Insurers Agreements shall have been made to the applicable Sewer Warrant Insurer and (ii) the Tail Risk Payment Agreements shall have been paid or placed into escrow, as the case may be, in accordance with such Tail Risk Payment Agreements.

7. The Effective Date shall have occurred prior to the Outside Date.

8. For all purposes, including distributions under the Plan, all series of sewer warrants shall be deemed accelerated as of the Effective Date, which shall occur immediately before the distribution of consideration on the Effective Date. With respect to any sewer warrants as to which the Commutation Election is not made or not deemed to have been made, and solely to the extent that any Sewer Warrant Insurer voluntarily elects to pay

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accelerated principal on such sewer warrants, the Trustee shall be deemed as of the Effective Date to have submitted a draw request under the applicable wrap policy in respect of outstanding principal and interest accrued to the date of acceleration on all such non-commuted warrants. Payment, as provided in the applicable wrap policy, of all outstanding accelerated principal and interest on such non-commuted sewer warrants shall be deemed to fully discharge the applicable Sewer Warrant Insurer's obligations under the applicable wrap policy with respect to such sewer warrants.

9. Without limiting or restricting other provisions herein regarding approval by the Sewer Warrant Insurers of certain documents or actions, the Plan, in a form acceptable to the County and the Plan Support Parties to the extent the relevant provisions of the Plan would affect the rights of the applicable Plan Support Party, shall have been confirmed by the Confirmation Order of the Bankruptcy Court (which order shall incorporate the provisions of, and otherwise be materially consistent with, this term sheet and the Plan Support Agreement involving the Sewer Warrant Insurers, and shall be in a form acceptable to the County and Plan Support Parties to the extent the relevant provisions of the Confirmation Order would affect the rights of the applicable Plan Support Party), the Confirmation Order shall have been entered and not subject to any stay, and all closing documentation shall have been executed and become effective and, to the extent required by the Plan Support Agreement or the Plan, approved by the Plan Support Parties.

The Plan will provide that the conditions to the Effective Date cannot be waived or modified except upon written agreement of the County and any Plan Support Party that is affected by the subject condition.

**F. Procedural Issues Regarding Commutation Election and Related Matters**

1. The procedures related to the Commutation Election, the ballot to be distributed to holders of Class 1-A claims, the form, content, timing, and solicitation procedures for service on and notice to holders of Class 1-A claims regarding the Commutation Election and the Plan (including of the confirmation hearing, the deadline to file objections to the Plan, the releases and injunctions in the Plan, and any other matters affecting the Commutation Election) will be in a form acceptable to the Sewer Warrant Insurers and the County and will be approved by the Bankruptcy Court. The County will employ Kurtzman Carson Consultants LLC ("**KCC**") (or any other entity retained by the County acceptable to the Sewer Warrant Insurers) as a solicitation agent (which selection of KCC is acceptable to the Sewer Warrant Insurers), and KCC (or any other agent) will take all reasonable efforts to provide holders of Class 1-A claims with actual notice regarding the Commutation Election and the Plan. The ballot will include a box (or other mechanism agreed by the County and the Sewer Warrant Insurers and approved by the Bankruptcy Court) allowing such holder to indicate whether such holder has elected to make or not make the Commutation Election. All Plan Support Parties that hold Class 1-A claims must

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return a ballot accepting the Plan by the deadline for doing so and, other than FGIC with respect to the FGIC Assured-Insured Warrants or pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement, make the Commutation Election. All holders of Class 1-A claims that (i) do not return any ballot by the applicable deadline for doing so, (ii) return a ballot by the deadline for doing so but do not make any election with respect to the Commutation Election, or (iii) return a ballot by the applicable deadline for doing so and indicate both an election to make and an election to not make the Commutation Election, will be conclusively deemed to have made the Commutation Election; *provided, however*, that (i) any holder of the Series 2003-B-8 sewer warrants insured by Assured that either does not return a ballot, does not indicate an election on any ballot that is returned by the applicable deadline for doing so, or returns a ballot by the applicable deadline for doing so and indicates both an election to make and an election not to make the Commutation Election will be conclusively deemed not to have made the Commutation Election and (ii) any holders of the Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured which are "deemed" to make the Commutation Election will be notified by the solicitation agent of their right to rescind such Commutation Election by providing written notice thereof to KCC (or any other agent), Assured, and the County not less than 29 calendar days after the deadline for making the Commutation Election (which date shall in all events be prior to any confirmation hearing) and being paid and treated in accordance with Option 2 of paragraph C.1. The County shall provide counsel to the Sewer Warrant Insurers with a copy of the ballot tabulation and Commutation Election results (after giving effect to any rescissions exercised by any holders of the Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured) within one (1) business day of the completion of the report of such results by KCC (or any other agent) and the County.

2. The Plan shall provide that to the extent a holder of sewer warrants previously commuted or otherwise settled its claims against a Sewer Warrant Insurer under an applicable insurance policy or policies, such previous commutation or settlement shall not be affected by the Plan and shall remain binding and effective in accordance with the terms of the applicable agreements.

**G. Certain Additional Matters**

1. Except as otherwise specified in this term sheet, all existing Indenture Funds (both disputed and undisputed) and all Accumulated Revenues remaining after payment of the amounts required in paragraph D.2, will, along with the refinancing proceeds, be used to satisfy the County's obligations under the Plan. In addition, but only to the extent that doing so does not diminish or reduce the payments to be made to the Sewer Warrant Insurers or sewer creditors under the Plan, an amount equal to the aggregate balance of the available Indenture Funds and Accumulated Revenues remaining after payment of the amounts required in paragraph D.2, will be used to fund a debt service reserve fund under the new indenture for the New Sewer Warrants and additional proceeds of the New Sewer Warrants after such Plan

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payments will be utilized to top off a reserve account at 10% of outstanding principal of the New Sewer Warrants, provided that such reserve shall not diminish or reduce the payments to be made to the Sewer Warrant Insurers or sewer creditors under the Plan. Until the earliest of (A) the Effective Date, or (B) the Plan Support Termination Date, and notwithstanding any ruling by the Bankruptcy Court which may authorize any other payments, the Indenture Funds may be used only to pay (i) reasonable capital expenditures associated with the sewer system from the following accounts at Regions Bank: Account Number 1020003424, Account Number 1020004735, and Account Number 1020003460; and (ii) the reasonable fees and costs of the Indenture Trustee to the extent permitted to be paid under the sewer warrant indenture.

2. The County will file a motion (to be heard prior to or contemporaneously with the confirmation hearing regarding the Plan) seeking the Bankruptcy Court's approval of the incurrence of all indebtedness and extensions of credit necessary to implement the Plan pursuant to Bankruptcy Code section 364, including the offering of the New Sewer Warrants, the incurrence of any underwriting fees to be paid at closing, and the incurrence of the backstop/put obligations. In such motion, the County will further seek a ruling that the protections of Bankruptcy Code section 364(e) will apply to all such indebtedness or extensions of credit to the maximum extent permitted by law. The form of such motion and proposed order thereon shall be acceptable to each of the Plan Support Parties.

3. To the extent necessary to implement any provision of the Plan or any related transactions, the County shall provide its consent for purposes of Bankruptcy Code section 904.

4. Costs of issuance with respect to any refinancing, including work of the County's bond counsel relating to the issuance, will be paid from the gross proceeds of the issuance of the New Sewer Warrants.

5. Whenever this term sheet provides that any party has the "right to approve" a document or that a document must be "acceptable" or "satisfactory" to a party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Plan must in all events contain the terms set forth herein and in the Plan Support Agreements.

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**Exhibit A**

**Certain Key Defined Terms**

**“Accumulated Revenues”** mean all system revenues that are deposited and retained by the Indenture Trustee in either the “Jefferson County Sewer System Revenue Account” or the “Jefferson County Sewer System Debt Service Fund” as of and after January 31, 2013, and through the Effective Date.

**“Ad Hoc Warrantholders”** means those Plan Support Parties advised by Kramer Levin Naftalis & Frankel LLP, Tanner & Guin, LLC, and GLC Advisors & Co. which holders own, or advise accounts that own, in the aggregate no less than \$872,559,361.11 principal amount of sewer warrants as of the date of the Ad Hoc Warrantholders’ Plan Support Agreement.

**“Adjusted Principal Amount”** means the amount of principal considered to be outstanding on each of the sewer warrants as of January 31, 2013, based upon the records maintained by the Indenture Trustee, less payments to be made on the Effective Date of the Plan from the Accumulated Revenues as set forth in paragraph D.2. The Adjusted Principal Amount is anticipated to be approximately \$3.078 billion.

**“Approved Rate Schedule”** means the structure of rates to be charged by the County to support the repayment of the New Sewer Warrants, which structure of rates shall be approved by the Bankruptcy Court pursuant to the Plan and the Confirmation Order.

**“Commutation Election”** means an election or deemed election by a holder of sewer warrants to commute, waive, and forever release and forego (i) any rights against the applicable Sewer Warrant Insurer insuring such holder’s sewer warrants to receive any payments from or on account of such Sewer Warrant Insurer’s related policy or policies, (ii) any claims on account of prepetition default rate interest, and (iii) any other claims or causes of action against the County or against any of the Plan Support Parties.

**“Covered Tail Risk”** means an amount not to exceed \$25 million in the aggregate that will be allocated (and subject to reallocation) on account of the Tail Risk to the Sewer Warrant Insurers pursuant to the respective Tail Risk Payment Agreements.

**“FGIC Assured-Insured Warrants”** means Series 2003-B-8 Sewer Warrants in the principal amount of \$6,000,000 insured by one or more wrap policies issued by Assured, and held by FGIC as an investment.

**“Indenture Funds”** means any funds or accounts that are established by or have any connection to the sewer warrant indenture regardless of the pendency of any dispute concerning whether

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the Indenture Trustee has property rights in, or a lien on, such fund or account (including in Adversary Proceeding No. 12-00067).

**“Insurer Outlay Amount”** means a sum equal to the amount of any payments made by any of the Sewer Warrant Insurers to or for the benefit of holders of sewer warrants under the applicable insurance policy or policies on or after February 1, 2013 and through the Effective Date, plus interest on the principal portion of such payments, calculated at the warrant rate, i.e., 5.25% on the fixed rate warrants and two (2) times the one month LIBOR rate on the auction rate warrants. For the avoidance of doubt, no additional interest will be paid on the portion of such payments related to warrant interest.

**“New Sewer Warrants”** means new sewer warrants to be issued pursuant to the Plan by the County.

**“Non-Commutation True-Up Amount”** means an aggregate amount equal to, with respect to each sewer warrant held by a person that elects to not make or is not deemed to make the Commutation Election, the difference between (i) 80% of the Adjusted Principal Amount of such sewer warrant, and (ii) 65% of the Adjusted Principal Amount of such sewer warrant.

**“Outside Date”** means December 31, 2013, or such later date as may be agreed in writing by the County and the Sewer Warrant Insurers, in their respective sole discretion.

**“Plan Support Parties”** means, collectively, the Ad Hoc Warrantholders, JPMorgan, the Sewer Warrant Insurers, and any additional sewer warrant holder that executes a Plan Support Agreement.

**“Sewer Warrant Insurers”** means, collectively, Assured, FGIC, and Syncora.

**“Tail-Coverage Escrow Accounts”** mean escrow accounts that will be established with respect to each of the Sewer Warrant Insurers and will be funded on the Effective Date with refinancing proceeds in an amount equal to the respective Covered Tail Risk for each of the Sewer Warrant Insurers, plus any interest or investment returns accruing thereon.

**“Tail-Coverage Protocol”** means an agreement between the County and each of the Sewer Warrant Insurers regarding the process for disbursement of funds from the respective Tail-Coverage Escrow Account to the applicable Sewer Warrant Insurer to reimburse such Sewer Warrant Insurer for payments made by the applicable Sewer Warrant Insurer on account of Tail Risk, which protocol will also include provisions for the reallocation of funds between and among Tail-Coverage Escrow Accounts and the return of any remaining funds in each Tail-Coverage Escrow Account to the County if the subject Sewer Warrant Insurer does not exhaust its Tail-Coverage Escrow Account, including the interest and/or any investment return thereon,

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by paying its respective Tail Risk (i) over the entire term that any Tail Risk claims can be presented for payment to such Sewer Warrant Insurer (including any additional or subsequent cash payments that may be made by a Sewer Warrant Insurer on account of previously submitted Tail Risk claims that received prior payments) or (ii) in each Sewer Warrant Insurer's sole discretion, on an accelerated basis.

**“Tail Risk”** means the claim exposure of each of the Sewer Warrant Insurers under the wrap policies that remains after the Effective Date (after giving effect to the payments set forth in paragraph C.1 under the Plan to sewer creditors on the Effective Date and the County’s payment of the Non-Commutation True-Up Amount) based upon the aggregate amount of the sewer warrants held by holders that (i) elect to not make or are not deemed to make the Commutation Election; or (ii) hold Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured, and are “deemed” to make the Commutation Election but nonetheless object to such deemed commutation and thereafter timely file a notice of appeal of the Confirmation Order overruling such objection, which exposure will be agreed by the Sewer Warrant Insurers with the County in the Tail Risk Payment Agreements.

**Exhibit B**

**Form of JPMorgan PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the "**County**"), on the one hand, and JPMorgan Chase Bank, N.A. ("**JPMorgan**") and each affiliate of JPMorgan beneficially owning Sewer Warrants signatory hereto (together with JPMorgan, the "**JPM Parties**"), on the other hand. Each of the JPM Parties and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, JPMorgan and the Trustee, on behalf of the JPM Parties and other beneficial holders of the Sewer Warrants, have filed claims in the Bankruptcy Case against the County asserting rights to be paid, among other things, various amounts on account of principal and interest arising from or in connection with the Standby Agreements and the Indenture in respect of the Sewer Warrants held by the JPM Parties (collectively, the "**JPMorgan Sewer Warrant Claims**");

**WHEREAS**, the County disputes the JPM Parties' entitlements with respect to certain of the JPMorgan Sewer Warrant Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the JPM Parties dispute the County's contentions;

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of all sewer system and Sewer Warrant related disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Supporting Warrantholder PSA") with JPMorgan and with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders");

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Sewer Warrant Insurer PSA") with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. ("Assured"), Financial Guaranty Insurance Company ("FGIC"), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. ("Syncora"), each of which is referred to as a "Sewer Warrant Insurer" and collectively with the JPM Parties and the Supporting Warrantholders are the "Plan Support Parties";

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an "Acceptable Plan") and to meet the deadlines set forth in Section 7.1(q) hereof. The

County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing JPMorgan (the “JPMorgan Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The JPMorgan Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) The JPM Parties shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all JPMorgan Sewer Warrant Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; and (iii) provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan of all claims arising under or in connection with all JPMorgan Sewer Warrant Claims. For the avoidance of doubt, such releases shall not release any rights of the JPM Parties under an Acceptable Plan.

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the JPM

Parties or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) JPMorgan shall have the right to approve the provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the JPM Parties prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the Confirmation Order, (ii) the Disclosure Statement and the order or orders approving the Disclosure Statement and the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the ballots or such other documents that contain the Commutation Election, (iii) the Confirmation Order, (iv) the Stipulated Order (as defined below), (v) all other Acceptable Plan and closing documentation, and (vi) any other document which is subject to approval by JPMorgan pursuant to the Plan Term Sheet.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the proceeding pending before the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) styled *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”), except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and

a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order), the JPM Parties providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the JPM Parties to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the JPM Parties, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of the JPM Parties) expose the JPM Parties to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The JPM Parties shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date, at which time all pending Litigation against the JPM Parties will, pursuant to an Acceptable Plan, be dismissed with prejudice or (y) termination of this Agreement in accordance with Section 7.

(d) So long as none of this Agreement, the Supporting Warrantholder PSA, or the Sewer Warrant Insurer PSA has been terminated, the JPM Parties shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the JPM Parties’ Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of the JPM Parties to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and JPMorgan (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee*

*v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(y) of the Agreement, after which the Parties’ rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Representations and Covenants Regarding Claims.**

(a) JPMorgan represents that the JPM Parties own the Sewer Warrants set forth on Schedule 1 hereto, and retain all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. For the avoidance of doubt, all references in this Agreement to the JPM Parties and the JPMorgan Sewer Warrant Claims shall relate to the JPM Parties in their capacity as the beneficial owners of the Sewer Warrants set forth on Schedule 1 hereto, and shall not include any such JPM Party or JPMorgan Sewer Warrant Claims to the extent of any Sewer Warrants not included on Schedule 1 that may be held by a JPM Party in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders. JPMorgan represents that as of the date of this Agreement, the JPM Parties have not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of their respective right, title, or interest in any Sewer Warrants that is inconsistent with, or in violation of, the representations and warranties of JPMorgan herein, in violation of the obligations of the JPM Parties under this Agreement, or that would adversely affect in any way the performance of their obligations under this Agreement at the time such obligations are required to be performed.

(b) JPMorgan covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement, the JPM Parties will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of the JPMorgan Sewer Warrant Claims, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”) other than any Transfer between one JPM Party and another JPM Party. Other than any Transfer between one JPM Party and another JPM Party, any attempt to Transfer any JPMorgan Sewer Warrant Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Unless the County and JPMorgan otherwise agree, other than any

Transfer between one JPM Party and another JPM Party, the JPM Parties shall not acquire any additional Sewer Warrants.

**Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the Sewer Warrant Insurer PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit B** and **Exhibit C**.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the JPM Parties and the other Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to JPMorgan of any termination of, amendment to, or written notice of potential termination of the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

**Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

## **Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(q)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(q)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to JPMorgan;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

(b) In connection with the agreement of the JPM Parties to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, each of the JPM Parties shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1 Events of Termination & Default.**

(a) The County and the JPM Parties may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If either the County or JPMorgan provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the County and JPMorgan in writing (the "Standstill Date"), then JPMorgan or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) JPMorgan or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then JPMorgan or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any of the JPM Parties materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County, then, subject to the JPM Parties' rights under Section 7.2(a), the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If JPMorgan materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then, subject to JPMorgan's rights under Section 7.2(a), the County may terminate this Agreement by giving a

second written notice to each other Party within twenty (20) calendar days of the first written notice.

(k) If the County materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan, and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(m) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the JPM Parties under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from JPMorgan, then JPMorgan, but only if such action adversely affects a right, obligation, or interest of the JPM Parties, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(n) If any of the JPM Parties files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(o) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the JPMorgan Sewer Warrant Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the JPM Parties (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(p) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then either the County or JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(q) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement by August 30, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

then, in each case, JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If the Supporting Warrantholder PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If the GO PSA shall have been terminated by (i) either the County or JPMorgan, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter; or (ii) any other party to the GO PSA, then either the County or JPMorgan may terminate this Agreement by giving ten (10) calendar days written notice to each other Party after any such termination of the GO PSA by such other party.

(u) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date,

then either the County or JPMorgan may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(v) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and JPMorgan, then either the County or JPMorgan may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(w) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(x) If the County amends the Financing Plan in any material respect without the written approval of JPMorgan and does not rescind such amendment or obtain the written approval of JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from JPMorgan (which written notice must be provided by JPMorgan within seven (7) calendar days after the County provides the notice required by Section 4(d)), then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(y) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (y) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a "Trigger Event."

## **7.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(o), and (u), (v), and (x), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(o), (v), and (x), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.13; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(y)), any and all ballots with respect to an Acceptable Plan delivered by the JPM Parties prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(y), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict the JPM Parties or their respective officers or representatives from engaging in discussions with or among any or all of: the County, any Supporting Warrantholder, any Sewer Warrant Insurer,

any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

## **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

## **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the JPM Parties. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

## **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

## **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.12 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

## **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Supporting Warrantholder PSA and the GO PSA, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject

matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and the JPM Parties.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

### **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

### **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203

Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@bab.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to the JPM Parties:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue  
New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017

Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.12.

### **8.13 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.14, 8.15, 8.16, and this Section 8.13 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

### **8.14 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., and E. of the Plan Term Sheet, parts C., D., and E. of the Plan Term Sheet shall control.

### **8.15 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

### **8.16 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation.”

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

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By:  
Its:

**JPMORGAN CHASE BANK, N.A.**

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By: William A. Austin  
Its: Executive Director

**JPMORGAN CHASE FUNDING INC.**

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By: William A. Austin  
Its: Authorized Signatory

**J.P. MORGAN SECURITIES LLC**

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By: William A. Austin  
Its: Authorized Signatory

## Schedule 1

### Sewer Warrants Owned By the JPM Parties

#### Sewer Warrants<sup>1</sup>

Series 2002-C 1 and 5:	\$ 200,750,000
Series 2002-C 2:	\$ 47,711,810
Series 2003-B 1:	\$ 495,455,000
Series 2003-C 1-5:	\$ 373,500,000
Series 2003-C 9-10:	\$ 103,950,000
Total:	\$1,221,366,810 <sup>2</sup>

<sup>1</sup> Principal amount of Sewer Warrants; amounts exclude (i) prepetition default interest and fees (Series 2002-C 2) to be waived on the Effective Date, (ii) accrued and unpaid non-default interest on all Series to be paid on the Effective Date from Accumulated Revenues, (iii) regularly scheduled principal amortization (Series 2003-B 1) to be paid on the Effective Date from Accumulated Revenues, and (iv) swap claims of JPMorgan affiliate to be waived on the Effective Date.

<sup>2</sup> Total Adjusted Principal Amount estimated to be \$1,218,000,000.

**Exhibit C**

**Form of Supporting Warrantholder PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**"), dated as of June 6, 2013, is made and entered into by and among (i) Jefferson County, Alabama (the "**County**"); (ii) each holder of Sewer Warrants signatory hereto (as further defined below, including those holders that become party hereto by signing a Transfer Agreement (as defined below), the "**Supporting Warrantholders**"); and (iii) JPMorgan Chase Bank, N.A. ("**JPMorgan**"). Each of the Supporting Warrantholders, JPMorgan, and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein and, in the case of JPMorgan and the County, in the JPMorgan PSA (as defined below), each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "**Restructuring**") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County and JPMorgan are contemporaneously entering into a separate plan support agreement (the “JPMorgan PSA”) and JPMorgan is a party to this Agreement to give effect to the agreement between JPMorgan and the Supporting Warranholders set forth in Section 5 hereof;

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the “Sewer Warrant Insurer PSA”) with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. (“Assured”), Financial Guaranty Insurance Company (“FGIC”), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. (“Syncora”), each of which is referred to as a “Sewer Warrant Insurer” and collectively with the Supporting Warranholders and JPMorgan are the “Plan Support Parties”;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 8.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the Ad Hoc Professionals and counsel to JPMorgan draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Ad Hoc Professionals and counsel to JPMorgan will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), the Backstop/Put Agreement, and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the

expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Supporting Warrantholders shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, vote all Sewer Warrants it holds as of the date hereof or may hereafter acquire (the “Covered Sewer Warrants,” including those Sewer Warrants held as of the date hereof and set forth opposite its name on Schedule 1 (the “Eligible Sewer Warrants”)) to accept an Acceptable Plan (through submission of a ballot directly to the County’s balloting agent to the extent so permitted by the solicitation procedures order or to its prime broker or nominee holder, as applicable, in either case with a copy to the County and JPMorgan) on or before the day that is twenty-one (21) calendar days prior to the deadline set by the Bankruptcy Court for voting on an Acceptable Plan (as confirmed in writing by the County once determined, the “Ballot Submission Deadline”) and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 8.4; (iii) make the election described in Section 3[b] of the Plan Term Sheet with respect to all Covered Sewer Warrants as of the Ballot Submission Deadline contemporaneously with the vote to accept an Acceptable Plan (except to the extent provided in Section 3(e)); and (iv) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties of all claims arising under or in connection with the Covered Sewer Warrants (including providing releases as contemplated by the Plan Term Sheet) (except to the extent provided in Section 3(e)). For the avoidance of doubt, such releases shall not release any rights of the Supporting Warrantholders (x) vis-à-vis each other to the extent not released in or reserved in any agreement among the Supporting Warrantholders, or (y) under an Acceptable Plan. Also for the avoidance of doubt, Covered Sewer Warrants shall not include any Sewer Warrants that are acquired after the date hereof in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders for which such Supporting Warrantholder does not have the power to bind (“Fiduciary Sewer Warrants”).

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) Each Supporting Warrantholder confirms its intention to purchase a portion of the offering of New Sewer Warrants to the extent necessary and as contemplated in the Plan Term Sheet, subject to execution of a Backstop/Put Agreement containing terms and conditions acceptable to such Supporting Warrantholder and the County (including agreement concerning the terms of the indenture for the New Sewer Warrants), with commitments to be allocated among the Supporting Warrantholders on a pro rata basis based upon the Supporting

Warrantheolders' holdings of Eligible Sewer Warrants or on other terms acceptable to each Supporting Warrantheolder and the County.

(h) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Supporting Warrantheolders or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(i) At any time, a Supporting Warrantheolder shall be required to comply with the terms of this Agreement with respect to Covered Sewer Warrants it holds at such time, and not with respect to Sewer Warrants that it has transferred in accordance with Section 3.

(j) Whenever this Agreement provides that any Party has the "right to approve" a document or that a document must be "acceptable" or "satisfactory" to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Litigation" shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC rehabilitation proceeding, except for any actions taken in the FGIC rehabilitation proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC rehabilitation proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of any Party to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction), including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of any Party) expose any such Party to liability (contingent or otherwise) or unreimbursed material expense.

(b) The County and each Supporting Warrantholder agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) Each Supporting Warrantholder shall, with respect to all Sewer Warrants held by it, shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 8.

(d) So long as none of this Agreement, the JPMorgan PSA, or the Sewer Warrant Insurer PSA has been terminated, each Supporting Warrantholder shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any Litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring such Supporting Warrantholder’s Covered Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of such Supporting Warrantholder to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and the Majority Eligible Warrantholders (as defined below) (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the

Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Section 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 8 of the Agreement, other than under Section 8(w) of this Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Ownership; Transfers of Sewer Warrants.**

(a) Except as otherwise provided, permitted, or exempted in this Section 3, each Supporting Warrantholder, severally, and not jointly, represents, warrants, and covenants that:

(i) such Supporting Warrantholder is the owner of, or advises the accounts that own, the Eligible Sewer Warrants set forth opposite its name on Schedule 1 hereto, and has and shall maintain the power and authority to bind all the legal and beneficial owner(s) of such Eligible Sewer Warrants to the terms of this Agreement;

(ii) such Supporting Warrantholder (a) has and shall maintain full power and authority to execute and deliver its signature page(s) to this Agreement and, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants to accept an Acceptable Plan or (b) has received an irrevocable direction from the party having full power and authority, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants and execute and deliver its signature page(s) to this Agreement;

(iii) none of the Eligible Sewer Warrants constitute Fiduciary Sewer Warrants;

(iv) other than as permitted under this Agreement, its Eligible Sewer Warrants are and shall continue to be free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition, or encumbrances of any kind, that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed; and

(v) such Supporting Warrantholder has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Eligible Sewer Warrants held by such Supporting Warrantholder as of the date hereof that are inconsistent with, or in violation of, the representations and warranties of such Supporting Warrantholder herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Supporting Warrantholder individually covenants that, from the date hereof until the termination of this Agreement, it will not sell, pledge, hypothecate, or otherwise

transfer, assign or dispose of any of its Eligible Sewer Warrants, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”), except (x) to another Supporting Warrantholder (and any such Eligible Sewer Warrants so transferred shall remain Eligible Sewer Warrants) or (y) to a person or entity (a “Transferee”) that as a condition to such Transfer executes and delivers to the County at least three (3) Business Days prior to the settlement of such Transfer an agreement in writing substantially in the form of Exhibit B-1 hereto (a “Transfer Agreement”), pursuant to which such Transferee agrees (i) to become a party to and be bound by all terms of this Agreement applicable to a Supporting Warrantholder as if such Transferee were an original signatory hereto; (ii) to become a party to and be bound by the Backstop/Put Agreement, to the extent such transferring Supporting Warrantholder was so bound in respect of the Eligible Sewer Warrants that are the subject of the Transfer; and (iii) to retain the same counsel and financial advisor that, at the time of the Transfer, are retained by Supporting Warrantholders holding at least a majority of the Eligible Sewer Warrants (the “Majority Eligible Warrantholders”) through appropriate retention documentation with respect to matters concerning the Sewer Warrants or to otherwise abide by the decisions of the Majority Eligible Warrantholders. “Business Day” means any day other than a Saturday, a Sunday, a “legal holiday” (as defined in Federal Rule of Bankruptcy Procedure 9006(a)), or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order. For the avoidance of doubt, a Supporting Warrantholder’s rights and obligations under this Agreement and the Backstop/Put Agreement (if any) may not be transferred separately and must be transferred together.

(c) Notwithstanding Section 3(b), if a Transferee is a Qualified Marketmaker, then the Supporting Warrantholder making the Transfer shall cause such Transferee to execute and deliver to the County at least three (3) Business Days prior to the settlement of such Transfer a Marketmaker Transfer Agreement substantially in the form of Exhibit B-2 hereto and such Qualified Marketmaker shall cause any subsequent Transferee to execute a Transfer Agreement in the form of Exhibit B-1, to the extent such subsequent Transferee is not a Qualified Marketmaker or a Transfer Agreement substantially in the form of Exhibit B-2 to the extent such Transferee is a Qualified Marketmaker. “Qualified Marketmaker” means an entity that (x) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Sewer Warrants issued by the County or other claims against the County, or enter with customers into positions in Sewer Warrants issued by the County or other claims against the County, in either case in its capacity as a dealer or market maker in Sewer Warrants or other claims against the County; and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers.

(d) This Agreement shall not be construed to preclude any Supporting Warrantholder from acquiring additional Sewer Warrants; *provided, however*, that any additional Sewer Warrants acquired by such Supporting Warrantholder (i) shall be Covered Sewer Warrants but (ii) shall not be Eligible Sewer Warrants unless such warrants were, initially, Eligible Sewer Warrants. For the avoidance of doubt, a Transfer of Covered Sewer Warrants that are not Eligible Sewer Warrants (“Excess Sewer Warrants”) shall not be subject to the transfer restrictions contained in this Section 3 other than during the Excess Warrant Restriction Period (as defined below); *provided, further, however*, that for so long as a Supporting

Warrantholder owns Covered Sewer Warrants, it must otherwise comply with all obligations under this Agreement with respect to such Covered Sewer Warrants.

(e) Notwithstanding anything to the contrary herein, to the extent that Excess Sewer Warrants consist of Sewer Warrants in Series 2003-B-8 with a CUSIP# 472682MP5, 472682MQ3, 472682MR1, or 472682MS9 (“Exempt Excess Sewer Warrants”), the relevant Supporting Warrantholder, solely with respect to such Exempt Excess Sewer Warrants, shall not be required (i) to elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement or (ii) to otherwise comply with the restrictions on transfer in Section 3; *provided, however*, that to the extent that a Supporting Warrantholder who is an original signatory to this Agreement holds any Exempt Excess Sewer Warrants on the Ballot Submission Deadline, such Party shall elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement.

(f) Notwithstanding Section 3(d), for the period beginning on the date on which the Disclosure Statement is approved by the Bankruptcy Court and continuing through and including the date(s) on which a confirmation hearing for an Acceptable Plan is held (the “Excess Warrant Restriction Period”), the Transfer of any Excess Sewer Warrants held by a Supporting Warrantholder or any option, right to acquire, or voting, participation, or other interest therein to any person or entity may be completed only in accordance with Section 3(b) and (c), as though such Excess Sewer Warrants were Eligible Sewer Warrants. On the first date of the Excess Warrant Restriction Period, each Supporting Warrantholder shall provide an update of the relevant portion of Schedule 1 showing such Party’s holdings of Covered Sewer Warrants (including both Eligible Sewer Warrants and Excess Sewer Warrants) to the County and JPMorgan. For the avoidance of doubt, other than during the Excess Warrant Restriction Period, any transfer of Excess Sewer Warrants may be completed without complying with the requirements for Transfers of Eligible Sewer Warrants in Section 3(b) and (c).

(g) No Supporting Warrantholder will create or use any subsidiary or affiliate to evade or attempt to evade the transfer restrictions set forth in this Section 3 or any other obligations set forth in this Agreement. Any attempt by any Supporting Warrantholder to transfer any Sewer Warrants or related rights or interests therein other than in compliance with this Section 3 shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Upon completion of a Transfer in compliance with this Section 3, the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement to the extent of such transferred Covered Sewer Warrants (and relinquished rights and released obligations).

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Covered Sewer Warrants to the extent and in the amount that distributions made generally available from the County to holders of Other Warrants (including in respect of the Covered Sewer Warrants) are increased.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Supporting Warrantholders and the other Plan Support Parties) shall be approximately \$1.835 billion, plus the distribution of the Reinstated Interest Payments and Reinstated Principal Payments pursuant to an Acceptable Plan as set forth in the Plan Term Sheet, plus the premium payable under the Backstop/Put Agreement.

(c) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan (in the case of the Sewer Warrant Insurer PSA) of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA or to the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Supporting Warrantholders and to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County represents that the Sewer Warrant Insurer PSA and the JPMorgan PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit C** and **Exhibit D**.

#### **Section 5. Agreements Between the Supporting Warrantholders and JPMorgan.**

As a material component of the Supporting Warrantholders' agreement to the transactions described in this Agreement and the Restructuring:

(a) In order to facilitate the various settlements to be implemented pursuant to an Acceptable Plan and the occurrence of the Effective Date, each Supporting Warrantholder hereby agrees (i) subject to Bankruptcy Code sections 1125 and 1126, to elect by the Ballot Submission Deadline the treatment under an Acceptable Plan set forth in Section 3[b] of the Plan Term Sheet in respect of all of its Covered Sewer Warrants (except to the extent provided in Section 3(e)); (ii) conditioned upon and effective as of the Effective Date, (A) to release each

Sewer Warrant Insurer from any claims it may have arising out of or relating to any insurance policies relating to its Covered Sewer Warrants (except to the extent provided in Section 3(e)), and (B) to waive any claims it may have for interest accruing or payable under its Covered Sewer Warrants at any rate other than the rate applicable to such Covered Sewer Warrants prior to the occurrence of an event of default under the Indenture or any Standby Agreement, as applicable; (iii) to comply with Section 2 above; and (iv) to comply with the restrictions on the transfer of its Sewer Warrants set forth in Section 3 above.

(b) Based upon the Supporting Warrantholders' agreements set forth in Section 5(a) above, JPMorgan will on or before the Effective Date, provide irrevocable directions to the County and the Trustee (or "paying agent" under an Acceptable Plan) to reallocate and distribute to each Supporting Warrantholder, instead of JPMorgan (and any of its affiliates holding Sewer Warrants), a portion of the cash recovery on the Sewer Warrants held by JPMorgan (and any such affiliates) under an Acceptable Plan, equal to (x) the principal amount of Eligible Sewer Warrants held by such holder (subject to Section 5(c) below) multiplied by (y) 3.46%; *provided, however*, that any increase in distributions made generally available from the County to holders of Other Warrants (including in respect of the Eligible Sewer Warrants) in excess of the amount set forth in part [b] of Section 3 of the Plan Term Sheet shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Eligible Sewer Warrants, and shall correspondingly reduce the amount of the JPMorgan reallocation to the benefited Supporting Warrantholders in respect of their Eligible Sewer Warrants pursuant to this Section 5(b); *provided, further, however*, that the aggregate JPMorgan reallocation to Supporting Warrantholders shall not be reduced below \$4 million.

(c) Each Supporting Warrantholder shall certify in writing to the County and JPMorgan no later than the third Business Day after the record date for distributions pursuant to the Acceptable Plan the amount of Eligible Sewer Warrants held by such Supporting Warrantholder as of such record date, *provided that*, for purposes of the reallocation pursuant to Section 5(b) above, the total amount of Eligible Sewer Warrants shall not exceed the total set forth on Schedule 1 on the date of execution of this Agreement, and the aggregate amount of such reallocation shall not exceed the product of such total set forth on Schedule 1 multiplied by the percentage referenced in Section 5(b) above.

(d) Each of the Supporting Warrantholders' agreement to provide the releases and waivers as set forth in Section 5(a)(ii)(A) and (B) shall be conditioned on the continued effectiveness of this Agreement and the JPMorgan PSA, and compliance by JPMorgan with all of its obligations under or contemplated by this Agreement.

(e) JPMorgan's obligation to reallocate to the Supporting Warrantholders pursuant to Section 5(b) above a portion of JPMorgan's cash distributions under an Acceptable Plan on account of the Sewer Warrants held by JPMorgan (and any of its affiliates holding Sewer Warrants) shall be subject to Section 5(c) above and conditioned upon confirmation of an Acceptable Plan and the occurrence of the Effective Date, approval by the Bankruptcy Court of such reallocation by JPMorgan to the Supporting Warrantholders pursuant to Section 5(b) above, receipt by JPMorgan (and any such affiliates) of an indefeasible cash recovery on the Effective Date of not less than the amount set forth in the JPMorgan PSA, plus all Reinstated Interest Payments and any Reinstated Principal Payments, which amount shall be after giving effect to all

other concessions by JPMorgan pursuant to or in furtherance of an Acceptable Plan and such reallocation pursuant to Section 5(b) above, the continued effectiveness of this Agreement, the Backstop/Put Agreement and the JPMorgan PSA, and compliance by all Supporting Warrantholders with all of their obligations under or contemplated by this Agreement and the Backstop/Put Agreement.

**Section 6. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party (pursuant to Section 5 hereof, in the case of JPMorgan), including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 7. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this

Agreement has not been terminated in accordance with Section 8, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 8.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 8.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Majority Eligible Warrantholders (and, in relation to the matters addressed in Section 5 hereof, JPMorgan);

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the deadline set forth in Section 8.1(o)(v) of this Agreement;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

(b) In connection with the agreement of the Supporting Warrantholders to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 8, each of the Supporting Warrantholders shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

## **Section 8. Termination & Default.**

### **8.1 Events of Termination & Default.**

(a) The County, JPMorgan, and the Majority Eligible Warrantholders may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the Majority Eligible Warrantholders, JPMorgan, or the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Majority Eligible Warrantholders, JPMorgan, or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice

have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then the Majority Eligible Warranholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(e) If the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then the Majority Eligible Warranholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the "Standstill Date"), then the Majority Eligible Warranholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) the Majority Eligible Warranholders, JPMorgan, or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then the Majority Eligible Warranholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Supporting Warrantholder materially breaches this Agreement (a “Breaching Warrantholder”) and such breach is not remedied, either by the Breaching Warrantholder or by one or more Supporting Warrantholders who have purchased the Covered Sewer Warrants held by the Breaching Warrantholder (or an equivalent amount of replacement Sewer Warrants of like series, type, and insurer, as applicable, which replacement warrants shall thereafter be treated as Covered Sewer Warrants or Eligible Sewer Warrants to the same extent as the replaced warrants were Covered Sewer Warrants or Eligible Sewer Warrants), within fifteen (15) calendar days of receiving written notice thereof from JPMorgan or the County to each Party or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by a Supporting Warrantholder, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by the County, then either JPMorgan or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan (but only if such modification adversely affects a right, obligation, or interest of such Party), and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of the Majority Eligible Warrantholders or JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the Supporting Warrantholders or JPMorgan, as applicable, under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, but only if such action adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If JPMorgan or any of the Supporting Warrantholders files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then

the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants, the Supporting Warrantholders, or JPMorgan (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court on or prior to July 1, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement on or prior to August 30, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; or

(v) the Effective Date shall not have occurred on or prior to December 20, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; *provided, however*, that such date may not be extended beyond December 31, 2013 (the "Outside Date");

then, in each case, the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If JPMorgan materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by JPMorgan, then either the County or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(q) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders, without the written consent of each affected Supporting Warrantholder) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders or JPMorgan, without the written consent of each affected Party) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(t) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County, the Majority Eligible Warrantholders, and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County, the Majority Eligible Warrantholders, and JPMorgan, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(u) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(v) If the County amends the Financing Plan in any material respect without the written approval of the Majority Eligible Warranholders and JPMorgan and does not rescind such amendment or obtain the written approval of the Majority Eligible Warranholders and JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from the Majority Eligible Warranholders or JPMorgan (which written notice must be provided by the Majority Eligible Warranholders or JPMorgan, as applicable, within seven (7) calendar days after the County provides the notice required by Section 4(d)), then either JPMorgan or the Majority Eligible Warranholders, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(w) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (w) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a “Trigger Event.”

## **8.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 8.2(a) shall only apply to Sections 8.1(b)-(d), (f)-(m), (p), (s), (t), and (v), and a Trigger Event under all other clauses of Section 8.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 8.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 8.1(b)-(c), (g)-(m), (p), (t), and (v), and not the other Trigger Events in Section 8.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 8.2(c) shall prejudice any Party’s rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

## **8.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure

of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 8.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

#### **8.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 8.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 9.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 8.1 (other than a termination under Section 8.1(w)), any and all ballots with respect to an Acceptable Plan delivered by each Supporting Warrantholder prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 8.1(w), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 9.10) shall be fully reserved.

### **Section 9. Miscellaneous Terms.**

#### **9.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Supporting Warrantholder or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Sewer Warrant Insurer, any other Supporting Warrantholder, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

#### **9.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

#### **9.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County, JPMorgan, and all of the Supporting Warrantholders listed on Schedule 1 as of the date hereof. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without

constituting a Trigger Event except as provided in Section 8.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

#### **9.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

#### **9.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE “CHOICE OF LAW” PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 9.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

#### **9.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the JPMorgan PSA and certain agreements among the Supporting Warranholders, this Agreement, together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by (x) the County, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of the County; (y) JPMorgan, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of JPMorgan; and (z) the Majority Eligible Warranholders, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of all Supporting Warranholders; *provided*, that (i) any modification of, or amendment or supplement to, this Agreement that has a disproportionate material adverse effect on any Supporting Warranholder shall require the written consent of such Supporting Warranholder so affected; (ii) any modification of, or amendment or supplement to, the consideration payable to the Supporting Warranholders (other than an increase in the consideration payable thereto in accordance with the Plan Term Sheet, which such increases shall not require the written consent of such affected

Supporting Warrantholders); (iii) any modification of, or amendment or supplement to, this Agreement that imposes additional obligations, cost or liability on a Party shall require the written consent of the Party so affected; and (iv) any modification of, or amendment or supplement to, this Section 9.6(c) or the Outside Date shall require the written consent of all Parties.

(d) Other than waivers contemplated by Section 8.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **9.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **9.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **9.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

## **9.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 9.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 9.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

## **9.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

## **9.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Supporting Warrantholder hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. Neither the execution nor delivery of this Agreement by the Supporting Warrantholders, nor the terms and conditions contained herein, shall provide a basis for the establishment or formation of a "group" under section 13(d)(3) of the Securities Exchange Act of 1934, as amended. Each Supporting Warrantholder disclaims the beneficial ownership of any securities of the County held by any other Supporting Warrantholder and its affiliates. It is understood and agreed that no Supporting Warrantholder has any duty of trust or confidence in any form with any other Supporting Warrantholder. In this regard, it is understood and agreed that, subject to Section 3, any Supporting Warrantholder may trade in the Sewer Warrants or other debt securities of the County without the consent of the County or JPMorgan, as the case may be, or any other Supporting Warrantholder, subject to all applicable securities laws and the terms of this Agreement; *provided, further*, that no Supporting Warrantholder shall have any responsibility for any such trading by any other entity by virtue of this Agreement. No prior history, pattern or practice of sharing confidences among or between the Supporting Warrantholders shall in any way affect or negate this understanding and agreement.

### 9.13 Notices.

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babbc.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to JPMorgan:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue

New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

If to Supporting Warrantholders:

At the addresses set forth in the signature pages hereto or set forth in a Transfer Agreement

-and-

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036  
Attn: Thomas Moers Mayer, Esq.; Elan Daniels, Esq.  
Facsimile: (212) 715-8169  
Email: tmayer@kramerlevin.com; edaniels@kramerlevin.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 9.13.

**9.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 8.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(y), 8.3, 8.4, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.9, 9.10, 9.11, 9.12, 9.13, 9.15, 9.16, 9.17, and this Section 9.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

**9.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency

between any provision of this Agreement and Section 3 of the Plan Term Sheet, Section 3 of the Plan Term Sheet shall control.

**9.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

**9.17 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**JPMorgan Chase Bank, N.A.**

\_\_\_\_\_  
By:  
Its:

**[Signature pages for each Supporting Warrantholder follow separately below]**

## Schedule 1

### Eligible Sewer Warrants

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KA0	\$19,375,000.00
Claren Road Credit Master Fund, LTD.	472682KA0	\$1,875,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KA0	\$800,000.00
Emerald Eagle Holdings South, L.L.C.	472682KA0	\$2,437,875.00
Emerald Eagle Holdings, L.L.C.	472682KA0	\$1,237,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KA0	\$45,000.00
Monarch Capital Master Partners II LP	472682KA0	\$99,000.00
Monarch Capital Master Partners II-A LP	472682KA0	\$143,000.00
Monarch Capital Master Partners LP	472682KA0	\$93,000.00
Monarch Cayman Fund Limited	472682KA0	\$88,000.00
Monarch Debt Recovery Master Fund Ltd	472682KA0	\$1,241,000.00
Monarch Opportunities Master Fund Ltd	472682KA0	\$1,448,000.00
Oakford MF Limited	472682KA0	\$221,000.00
P Monarch Recovery LTD	472682KA0	\$122,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KB8	\$16,125,000.00
Claren Road Credit Master Fund, LTD.	472682KB8	\$425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KB8	\$200,000.00
Emerald Eagle Holdings South, L.L.C.	472682KB8	\$166,250.00
Emerald Eagle Holdings, L.L.C.	472682KB8	\$83,750.00
Monarch Alternative Solutions Master Fund Ltd	472682KB8	\$51,000.00
Monarch Capital Master Partners II LP	472682KB8	\$19,000.00
Monarch Capital Master Partners II-A LP	472682KB8	\$159,000.00
Monarch Capital Master Partners LP	472682KB8	\$70,000.00
Monarch Cayman Fund Limited	472682KB8	\$99,000.00
Monarch Debt Recovery Master Fund Ltd	472682KB8	\$1,406,000.00
Monarch Opportunities Master Fund Ltd	472682KB8	\$455,000.00
Oakford MF Limited	472682KB8	\$16,000.00
P Monarch Recovery LTD	472682KB8	\$250,000.00
Claren Road Credit Master Fund, LTD.	472682KC6	\$950,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Opportunities Master Fund, LTD.	472682KC6	\$400,000.00
Emerald Eagle Holdings South, L.L.C.	472682KC6	\$256,875.00
Emerald Eagle Holdings, L.L.C.	472682KC6	\$118,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KC6	\$751,000.00
Monarch Capital Master Partners II LP	472682KC6	\$329,000.00
Monarch Capital Master Partners II-A LP	472682KC6	\$2,237,000.00
Monarch Capital Master Partners LP	472682KC6	\$2,185,000.00
Monarch Cayman Fund Limited	472682KC6	\$1,290,000.00
Monarch Debt Recovery Master Fund Ltd	472682KC6	\$8,565,000.00
Monarch Opportunities Master Fund Ltd	472682KC6	\$3,733,000.00
Oakford MF Limited	472682KC6	\$485,000.00
P Monarch Recovery LTD	472682KC6	\$1,125,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682KC6	\$9,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KD4	\$10,100,000.00
Emerald Eagle Holdings South, L.L.C.	472682KD4	\$6,788,500.00
Emerald Eagle Holdings, L.L.C.	472682KD4	\$3,636,500.00
Monarch Alternative Solutions Master Fund Ltd	472682KD4	\$127,000.00
Monarch Capital Master Partners II LP	472682KD4	\$41,000.00
Monarch Capital Master Partners II-A LP	472682KD4	\$414,000.00
Monarch Capital Master Partners LP	472682KD4	\$613,000.00
Monarch Cayman Fund Limited	472682KD4	\$190,000.00
Monarch Debt Recovery Master Fund Ltd	472682KD4	\$2,671,000.00
Monarch Opportunities Master Fund Ltd	472682KD4	\$491,000.00
Oakford MF Limited	472682KD4	\$71,000.00
P Monarch Recovery LTD	472682KD4	\$232,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KH5	\$16,525,000.00
Claren Road Credit Master Fund, LTD.	472682KH5	\$18,675,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KH5	\$8,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682KH5	\$9,560,000.00
Emerald Eagle Holdings, L.L.C.	472682KH5	\$5,140,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LH4	\$8,925,000.00
Emerald Eagle Holdings South, L.L.C.	472682LH4	\$3,661,125.00
Emerald Eagle Holdings, L.L.C.	472682LH4	\$2,038,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LH4	\$13,275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LH4	\$168,000.00
Monarch Capital Master Partners II LP	472682LH4	\$19,000.00
Monarch Capital Master Partners II-A LP	472682LH4	\$757,000.00
Monarch Capital Master Partners LP	472682LH4	\$125,000.00
Monarch Cayman Fund Limited	472682LH4	\$666,000.00
Monarch Debt Recovery Master Fund Ltd	472682LH4	\$4,659,000.00
Monarch Opportunities Master Fund Ltd	472682LH4	\$1,376,000.00
Oakford MF Limited	472682LH4	\$93,000.00
P Monarch Recovery LTD	472682LH4	\$187,000.00
Emerald Eagle Holdings South, L.L.C.	472682LJ0	\$2,130,000.00
Emerald Eagle Holdings, L.L.C.	472682LJ0	\$1,045,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LJ0	\$275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LJ0	\$84,000.00
Monarch Capital Master Partners II LP	472682LJ0	\$23,000.00
Monarch Capital Master Partners II-A LP	472682LJ0	\$272,000.00
Monarch Capital Master Partners LP	472682LJ0	\$363,000.00
Monarch Cayman Fund Limited	472682LJ0	\$217,000.00
Monarch Debt Recovery Master Fund Ltd	472682LJ0	\$2,323,000.00
Monarch Opportunities Master Fund Ltd	472682LJ0	\$460,000.00
Oakford MF Limited	472682LJ0	\$83,000.00
P Monarch Recovery LTD	472682LJ0	\$125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LK7	\$20,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682LK7	\$3,559,375.00
Emerald Eagle Holdings, L.L.C.	472682LK7	\$1,765,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LK7	\$1,100,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LK7	\$71,000.00
Monarch Capital Master Partners II LP	472682LK7	\$28,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682LK7	\$232,000.00
Monarch Capital Master Partners LP	472682LK7	\$398,000.00
Monarch Cayman Fund Limited	472682LK7	\$144,000.00
Monarch Debt Recovery Master Fund Ltd	472682LK7	\$1,992,000.00
Monarch Opportunities Master Fund Ltd	472682LK7	\$643,000.00
Oakford MF Limited	472682LK7	\$91,000.00
P Monarch Recovery LTD	472682LK7	\$176,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LL5	\$1,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682LL5	\$3,360,125.00
Emerald Eagle Holdings, L.L.C.	472682LL5	\$1,664,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LL5	\$5,650,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LL5	\$353,000.00
Monarch Capital Master Partners II LP	472682LL5	\$168,000.00
Monarch Capital Master Partners II-A LP	472682LL5	\$1,357,000.00
Monarch Capital Master Partners LP	472682LL5	\$695,000.00
Monarch Cayman Fund Limited	472682LL5	\$2,057,000.00
Monarch Debt Recovery Master Fund Ltd	472682LL5	\$2,166,000.00
Monarch Opportunities Master Fund Ltd	472682LL5	\$1,432,000.00
Oakford MF Limited	472682LL5	\$522,000.00
P Monarch Recovery LTD	472682LL5	\$550,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LM3	\$11,200,000.00
Emerald Eagle Holdings South, L.L.C.	472682LM3	\$9,533,305.00
Emerald Eagle Holdings, L.L.C.	472682LM3	\$5,326,695.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LM3	\$12,350,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LM3	\$166,000.00
Monarch Capital Master Partners II LP	472682LM3	\$33,000.00
Monarch Capital Master Partners II-A LP	472682LM3	\$723,000.00
Monarch Capital Master Partners LP	472682LM3	\$654,000.00
Monarch Cayman Fund Limited	472682LM3	\$606,000.00
Monarch Debt Recovery Master Fund Ltd	472682LM3	\$4,686,000.00
Monarch Opportunities Master Fund Ltd	472682LM3	\$1,928,000.00
Oakford MF Limited	472682LM3	\$205,000.00
P Monarch Recovery LTD	472682LM3	\$224,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682LN1	\$35,589,820.76
Emerald Eagle Holdings South, L.L.C.	472682LT8	\$12,500,000.00
Emerald Eagle Holdings, L.L.C.	472682LT8	\$7,500,000.00
Fundamental Partners II LP	472682LT8	\$17,500,000.00
Fundamental Partners LP	472682LT8	\$17,500,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LT8	\$12,910,420.86
Emerald Eagle Holdings South, L.L.C.	472682MD2	\$253,450.00
Emerald Eagle Holdings, L.L.C.	472682MD2	\$116,550.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NA7	\$9,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682NA7	\$6,505,625.00
Emerald Eagle Holdings, L.L.C.	472682NA7	\$3,369,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NA7	\$4,175,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NA7	\$21,000.00
Monarch Capital Master Partners II-A LP	472682NA7	\$203,000.00
Monarch Cayman Fund Limited	472682NA7	\$254,000.00
Monarch Debt Recovery Master Fund Ltd	472682NA7	\$607,000.00
Monarch Opportunities Master Fund Ltd	472682NA7	\$774,000.00
Oakford MF Limited	472682NA7	\$41,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NB5	\$2,500,000.00
Claren Road Credit Master Fund, LTD.	472682NB5	\$1,200,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NB5	\$525,000.00
Emerald Eagle Holdings South, L.L.C.	472682NB5	\$10,186,625.00
Emerald Eagle Holdings, L.L.C.	472682NB5	\$5,163,375.00
Monarch Alternative Solutions Master Fund Ltd	472682NB5	\$84,000.00
Monarch Capital Master Partners II LP	472682NB5	\$286,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682NB5	\$1,022,000.00
Monarch Cayman Fund Limited	472682NB5	\$422,000.00
Monarch Debt Recovery Master Fund Ltd	472682NB5	\$1,412,000.00
Monarch Opportunities Master Fund Ltd	472682NB5	\$1,370,000.00
Oakford MF Limited	472682NB5	\$57,000.00
P Monarch Recovery LTD	472682NB5	\$172,000.00
Emerald Eagle Holdings South, L.L.C.	472682NC3	\$330,000.00
Emerald Eagle Holdings, L.L.C.	472682NC3	\$170,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NC3	\$375,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NC3	\$108,000.00
Monarch Capital Master Partners II LP	472682NC3	\$49,000.00
Monarch Capital Master Partners II-A LP	472682NC3	\$350,000.00
Monarch Capital Master Partners LP	472682NC3	\$992,000.00
Monarch Cayman Fund Limited	472682NC3	\$216,000.00
Monarch Debt Recovery Master Fund Ltd	472682NC3	\$3,040,000.00
Monarch Opportunities Master Fund Ltd	472682NC3	\$1,217,000.00
Oakford MF Limited	472682NC3	\$227,000.00
P Monarch Recovery LTD	472682NC3	\$151,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NC3	\$250,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682ND1	\$2,000,000.00
Claren Road Credit Master Fund, LTD.	472682ND1	\$8,250,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682ND1	\$3,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682ND1	\$2,129,375.00
Emerald Eagle Holdings, L.L.C.	472682ND1	\$995,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682ND1	\$2,800,000.00
Monarch Alternative Solutions Master Fund Ltd	472682ND1	\$48,000.00
Monarch Capital Master Partners II LP	472682ND1	\$241,000.00
Monarch Capital Master Partners II-A LP	472682ND1	\$153,000.00
Monarch Capital Master Partners LP	472682ND1	\$436,000.00
Monarch Cayman Fund Limited	472682ND1	\$319,000.00
Monarch Debt Recovery Master Fund Ltd	472682ND1	\$1,334,000.00
Monarch Opportunities Master Fund Ltd	472682ND1	\$3,759,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Oakford MF Limited	472682ND1	\$596,000.00
P Monarch Recovery LTD	472682ND1	\$64,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NE9	\$2,700,000.00
Emerald Eagle Holdings South, L.L.C.	472682NE9	\$4,410,625.00
Emerald Eagle Holdings, L.L.C.	472682NE9	\$2,239,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NE9	\$4,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NF6	\$35,000,000.00
Claren Road Credit Master Fund, LTD.	472682NF6	\$3,500,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NF6	\$1,500,000.00
Emerald Eagle Holdings South, L.L.C.	472682NF6	\$12,950,000.00
Emerald Eagle Holdings, L.L.C.	472682NF6	\$7,050,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NF6	\$2,500,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NF6	\$10,000,000.00
Claren Road Credit Master Fund, LTD.	472682NG4	\$14,425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NG4	\$6,200,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NG4	\$7,325,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NG4	\$336,000.00
Monarch Capital Master Partners II LP	472682NG4	\$65,000.00
Monarch Capital Master Partners II-A LP	472682NG4	\$1,282,000.00
Monarch Cayman Fund Limited	472682NG4	\$791,000.00
Monarch Debt Recovery Master Fund Ltd	472682NG4	\$3,797,000.00
Monarch Opportunities Master Fund Ltd	472682NG4	\$3,455,000.00
Oakford MF Limited	472682NG4	\$197,000.00
P Monarch Recovery LTD	472682NG4	\$577,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NH2	\$39,850,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Master Fund, LTD.	472682NH2	\$6,925,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NH2	\$2,975,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NH2	\$15,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682NJ8	\$34,250.00
Emerald Eagle Holdings, L.L.C.	472682NJ8	\$15,750.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NJ8	\$225,000.00
Monarch Capital Master Partners II LP	472682NJ8	\$2,000.00
Monarch Debt Recovery Master Fund Ltd	472682NJ8	\$6,000.00
Monarch Opportunities Master Fund Ltd	472682NJ8	\$62,000.00
P Monarch Recovery LTD	472682NJ8	\$30,000.00
Emerald Eagle Holdings South, L.L.C.	472682NK5	\$68,500.00
Emerald Eagle Holdings, L.L.C.	472682NK5	\$31,500.00
Monarch Capital Master Partners II LP	472682NK5	\$1,000.00
Monarch Debt Recovery Master Fund Ltd	472682NK5	\$2,000.00
Monarch Opportunities Master Fund Ltd	472682NK5	\$15,000.00
P Monarch Recovery LTD	472682NK5	\$7,000.00
Red Mountain Holdings LLC	472682PJ6	\$4,918,002.82
Red Mountain Holdings LLC	472682PJ6	\$1,448,295.26
Red Mountain Holdings LLC	472682PJ6	\$674,970.72
Red Mountain Holdings LLC	472682PJ6	\$5,118,831.65
Red Mountain Holdings LLC	472682PJ6	\$29,015,611.89
Red Mountain Holdings LLC	472682PJ6	\$16,501,131.27
Red Mountain Holdings LLC	472682PJ6	\$1,940,704.55
Red Mountain Holdings LLC	472682PJ6	\$2,236,623.73
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PL1	\$30,000,000.00
Monarch Alternative Solutions Master Fund Ltd	472682PL1	\$1,534,000.00
Monarch Capital Master Partners II-A LP	472682PL1	\$4,886,000.00
Monarch Debt Recovery Master Fund Ltd	472682PL1	\$15,218,947.00
Monarch Opportunities Master Fund Ltd	472682PL1	\$9,350,000.00
Monarch Research Alpha Master Fund Ltd	472682PL1	\$1,368,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
P Monarch Recovery LTD	472682PL1	\$1,298,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682PL1	\$30,000,000.60
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PM9	\$31,770,000.00

**Excess Sewer Warrants**

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
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## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the "**County**"), on the one hand, and JPMorgan Chase Bank, N.A. ("**JPMorgan**") and each affiliate of JPMorgan beneficially owning Sewer Warrants signatory hereto (together with JPMorgan, the "**JPM Parties**"), on the other hand. Each of the JPM Parties and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, JPMorgan and the Trustee, on behalf of the JPM Parties and other beneficial holders of the Sewer Warrants, have filed claims in the Bankruptcy Case against the County asserting rights to be paid, among other things, various amounts on account of principal and interest arising from or in connection with the Standby Agreements and the Indenture in respect of the Sewer Warrants held by the JPM Parties (collectively, the "**JPMorgan Sewer Warrant Claims**");

**WHEREAS**, the County disputes the JPM Parties' entitlements with respect to certain of the JPMorgan Sewer Warrant Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the JPM Parties dispute the County's contentions;

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of all sewer system and Sewer Warrant related disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Supporting Warrantholder PSA") with JPMorgan and with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders");

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "Sewer Warrant Insurer PSA") with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. ("Assured"), Financial Guaranty Insurance Company ("FGIC"), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. ("Syncora"), each of which is referred to as a "Sewer Warrant Insurer" and collectively with the JPM Parties and the Supporting Warrantholders are the "Plan Support Parties";

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an "Acceptable Plan") and to meet the deadlines set forth in Section 7.1(q) hereof. The

County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing JPMorgan (the “JPMorgan Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The JPMorgan Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) The JPM Parties shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all JPMorgan Sewer Warrant Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; and (iii) provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan of all claims arising under or in connection with all JPMorgan Sewer Warrant Claims. For the avoidance of doubt, such releases shall not release any rights of the JPM Parties under an Acceptable Plan.

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the JPM

Parties or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) JPMorgan shall have the right to approve the provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the JPM Parties prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the Confirmation Order, (ii) the Disclosure Statement and the order or orders approving the Disclosure Statement and the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the ballots or such other documents that contain the Commutation Election, (iii) the Confirmation Order, (iv) the Stipulated Order (as defined below), (v) all other Acceptable Plan and closing documentation, and (vi) any other document which is subject to approval by JPMorgan pursuant to the Plan Term Sheet.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the proceeding pending before the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) styled *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”), except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and

a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order), the JPM Parties providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the JPM Parties to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the JPM Parties, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of the JPM Parties) expose the JPM Parties to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The JPM Parties shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date, at which time all pending Litigation against the JPM Parties will, pursuant to an Acceptable Plan, be dismissed with prejudice or (y) termination of this Agreement in accordance with Section 7.

(d) So long as none of this Agreement, the Supporting Warrantholder PSA, or the Sewer Warrant Insurer PSA has been terminated, the JPM Parties shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the JPM Parties’ Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of the JPM Parties to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and JPMorgan (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee*

*v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(y) of the Agreement, after which the Parties’ rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Representations and Covenants Regarding Claims.**

(a) JPMorgan represents that the JPM Parties own the Sewer Warrants set forth on Schedule 1 hereto, and retain all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. For the avoidance of doubt, all references in this Agreement to the JPM Parties and the JPMorgan Sewer Warrant Claims shall relate to the JPM Parties in their capacity as the beneficial owners of the Sewer Warrants set forth on Schedule 1 hereto, and shall not include any such JPM Party or JPMorgan Sewer Warrant Claims to the extent of any Sewer Warrants not included on Schedule 1 that may be held by a JPM Party in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders. JPMorgan represents that as of the date of this Agreement, the JPM Parties have not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of their respective right, title, or interest in any Sewer Warrants that is inconsistent with, or in violation of, the representations and warranties of JPMorgan herein, in violation of the obligations of the JPM Parties under this Agreement, or that would adversely affect in any way the performance of their obligations under this Agreement at the time such obligations are required to be performed.

(b) JPMorgan covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement, the JPM Parties will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of the JPMorgan Sewer Warrant Claims, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”) other than any Transfer between one JPM Party and another JPM Party. Other than any Transfer between one JPM Party and another JPM Party, any attempt to Transfer any JPMorgan Sewer Warrant Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Unless the County and JPMorgan otherwise agree, other than any

Transfer between one JPM Party and another JPM Party, the JPM Parties shall not acquire any additional Sewer Warrants.

**Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the Sewer Warrant Insurer PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit B** and **Exhibit C**.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the JPM Parties and the other Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to JPMorgan of any termination of, amendment to, or written notice of potential termination of the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

**Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the JPM Parties) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

## **Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(q)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(q)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to JPMorgan;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

(b) In connection with the agreement of the JPM Parties to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, each of the JPM Parties shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(q) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1 Events of Termination & Default.**

(a) The County and the JPM Parties may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If either the County or JPMorgan provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then either the County or JPMorgan may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the County and JPMorgan in writing (the "Standstill Date"), then JPMorgan or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) JPMorgan or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then JPMorgan or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any of the JPM Parties materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County, then, subject to the JPM Parties' rights under Section 7.2(a), the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If JPMorgan materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then, subject to JPMorgan's rights under Section 7.2(a), the County may terminate this Agreement by giving a

second written notice to each other Party within twenty (20) calendar days of the first written notice.

(k) If the County materially breaches the GO PSA and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan, and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(m) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the JPM Parties under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from JPMorgan, then JPMorgan, but only if such action adversely affects a right, obligation, or interest of the JPM Parties, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(n) If any of the JPM Parties files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(o) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the JPMorgan Sewer Warrant Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the JPM Parties (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(p) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then either the County or JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(q) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement by August 30, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by JPMorgan in its sole and absolute discretion;

then, in each case, JPMorgan may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If the Supporting Warrantholder PSA shall have been terminated or amended (with respect to provisions thereof that adversely affect a right, obligation, or interest of the JPM Parties, without the written consent of JPMorgan), or is no longer in full force and effect, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If the GO PSA shall have been terminated by (i) either the County or JPMorgan, then either the County or JPMorgan may by written notice to each other Party terminate this Agreement at any time thereafter; or (ii) any other party to the GO PSA, then either the County or JPMorgan may terminate this Agreement by giving ten (10) calendar days written notice to each other Party after any such termination of the GO PSA by such other party.

(u) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date,

then either the County or JPMorgan may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(v) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and JPMorgan, then either the County or JPMorgan may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(w) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(x) If the County amends the Financing Plan in any material respect without the written approval of JPMorgan and does not rescind such amendment or obtain the written approval of JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from JPMorgan (which written notice must be provided by JPMorgan within seven (7) calendar days after the County provides the notice required by Section 4(d)), then JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(y) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (y) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a “Trigger Event.”

## **7.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(o), and (u), (v), and (x), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(o), (v), and (x), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.13; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(y)), any and all ballots with respect to an Acceptable Plan delivered by the JPM Parties prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(y), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict the JPM Parties or their respective officers or representatives from engaging in discussions with or among any or all of: the County, any Supporting Warrantholder, any Sewer Warrant Insurer,

any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

## **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

## **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the JPM Parties. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

## **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

## **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.12 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

## **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Supporting Warrantholder PSA and the GO PSA, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject

matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and the JPM Parties.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

### **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

### **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203

Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@bab.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to the JPM Parties:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue  
New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017

Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.12.

### **8.13 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.14, 8.15, 8.16, and this Section 8.13 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

### **8.14 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., and E. of the Plan Term Sheet, parts C., D., and E. of the Plan Term Sheet shall control.

### **8.15 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

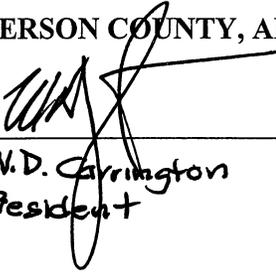
### **8.16 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation.”

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

  
\_\_\_\_\_  
By: W.D. Carrington  
Its: Resident

**JPMORGAN CHASE BANK, N.A.**

\_\_\_\_\_  
By: William A. Austin  
Its: Executive Director

**JPMORGAN CHASE FUNDING INC.**

\_\_\_\_\_  
By: William A. Austin  
Its: Authorized Signatory

**J.P. MORGAN SECURITIES LLC**

\_\_\_\_\_  
By: William A. Austin  
Its: Authorized Signatory

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

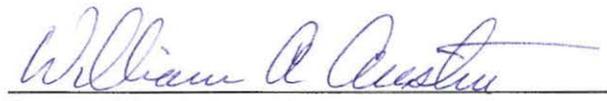
**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

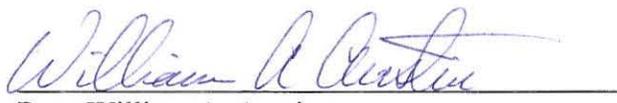
**JPMORGAN CHASE BANK, N.A.**

  
\_\_\_\_\_  
By: William A. Austin  
Its: Executive Director

**JPMORGAN CHASE FUNDING INC.**

  
\_\_\_\_\_  
By: William A. Austin  
Its: Authorized Signatory

**J.P. MORGAN SECURITIES LLC**

  
\_\_\_\_\_  
By: William A. Austin  
Its: Authorized Signatory

## Schedule 1

### Sewer Warrants Owned By the JPM Parties

#### Sewer Warrants<sup>1</sup>

Series 2002-C 1 and 5:	\$ 200,750,000
Series 2002-C 2:	\$ 47,711,810
Series 2003-B 1:	\$ 495,455,000
Series 2003-C 1-5:	\$ 373,500,000
Series 2003-C 9-10:	\$ 103,950,000
Total:	\$1,221,366,810 <sup>2</sup>

<sup>1</sup> Principal amount of Sewer Warrants; amounts exclude (i) prepetition default interest and fees (Series 2002-C 2) to be waived on the Effective Date, (ii) accrued and unpaid non-default interest on all Series to be paid on the Effective Date from Accumulated Revenues, (iii) regularly scheduled principal amortization (Series 2003-B 1) to be paid on the Effective Date from Accumulated Revenues, and (iv) swap claims of JPMorgan affiliate to be waived on the Effective Date.

<sup>2</sup> Total Adjusted Principal Amount estimated to be \$1,218,000,000.

**Exhibit A**

**Plan Term Sheet**

**Jefferson County**  
**JPMorgan Summary Term Sheet**  
**For Purposes Of Sewer-Related**  
**Plan Discussions**

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Any transaction is entirely contingent upon the negotiation and execution of definitive documentation, including a chapter 9 plan of adjustment, and satisfaction or waiver of all conditions contained in the definitive documentation, including confirmation of the plan and occurrence of its effective date. This document is not a solicitation or a vote for any proposed plan or a definitive term sheet, but rather memorializes a broad agreement in principle between Jefferson County, Alabama (the "County") and JPMorgan Chase Bank, N. A. (together with any of its affiliates holding sewer system related claims, "JPMorgan") while providing a basis for further discussion regarding the specific details of a plan and related transactions, which details remain subject to further review, comment, and final approval by the County and JPMorgan. Capitalized terms used in this document (that are not otherwise defined herein) are defined in Exhibit A.

**A. Conceptual Overview**

This document is structured around the following broad concepts:

Through the Plan, the County will achieve more than \$1.3 billion of sewer warrant creditor concessions (the largest of which will be made by JPMorgan), which concessions will substantially reduce the amount of the County's sewer warrant indebtedness (approximately \$3.2 billion of principal and interest as of the County's chapter 9 filing), and the County will issue New Sewer Warrants in an amount sufficient to make distributions to sewer warrant creditors of approximately \$1.835 billion pursuant to the Plan. This document sets forth the treatment that will be provided in the Plan for the sewer related claims affecting JPMorgan, including the concessions by, and the settlement of litigation and release of claims against, JPMorgan, which treatment is only one important component of what would be required for a consensual plan. Any consensual plan, and the agreement in principle between the County and JPMorgan summarized herein, is predicated on the County also reaching satisfactory agreements with the Sewer Warrant Insurers, the Ad Hoc Warrantholders, and any other Plan Support Parties regarding issues that are not fully detailed in this document, as well as with JPMorgan in respect of its non-sewer related claims against the County (which agreement is set forth in that certain *Plan Support Agreement* dated as of May 13, 2013), and the negotiation and execution of additional documentation, all of which that affect the rights of JPMorgan must be satisfactory to JPMorgan and the County.

As part of the global settlement among the County, JPMorgan, and the other Plan Support Parties to be implemented pursuant to the Plan, and in consideration of the settlement and release of all subordination and other claims, causes of action, and avoidance actions (including those arising under the Bankruptcy Code or nonbankruptcy law) against JPMorgan related to the County, the sewer warrants, any financing or other transaction with the County, the sewer system, or any insurance issued in respect of the sewer warrants, including in pending litigation brought by the County and certain Sewer Warrant Insurers, JPMorgan will

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consent to the reallocation to other holders of sewer warrants of a substantial portion of the Plan consideration that would otherwise be distributed on a pro rata basis to JPMorgan and, thereby, increase the recovery received by all other holders of sewer warrants and reduce the amount of sewer indebtedness following the County's emergence from chapter 9. As a result of the above-described reallocation and other concessions to be made by JPMorgan to facilitate the various settlements to be implemented pursuant to the Plan and the occurrence of the effective date of the Plan (the "Effective Date"), JPMorgan will ultimately recover under the Plan only approximately 31% (i.e., approximately \$376 million) of its more than \$1.2 billion in Adjusted Principal Amount of sewer warrants (and will also waive more than \$25 million of other sewer related claims), while other holders of sewer warrants will generally be able to choose to recover under the Plan 80% of the Adjusted Principal Amount of their sewer warrants.

The Plan will include a Commutation Election mechanism whereby holders of sewer warrants (including FGIC with respect to the FGIC Assured-Insured Warrants but excluding FGIC with respect to all other Sewer Warrants it holds and excluding the other Sewer Warrant Insurers) may elect or be deemed to elect to commute claims that could be asserted against the Sewer Warrant Insurers under the applicable sewer warrant insurance policies and receive as a result of such election a higher recovery under the Plan. This higher recovery to holders who elect or are deemed to elect to commute such claims shall be funded as part of the JPMorgan reallocation referenced above, as well as through consideration contributed by the Sewer Warrant Insurers by settling and releasing their claims against the County and JPMorgan and allowing their pro rata share of such reallocation by JPMorgan to be made available to other holders as part of the Commutation Election. JPMorgan will be obligated to commute all such insurance claims for no incremental consideration, all other Plan Support Parties other than the Sewer Warrant Insurers (or pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) will make the Commutation Election, and any holder of sewer warrants that previously commuted the insurance obligations of a Sewer Warrant Insurer to such holder shall remain bound by such prior commutation in accordance with the terms of the applicable agreements. The Commutation Election or deemed Commutation Election will be independent of the holder's vote for or against the Plan.

There will also be broad mutual releases exchanged among the County, JPMorgan, and all the other Plan Support Parties effective upon the Effective Date, including releases of any claims against each other (including on account of any claims under or in connection with any insurance policies issued by the Sewer Warrant Insurers, other than FGIC with respect to the FGIC Assured-Insured Warrants or pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) and of any claims being asserted by other parties on behalf of the County, but excluding only the obligations imposed under the Plan and obligations unrelated to the County, the County's sewer warrants, and the policies insuring the County's sewer warrants. These releases will be presented as a resolution of disputed claims inextricably bound with the

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Plan pursuant to Federal Rule of Bankruptcy Procedure 9019, and to the extent provided therein, will bind all creditors and other parties in interest (including, without limitation, plaintiffs purporting to assert claims derivatively on the County's behalf, as in pending adversary proceedings). The Plan and form of order confirming the Plan (the "Confirmation Order") will contain injunctions enforcing the releases under the Plan and the Commutation Election.

**B. Plan Support Agreements**

1. JPMorgan, the other Plan Support Parties, and the County will enter into plan support agreements with respect to the Plan (each, a "Plan Support Agreement" and collectively, the "Plan Support Agreements") on or before June 6, 2013. Each Plan Support Agreement must be in a form acceptable to all the other Plan Support Parties. Subject to applicable bankruptcy law, including approval of a disclosure statement in respect of the Plan by the Bankruptcy Court, the Plan Support Agreements will obligate the County and the Plan Support Parties to use reasonable efforts to have the Effective Date occur on or before the Outside Date. Among other provisions, the Plan Support Agreements will provide for (a) the right of the Plan Support Party or Parties party to such Plan Support Agreement to approve the provisions of the following documents that would potentially affect the rights of the applicable Plan Support Party or Parties: (i) the Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into the Plan and the Confirmation Order, (ii) the order or orders approving the disclosure statement for the Plan and the notice and other procedures for soliciting votes on the Plan and affirmative or deemed elections with respect to the Commutation Election, including the ballots or such other documents that contain the Commutation Election, (iii) the form of the Confirmation Order, and (iv) all other relevant Plan and closing documentation, (b) a stay and standstill of litigation as discussed in paragraph B.2 below, (c) deadlines for approval of the disclosure statement for the Plan (August 30, 2013), confirmation of the Plan (November 25, 2013), and the Effective Date (December 31, 2013), (d) a forbearance as described further in paragraph B.5 below, (e) the obligation of all Plan Support Parties and the County to support the Plan's confirmation and, subject to the approval of a disclosure statement by the Bankruptcy Court, of the Plan Support Parties to vote to accept the Plan, and (f) termination of the Plan Support Agreements upon the occurrence of certain events, including, for example, entry of an order denying confirmation of the Plan, failure of the Effective Date to occur by the Outside Date, failure of the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, to approve, no later than June 28, 2013 (or such later date as the County, FGIC, and FGIC's rehabilitator may agree in writing for obtaining such court approval), FGIC's execution and performance of a Plan Support Agreement, and termination or any material amendment of any Plan Support Agreement (the date, if any, on which any Plan Support Agreement is terminated in accordance with its terms being the "Plan Support Termination Date").

**Jefferson County**  
**JPMorgan Summary Term Sheet**  
**For Purposes Of Sewer-Related**  
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Settlement Communication  
Subject to FRE 408

2. Subject to approval of the appropriate courts, the Plan Support Parties and the County will use reasonable efforts to assure that all pending litigation (including appeals) related to the County's sewer warrants and involving any of the County, the Plan Support Parties, and/or the Bank of New York Mellon as Trustee under the Indenture (the "Indenture Trustee"), other than the pending Lehman Brothers claim priority adversary proceeding, will be stayed until (i) compromised, settled, and/or dismissed on terms acceptable to the applicable parties pursuant to, and in consideration of the settlements incorporated into and treatment under, the Plan, or (ii) the Plan Support Termination Date (the "Standstill Period"); *provided, however*, that no party shall be required to incur or become obligated in respect of any material liability or expense to achieve such a standstill. As a part of the standstill of pending litigation and pursuant to a stipulated form of order to effect a standstill in the declaratory judgment action commenced by the Indenture Trustee, Adversary Proceeding No. 13-00019 (the "Declaratory Judgment Action"), the Indenture Trustee and the Plan Support Parties will not present any claims or seek to draw on the wrap policies or the DSRF policies during the Standstill Period. The County and the Plan Support Parties will use reasonable efforts to obtain and implement a litigation stay or standstill of any other litigation involving the Indenture Trustee and/or the Plan Support Parties related to the County's sewer warrants through the Standstill Period. In addition, except as may otherwise be specified in the Plan Support Agreements, each of the County and the Plan Support Parties will agree to a standstill regarding any future litigation vis-à-vis any of each other related to the County's sewer debt through the Standstill Period. As noted above, successfully obtaining and implementing such a litigation stay and standstill through the Standstill Period is a condition to the continued effectiveness of the Plan Support Agreements, provided that such condition may be waived by an agreement in writing of the County and the Plan Support Parties, in their sole discretion (but only the Plan Support Parties party to such litigation or whose rights would adversely be affected thereby in any material respect).

3. The Plan Support Agreement between JPMorgan and the County (the "JPMorgan Plan Support Agreement") will restrict JPMorgan from assigning, selling, or otherwise transferring any sewer warrants or other sewer related claims until the Plan Support Termination Date.

4. The stipulated order to be entered in the Declaratory Judgment Action will provide that sewer revenues will continue to be timely remitted by the County to the Indenture Trustee in accordance with the present practices, but that during the Standstill Period no sewer revenues will be distributed to holders of sewer warrants on account of obligations becoming due on or after February 1, 2013, except (a) under the Plan (see paragraph D.2 below) or (b) until the Plan Support Termination Date. Following any Plan Support Termination Date, all parties' rights shall be reserved and will be determined as if the Plan Support Agreements were never executed.

**Jefferson County**  
**JPMorgan Summary Term Sheet**  
**For Purposes Of Sewer-Related**  
**Plan Discussions**

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5. In furtherance of the Standstill Period with respect to the payment of principal and interest on the sewer warrants otherwise payable on or after February 1, 2013, the Plan Support Agreements executed by Plan Support Parties will include a provision pursuant to which, so long as the Plan Support Termination Date has not occurred, each Plan Support Party, other than the Sewer Warrant Insurers (but including FGIC, with respect to the FGIC Assured-Insured Warrants), will not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring such Plan Support Party's sewer warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing in any Plan Support Agreement shall limit any rights of such Plan Support Party to assert that such Plan Support Party, and not such Sewer Warrant Insurer, owns, controls and may exercise all rights against the County related to such sewer warrants (but not with respect to any sewer warrants or other rights held by a Sewer Warrant Insurer as a result of payments made or to be made under any DSRF policy or wrap policy) and to appear in any rehabilitation or other proceeding (including, without limitation, the County's chapter 9 proceeding and FGIC's rehabilitation proceeding) to assert such rights.

6. The JPMorgan Plan Support Agreement will set forth (a) the aggregate consideration from refinancing proceeds and other sources of cash which must be paid to the County's sewer warrant creditors, including JPMorgan and the other Plan Support Parties, and (b) the Financing Plan (as defined below) acceptable in the opinion of the County and JPMorgan to allow the Plan to become effective on the terms set forth in the JPMorgan Plan Support Agreement and the other Plan Support Agreements.

7. By the Commission approving the resolution directing the President of the Commission to execute each Plan Support Agreement, including the JPMorgan Plan Support Agreement, the County shall commit (subject to confirmation of the Plan and the occurrence of the Effective Date, and in accordance with and pursuant to the Plan) to institute future sewer rate modifications in the Approved Rate Schedule, which will be adequate to achieve rate increases of up to 7.41% in each of the first four years after the Effective Date, and up to 3.49% in each year thereafter so long as the New Sewer Warrants remain outstanding, consistent with a financing plan containing assumptions regarding an issuance amount, costs of issuance, issuance proceeds, rate and revenue forecasts, and assumptions concerning elasticity, operating expenditures and capital expenditures, each as presented for consideration and approval by the Commission simultaneously with the Plan Support Agreements (the "Financing Plan"). To the extent the County can issue the New Sewer Warrants, in the amounts required hereunder, by committing to rate increases that are lower than those set forth in the Approved Rate Schedule, the County may do so. In addition, the documents governing the New Sewer Warrants shall contain rate, revenue, and other customary covenants permitting the County, following the Effective Date, to institute sewer rate modifications reducing, or requiring the

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County to institute sewer rate modifications increasing, rates from those set forth in the Approved Rate Schedule, depending on positive or negative variances following the Effective Date from the Financing Plan.

**C. Plan Classification And Treatment Of Certain Sewer Debt Claims<sup>1</sup>**

**1. JPMorgan Sewer Related Claims**

A. The classification of JPMorgan's sewer related claims will be determined by agreement of the County and JPMorgan. JPMorgan's sewer related claims shall be allowed pursuant to the Plan, and after giving effect to the concessions by JPMorgan and the settlements and releases to be implemented pursuant to the Plan, such claims shall not be subject to any further defense, counterclaim, subordination, or offset of any kind.

B. On account of all of its sewer related claims, and after giving effect to such concessions and the reallocation pursuant to the Plan to other holders of sewer warrants of a substantial portion of the Plan consideration that would otherwise be distributed on a pro rata basis to JPMorgan if the distribution to holders of sewer warrants of proceeds of New Sewer Warrants pursuant to the Plan were made on a pro rata basis, and other concessions to be made by JPMorgan to facilitate the various settlements to be implemented pursuant to the Plan and the occurrence of the Effective Date, JPMorgan shall receive, in full satisfaction, release, and exchange of such sewer related claims, a percentage recovery in cash on the Effective Date from the proceeds of the New Sewer Warrants and other sources of cash equal to approximately 31% (i.e., approximately \$376 million) of the Adjusted Principal Amount of sewer warrants beneficially owned by JPMorgan (approximately \$1.218 billion), plus its pro rata share of the distribution of Accumulated Revenues, and JPMorgan will waive all claims under any sewer related insurance policies, and more than \$25 million in claims on account of default interest on any of its sewer warrants, any claims related to any swap transactions entered into with the County in connection with any sewer warrants, and any sewer related (limited or general obligation) claims for indemnification, reimbursement or contribution on any grounds.

**2. General Sewer Warrant Claims**

Class 1-A will largely consist of all general, non-insurer held sewer warrant claims and the FGIC Assured-Insured Warrants. Claims in Class 1-A shall be allowed and treated as provided for herein and included in the Plan.

Each holder of an allowed Class 1-A Claim (other than JPMorgan, who will agree to less favorable treatment as described herein, if included in Class 1-A) shall receive, in full

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<sup>1</sup> Additional classification issues will be addressed in the final documents, including regarding sewer swap and other subordinated claims.

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satisfaction, release, and exchange of such holder's claims, a minimum Plan distribution of cash from refinancing proceeds and other sources of cash in an amount equal to 65% of the Adjusted Principal Amount of such holder's sewer warrants (such minimum Plan distribution percentage is higher than such holder's pro rata share of such proceeds and other sources of cash as a result of (i) the reallocation of Plan consideration from JPMorgan to holders of Class 1-A Claims) and (ii) consideration provided as a result of the Sewer Warrant Insurers settling and releasing their claims against the County and JPMorgan and allowing their pro rata share of such reallocation by JPMorgan to be made available to other holders, and the right to choose between the following two distribution options:

Option 1: if such holder makes or is deemed to make the Commutation Election, a distribution of cash from refinancing proceeds and other sources of cash in an amount equal to 80% of the Adjusted Principal Amount of such holder's sewer warrants (which amount is inclusive of the above-referenced right to receive a 65% minimum Plan distribution) in full settlement, satisfaction, and release of all of the holder's claims against the County and all the Plan Support Parties (including, without limitation, against the Sewer Warrant Insurers in respect of any insurance policies insuring such holder's sewer warrants, and any claims on account of prepetition default rate interest with respect to such holder's Sewer Warrants); or

Option 2: if such holder does not make or is deemed not to make the Commutation Election, (i) a distribution of cash from refinancing proceeds and other sources of cash in an amount equal to (A) 65% of the Adjusted Principal Amount of such holder's Sewer Warrants and (B) 65% of the allowed amount, if any, of any claims on account of prepetition default rate interest with respect to such holder's Sewer Warrants in full settlement, satisfaction, and release of all of the holder's claims against the County, and (ii) the retention of any rights against the applicable Sewer Warrant Insurer in respect of any wrap policies insuring such holder's sewer warrants which rights shall not be waived or impaired.

The sources of the incremental recovery above 65% to those holders that make the Commutation Election will be from (i) the reallocation of Plan consideration that otherwise would have been distributed to JPMorgan and (ii) consideration provided as a result of the Sewer Warrant Insurers settling and releasing their claims against the County and JPMorgan and allowing their pro rata share of such reallocation by JPMorgan to be made available to other holders.

The Ad Hoc Warrantheolders must make the Commutation Election and the election to waive any claims on account of default interest, as applicable. The Ad Hoc Warrantheolders will also be compensated from the proceeds of the refinancing transaction for providing a backstop/put to be structured on terms acceptable to the County, the lead underwriter for the issuance of the New Sewer Warrants and the Ad Hoc Warrantheolders. Subject to confirmation of the Plan, the occurrence of the Effective Date, approval of the Bankruptcy Court and to such other terms

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and conditions as agreed between JPMorgan and the Ad Hoc Warrantholders, and as material component of the Ad Hoc Warrantholders' agreement to the transactions described in the Plan Support Agreement for the Ad Hoc Warrantholders (including, without limitation, the agreement to waive all insurance and default interest claims, and subject to exceptions to be set forth therein, to restrict transfer of sewer warrants only to parties who agree to become party to and bound by all obligations under the Plan Support Agreement for the Ad Hoc Warrantholders and the backstop/put agreement), which agreement will facilitate the various settlements to be implemented pursuant to the Plan and the occurrence of the Effective Date, JPMorgan has agreed, in addition (and after giving effect) to the above-described reallocation of Plan consideration by JPMorgan to increase the recovery under the Plan by all holders (other than JPMorgan) of sewer warrants and reduce the amount of sewer indebtedness following the County's emergence from chapter 9, to direct the County and the Indenture Trustee (or "paying agent" under the Plan) to reallocate and distribute to the Ad Hoc Warrantholders a portion of the cash recovery on the sewer warrants held by JPMorgan (which reallocation/distribution will be implemented immediately prior to the recovery/distribution to JPMorgan of the amount referenced in paragraph C.1.B. above).

**3. Sewer Warrant Insurers Claims**

Class 1-B or any separate subclasses thereof that may be agreed to among the County and the Sewer Warrant Insurers will consist of all claims against the County held by the Sewer Warrant Insurers, whatever the origin (including based on sewer warrants now held, claims under any of the DSRF or wrap policies, litigation claims, and all other claims of any nature whatsoever), but excluding (i) the Insurer Outlay Amount (which will be reimbursed from Accumulated Revenues on the Effective Date pursuant to paragraph D.2) and (ii) the FGIC Assured-Insured Warrants.

Claims in Class 1-B shall receive on the Effective Date, in full satisfaction, release, and exchange of all claims of whatever nature:

- A. An aggregate distribution of \$165,000,000 from refinancing proceeds and other sources of cash, which aggregate amount shall be distributed among the Sewer Warrant Insurers in a manner to be agreed among the Sewer Warrant Insurers;
- B. An aggregate distribution in an amount equal to the Non-Commutation True-Up Amount (i.e., the difference between 65% and 80% resulting from any holders not making or not deemed to make the Commutation Election) from refinancing proceeds and other sources of cash, which aggregate amount shall be distributed among the Sewer Warrant Insurers as set forth in the Sewer Warrant Insurer Plan Support Agreement;
- C. An aggregate distribution not to exceed \$25 million on account of the actual Tail Risk;  
and

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D. An amount to each Sewer Warrant Insurer equal to the aggregate amount, if any, equal to the Insurer Outlay Amount of such Sewer Warrant Insurer, and any other amount to which they are entitled under paragraph D.2. hereof.

On the Effective Date, all DSRF-related agreements will be deemed cancelled and of no further force or effect.

The source of the Non-Commutation True-Up Amount to be paid to the Sewer Warrant Insurers will be from the reallocation of Plan consideration that otherwise would have been distributed to JPMorgan.

**D. Certain Other Plan Provisions**

1. The County, JPMorgan, and the other Plan Support Parties will grant broad mutual releases to be effective as of the Effective Date as among each of them and their specified "Related Parties" (accountants, affiliates, agents, assigns, attorneys, bankers, consultants, directors, employees, executors, financial advisors, heirs, managers, members, officers, parent entities, partners, principals, professional persons, representatives, shareholders, subsidiaries, and successors, whether past or present) of any claims (including without limitation, the settlement and release of any claim for equitable subordination of any claims of JPMorgan, and the dismissal with prejudice effective on the Effective Date of the pending litigation against JPMorgan and its "Related Parties" filed by the County and by certain Sewer Warrant Insurers ) related to the County, any financing or other transaction with the County, the sewer system, or any insurance issued in respect of the sewer warrants, excluding any claims by FGIC against Assured on the wrap policy or policies insuring the FGIC Assured-Insured Warrants and except as provided in Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement. The Plan will also include exculpation provisions in favor of the County, JPMorgan, the other Plan Support Parties, and their respective "Related Parties" to the maximum extent permitted by applicable law.

2. The Plan will provide that, to implement a settlement incorporated into the Plan pursuant to Federal Rule of Bankruptcy Procedure 9019 of any and all claims and matters raised in the Declaratory Judgment Action, and any claims related to the reapplication to principal of any interest payments made on the Sewer Warrants during the chapter 9 case, on the Effective Date, the Insurer Outlay Amount and all non-default rate interest accrued and unpaid as of the Effective Date (without providing for interest on interest) and all principal amounts which have become due and payable prior to the Effective Date (without giving effect to any acceleration or any accelerated redemption schedule) shall be distributed to the applicable parties from the Accumulated Revenues, including on the sewer warrants held by the Plan Support Parties. The Plan will provide that for purposes of distributions under the Plan,

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no payments on the sewer warrants during the chapter 9 case (other than amounts used to repay sewer warrants at maturity or otherwise redeem sewer warrants prior to maturity pursuant to the sewer warrant indenture) shall be applied to reduce principal.

3. The Plan and the Confirmation Order will enjoin the Indenture Trustee and any holders of sewer warrants or any other person from pursuing any right of payment under (i) any DSRF policy (all such DSRF policies will be canceled and terminated on the Effective Date) or (ii) any wrap policy with respect to any warrant holder which made or is deemed to have made the Commutation Election, but shall not enjoin any holders of sewer warrants from pursuing any right of payment under the applicable wrap policy against the applicable Sewer Warrant Insurer, but only with respect to any sewer warrants as to which the holder has not made or has not been deemed to make the Commutation Election (including FGIC with respect to the FGIC Assured-Insured Warrants and pursuant to Section 3(e) of the Ad Hoc Warrant Holders' Plan Support Agreement).

4. Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the New Sewer Warrants and the covenants made by the County for the benefit of the holders thereof (including, without limitation, the revenue and rate covenants) will constitute valid, binding, legal and enforceable obligations of the County under Alabama law and that the provisions made to pay or secure payment of such obligations are valid, binding, legal and enforceable security interests or liens on or pledges of special revenues, which validation will be set forth in the Plan and Confirmation Order.

5. Confirmation of the Plan shall constitute a finding that the Approved Rate Schedule complies with the requirements of Bankruptcy Code sections 943(b)(6) and 1129(a)(6). Pursuant to Bankruptcy Code sections 944(a), 944(b)(3), 105(a), and 1123(b)(6) and the Confirmation Order, confirmation of the Plan shall be a binding judicial determination that the Approved Rate Schedule is appropriate and binding on and specifically enforceable against the County, the County Commission, and all parties in interest in accordance with the Plan, including because such Approved Rate Schedule is a valid provision made to pay or secure payment of the New Sewer Warrants.

6. All right, title, and interest in and to the sewer system will remain with the County and following the Effective Date, the County Commission will continue to govern the County and oversee the sewer system in accordance with the Plan, the County's constituent documents, the Constitution and applicable statutes of the State of Alabama, the 1996 Consent Decree related to the sewer system, and other applicable laws.

7. The Plan and the Confirmation Order will provide for broad retained bankruptcy jurisdiction to the maximum extent permitted by law, which will expressly include any and all controversies, suits, or issues that may arise regarding the validity of any actions

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taken by any person pursuant to or in furtherance of the Plan, including implementation or enforcement of the Approved Rate Schedule, issuance of the New Sewer Warrants, implementation or enforcement of the Commutation Election, and implementation or enforcement of all injunctions or releases associated with the Plan.

8. The County will enter into a backstop/put agreement with the Ad Hoc Warrantholders in respect of certain backstop/put obligations with respect to the New Sewer Warrants in exchange for consideration to be paid on the Effective Date.

9. The Plan and solicitation procedures relating to the Plan will provide that any holder of sewer warrants that votes to accept the Plan will be deemed to have released as of the Effective Date all of such holder's claims against the County, JPMorgan and the other Plan Support Parties, and against their respective "Related Parties" other than any rights of a holder not making the Commutation Election (including FGIC with respect to the FGIC Assured-Insured Warrants and pursuant to Section 3(e) of the Ad Hoc Warrantholders' Plan Support Agreement) against the applicable Sewer Warrant Insurer under the applicable wrap policy.

10. The County and JPMorgan acknowledge that the transactions described herein are contingent on implementation of the Financing Plan. The County acknowledges that the Financing Plan contemplates the issuance of New Sewer Warrants to produce net proceeds for distribution to sewer warrant creditors under the Plan of approximately \$1.835 billion, which amount excludes the consideration payable under the backstop/put agreement. Adverse changes in financing markets (including, without limitation, increases in market interest rates) shall not constitute a termination event under the JPMorgan Plan Support Agreement unless the County, in consultation with its financial advisors, determines in good faith that it is not economically possible to implement the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a "Market Shift"), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

**E. Certain Conditions To The Effective Date**

1. The County shall have entered into a settlement agreement with the IRS regarding the pending audit on terms acceptable to the County and the Plan Support Parties;

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*provided, however*, that if any settlement payment is required to be made to the IRS, such payment shall be payable exclusively from the Indenture Funds, Accumulated Revenues, or gross sewer revenues received by the County; *provided further, however*, that any such settlement payment shall not reduce the aggregate refinancing consideration to be paid to sewer creditors or any other payments described herein to be paid to the Plan Support Parties.

2. The aggregate Tail Risk does not exceed \$25.0 million.

3. The issuance of the New Sewer Warrants has closed (or will close simultaneously with the occurrence of the Effective Date), and the aggregate refinancing and other cash consideration to make the payments to holders of Class 1-A claims (and JPMorgan if not included in Class 1-A) and Class 1-B claims as provided in the Plan Support Agreements (and the Plan) shall be available to the County and shall have been paid under the Plan to the Indenture Trustee or to the applicable Sewer Warrant Insurer for distribution in accordance with the Plan on the Effective Date.

4. All of the settlements and releases contemplated by the Plan shall have been approved pursuant to the Confirmation Order, and the litigation against JPMorgan commenced by the County and certain Sewer Warrant Insurers shall have been (or simultaneously with the occurrence of the Effective Date will be) dismissed with prejudice.

5. The JPMorgan Plan Support Agreement and the other Plan Support Agreements shall remain in full force and effect, and the Effective Date shall occur not later than the Outside Date.

6. The Plan shall have been confirmed by the Confirmation Order (which order shall incorporate the provisions of, and otherwise be materially consistent with, this term sheet and the JPMorgan Plan Support Agreement, and shall be in a form acceptable to the County, JPMorgan, and the other Plan Support Parties to the extent the relevant provisions of the Confirmation Order would affect the rights of the applicable Plan Support Party), the Confirmation Order shall have been entered and not subject to any stay, and all closing documentation shall have been executed and become effective and, to the extent required by the applicable Plan Support Agreement or the Plan, approved by the Plan Support Parties.

The Plan will provide that the conditions to the Effective Date cannot be waived or modified except upon written agreement of the County and any Plan Support Party that is affected by the subject condition.

**F. Certain Additional Matters**

1. Except as otherwise specified herein, all existing Indenture Funds (both disputed and undisputed) and all Accumulated Revenues remaining after payment of the amounts required in paragraph D.2, will, along with the refinancing proceeds, be used to satisfy

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the County's obligations under the Plan. In addition, but only to the extent that doing so does not diminish or reduce the payments to be made to JPMorgan or the other sewer creditors under the Plan, an amount equal to the aggregate balance of the available Indenture Funds and Accumulated Revenues remaining after payment of the amounts required in paragraph D.2, will be used to fund a debt service reserve fund under the new indenture for the New Sewer Warrants and additional proceeds of the New Sewer Warrants after such Plan payments will be utilized to top off a reserve account at 10% of outstanding principal of the New Sewer Warrants, provided that such reserve shall not diminish or reduce the payments to be made to JPMorgan or the other sewer creditors under the Plan. Until the earlier of (A) the Effective Date, or (B) the Plan Support Termination Date, and notwithstanding any ruling by the Bankruptcy Court which may authorize any other payments, the Indenture Funds may be used only to pay (i) reasonable capital expenditures associated with the sewer system from the following accounts at Regions Bank: Account Number 1020003424, Account Number 1020004735, and Account Number 1020003460; and (ii) the reasonable fees and costs of the Indenture Trustee to the extent permitted to be paid under the sewer warrant indenture.

2. The County will file a motion (to be heard prior to or contemporaneously with the confirmation hearing regarding the Plan) seeking the Bankruptcy Court's approval of the incurrence of all indebtedness and extensions of credit necessary to implement the Plan pursuant to Bankruptcy Code section 364, including the offering of the New Sewer Warrants, the incurrence of any underwriting fees to be paid at closing, and the incurrence of the backstop/put obligations. In such motion, the County will further seek a ruling that the protections of Bankruptcy Code section 364(e) will apply to all such indebtedness or extensions of credit to the maximum extent permitted by law. The form of such motion and proposed order thereon shall be acceptable to each of the Plan Support Parties.

3. To the extent necessary to implement any provision of the Plan or any related transactions, the County shall provide its consent for purposes of Bankruptcy Code section 904.

4. Costs of issuance with respect to the New Sewer Warrants, including work of the County's bond counsel relating to such issuance, will be paid from the gross proceeds of the issuance of the New Sewer Warrants.

5. Whenever this term sheet provides that any party has the "right to approve" a document or that a document must be "acceptable" or "satisfactory" to a party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Plan must in all events contain the terms set forth herein and in the JPM Plan Support Agreement and the other Plan Support Agreements.

**Exhibit A**

**Certain Key Defined Terms**

**“Accumulated Revenues”** mean all system revenues that are deposited and retained by the Indenture Trustee in either the “Jefferson County Sewer System Revenue Account” or the “Jefferson County Sewer System Debt Service Fund” as of and after January 31, 2013, and through the Effective Date.

**“Ad Hoc Warrantholders”** means those Plan Support Parties advised by Kramer Levin Naftalis & Frankel LLP, Tanner & Guin, LLC, and GLC Advisors & Co., which holders own, or advise accounts that own, in the aggregate approximately \$872 million principal amount of sewer warrants as of the date of the Ad Hoc Warrantholders’ Plan Support Agreement.

**“Adjusted Principal Amount”** means the amount of principal considered to be outstanding on the sewer warrants as of January 31, 2013, based upon the records maintained by the Indenture Trustee, less payments to be made on the Effective Date from the Accumulated Revenues as set forth in paragraph D.2. The Adjusted Principal Amount is anticipated to be approximately \$3.078 billion.

**“Approved Rate Schedule”** means the structure of rates to be charged by the County to support the repayment of the New Sewer Warrants, which structure of rates shall be approved by the Bankruptcy Court pursuant to the Plan and the Confirmation Order.

**“Commutation Election”** means an election or deemed election by a holder of sewer warrants to commute, waive, and forever release and forego (i) any rights against the applicable Sewer Warrant Insurer insuring such holder’s sewer warrants to receive any payments from or on account of such Sewer Warrant Insurer’s related policy or policies, (ii) any claims on account of prepetition default rate interest, and (iii) any other claims or causes of action against the County or against any of the Plan Support Parties.

**“FGIC Assured-Insured Warrants”** means Series 2003-B-8 Sewer Warrants in the principal amount of \$6,000,000 insured by one or more wrap policies issued by Assured, and held by FGIC as an investment.

**“Indenture Funds”** means any funds or accounts that are established by or have any connection to the sewer warrant indenture regardless of the pendency of any dispute concerning whether the Indenture Trustee has property rights in, or a lien on, such fund or account (including in Adversary Proceeding No. 12-00067).

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**“Insurer Outlay Amount”** means a sum equal to the amount of any payments made by any of the Sewer Warrant Insurers to or for the benefit of holders of sewer warrants under the applicable insurance policy or policies on or after February 1, 2013 and through the Effective Date, plus interest on the principal portion of such payments, calculated at the warrant rate, i.e., 5.25% on the fixed rate warrants and two (2) times the one month LIBOR rate on the auction rate warrants. For the avoidance of doubt, no additional interest will be paid on the portion of such payments related to warrant interest.

**“New Sewer Warrants”** means new sewer warrants to be issued pursuant to the Plan by the County.

**“Non-Commutation True-Up Amount”** means an aggregate amount equal to, with respect to each sewer warrant held by a person that elects to not make or is not deemed to make the Commutation Election, the difference between (i) 80% of the Adjusted Principal Amount of such sewer warrant, and (ii) 65% of the Adjusted Principal Amount of such sewer warrant.

**“Outside Date”** means December 31, 2013, or such later date as may be agreed in writing by the County and JPMorgan, in their respective sole discretion.

**“Plan”** means a plan of adjustment containing the terms set forth herein, in the JPMorgan Plan Support Agreement, the other Plan Support Agreements and other terms acceptable to the County and JPMorgan, including in respect of the consensual allowance and treatment under the Plan of the claims of JPMorgan against the County, and in consideration of such treatment, the settlement and release of all subordination and other claims, causes of action and avoidance actions (including those arising under the Bankruptcy Code or nonbankruptcy law) against JPMorgan related to the County, any financing or other transaction with the County, the sewer system, the sewer warrants or any insurance issued in respect of the sewer warrants, including any such claims, causes of action and avoidance actions of the County (including without limitation, claims asserted derivatively on behalf of the County, as in pending adversary proceedings), the Sewer Warrant Insurers or other holders of claims against the County, and the dismissal with prejudice of all pending litigation involving JPMorgan related thereto.

**“Plan Support Parties”** means, collectively, JPMorgan, the Ad Hoc Warrantholders, the Sewer Warrant Insurers, and any additional sewer warrant holder that executes a Plan Support Agreement.

**“Sewer Warrant Insurers”** means, collectively, Assured, FGIC, and Syncora.

**“Tail Risk”** means the claim exposure of each of the Sewer Warrant Insurers under the wrap policies that remains after the Effective Date (after giving effect to the payments set forth in paragraph C.3. under the Plan to sewer creditors on the Effective Date and the County’s

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payment of the Non-Commutation True-Up Amount) based upon the aggregate amount of the sewer warrants held by holders that (i) elect to not make or are not deemed to make the Commutation Election, or (ii) hold Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured, and are “deemed” to make the Commutation Election but nonetheless object to such deemed commutation and thereafter timely file a notice of appeal of the Confirmation Order overruling such objection, which exposure will be agreed by the Sewer Warrant Insurers with the County.

**Exhibit B**

**Form of Sewer Warrant Insurer PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**", dated as of June 6, 2013, is made and entered into by and among Jefferson County, Alabama (the "**County**"), on the one hand, and Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. ("**Assured**"), Financial Guaranty Insurance Company ("**FGIC**"), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. ("**Syncora**" and collectively with Assured and FGIC, the "**Sewer Warrant Insurers**"), on the other hand. Each of the Sewer Warrant Insurers and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond New Issue Insurance Policy* number 97010082 issued by FGIC on or around February 27, 1997; (ii) that certain *Municipal Bond New Issue Insurance Policy* number 01010225 issued by FGIC on or around March 22, 2001; (iii) that certain *Municipal Bond New Issue Insurance Policy* number 02010251 issued by FGIC on or around March 6, 2002; (iv) that certain *Municipal Bond Insurance Policy* number CA00370A issued by Syncora on or around October 25, 2002; (v) that certain *Municipal Bond New Issue Insurance Policy* number 03010448 issued by FGIC on or around May 1, 2003; (vi) that certain *Municipal Bond Insurance Policy* number 200777-N issued by Assured on or around May 1, 2003; (vii) that certain *Municipal Bond Insurance Policy* number CA00522A issued by Syncora on or around May 1, 2003; (viii) that certain *Municipal Bond New Issue Insurance Policy* number 03010824 issued by FGIC on or around August 7, 2003; and (ix) that certain *Municipal Bond Insurance Policy* number 201371-N issued by Assured on or around August 7, 2003 (collectively, the "**Sewer Wrap Policies**");

**WHEREAS**, in connection with the issuance of certain series of Sewer Warrants and in order to satisfy certain requirements under the Indenture, the following policies were issued by the applicable Sewer Warrant Insurer: (i) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 01010226 issued by FGIC on or around March 22, 2001; (ii) that certain *Municipal Bond Debt Service Reserve Fund Policy* number 02010252 issued by FGIC on or around March 6, 2002; (iii) that certain *Debt Service Reserve Insurance Policy* number CA01568A issued by Syncora on or around December 30, 2004; and (iv) that certain *Municipal Bond Debt Service Reserve Insurance Policy* number 201371-R issued by Assured on or around April 1, 2005 (collectively, the “Sewer DSRF Policies”);

**WHEREAS**, in connection with the issuance of the Sewer DSRF Policies, the County entered into the following agreements: (i) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 22, 2001, by and between the County and FGIC; (ii) that certain *Debt Service Reserve Fund Policy Agreement* dated as of March 6, 2002, by and between the County and FGIC; (iii) that certain *Financial Guaranty Agreement* dated as of December 30, 2004, by and between the County and Syncora; and (iv) that certain *Insurance Agreement* dated as of April 1, 2005, by and between the County and Assured (collectively, the “Sewer DSRF Reimbursement Agreements”);

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a “Standby Agreement”);

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the “Bankruptcy Case”) before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “Bankruptcy Court”);

**WHEREAS**, each of the Sewer Warrant Insurers has filed claims in the Bankruptcy Case against the County asserting rights to be paid various amounts arising from or in connection with the Sewer Wrap Policies, the Sewer DSRF Policies, and the Sewer DSRF Reimbursement Agreements, including on account of certain Sewer Warrants that are individually held by certain of the Sewer Warrant Insurers (collectively and with any and all other claims of the Sewer Warrant Insurers, whatever the origin or nature, the “Sewer Warrant Insurer Claims”);

**WHEREAS**, the County disputes the Sewer Warrant Insurers’ entitlements with respect to certain of the Sewer Warrant Insurer Claims (including with respect to the allowability, secured status, amount, and priority of certain of such claims), and the Sewer Warrant Insurers dispute the County’s contentions;

**WHEREAS**, on June 28, 2012, the Supreme Court of the State of New York (the “FGIC Rehabilitation Court”) appointed Benjamin M. Lawskey, Superintendent of Financial Services of the State of New York, solely in his capacity as the rehabilitator (the “Rehabilitator”) of FGIC in the matter styled as *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012 (the “FGIC Rehabilitation Proceeding”);

**WHEREAS**, notwithstanding any representation or warranty by, or provision of this Agreement applicable to, FGIC, FGIC's obligations hereunder (and any applicable representations, warranties, or provisions herein) are expressly subject to the Rehabilitator obtaining an order in the FGIC Rehabilitation Proceeding approving FGIC's execution and performance of this Agreement no later than June 28, 2013 (or such later date as the County, FGIC, and the Rehabilitator may agree in writing for obtaining such approval);

**WHEREAS**, on or about February 6, 2013, the Trustee commenced an adversary proceeding against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the "Declaratory Judgment Action");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein, each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "Restructuring") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the "JPMorgan PSA") with JPMorgan Chase Bank, N.A. ("JPMorgan") and a plan support agreement (the "Supporting Warrantholder PSA") with certain members of an ad hoc group of holders of Sewer Warrants (the "Supporting Warrantholders" and collectively with JPMorgan and the Sewer Warrant Insurers, the "Plan Support Parties");

**WHEREAS**, the County previously entered into a plan support agreement dated as of May 13, 2013 (the "GO PSA") with JPMorgan, Bayerische Landesbank, New York branch (formerly known as Bayerische Landesbank Girozentrale), and Wells Fargo Bank, National Association, as indenture trustee, in respect of the County's Series 2001-B general obligation warrants and related claims;

**WHEREAS**, the Sewer Warrant Insurers are contemporaneously entering into certain agreements among themselves (to which the County is not a party) in order to address, among other things, how the consideration payable to the Sewer Warrant Insurers pursuant to an Acceptable Plan (as defined below) shall be distributed and allocated among the Sewer Warrant Insurers and pursuant to the commutation of reinsurance agreements between and among the Sewer Warrant Insurers related to the Sewer Warrants (collectively, the "Sewer Warrant Insurers Agreements");

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 7.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the professionals representing the Sewer Warrant Insurers (the “Insurer Professionals”) draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Insurer Professionals will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a Disclosure Statement (as defined below), and a Confirmation Order (as defined below), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and the Plan Term Sheet, and otherwise acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement (as defined below) or an Acceptable Plan, or the expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Sewer Warrant Insurers shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, timely vote all Sewer Warrant Insurer Claims to accept an Acceptable Plan and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 7.4; *provided*, that for the purposes of the Sewer Warrant Insurers voting to accept an Acceptable Plan (including as provided in this Section 1(e)), the term “Sewer Warrant Insurer Claims” shall not include any claims on account of Sewer Warrants that are insured, but not owned, by a Sewer Warrant Insurer, but shall include claims that arise under the Sewer DSRF Reimbursement

Agreements or on account of any principal or interest scheduled to become payable on or after February 1, 2013, that is paid by such Sewer Warrant Insurer and the FGIC Assured-Insured Warrants; and (iii) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties in accordance with this Agreement, the Plan Term Sheet, and an Acceptable Plan. For the avoidance of doubt, such releases shall not release any rights of the Sewer Warrant Insurers (x) *vis-à-vis* each other to the extent not released in or reserved in any Sewer Warrant Insurers Agreement, (y) under an Acceptable Plan or the Tail Risk Payment Agreements, and (z) of FGIC against Assured under any Sewer Wrap Policies issued by Assured insuring the FGIC Assured-Insured Warrants.

(f) No Party will contest any other Party's ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Sewer Warrant Insurers or any other creditors with respect to an Acceptable Plan until such parties have received a disclosure statement for an Acceptable Plan (the "Disclosure Statement"), any supplements thereto, and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(h) The Sewer Warrant Insurers will have the right to approve all provisions of the following documents (including any amendments thereto) that would potentially affect a right, obligation, or interest of the applicable Sewer Warrant Insurer prior to any such document being filed or distributed to claim holders as part of the solicitation process approved by the Bankruptcy Court, and the County agrees that such documents will incorporate the provisions of, and otherwise be materially consistent with, this Agreement and the Plan Term Sheet: (i) an Acceptable Plan (and any subsequent amendments thereto), including the releases and injunctions to be incorporated into an Acceptable Plan and into the order confirming an Acceptable Plan (the "Confirmation Order"); (ii) the notice and other procedures for soliciting votes on an Acceptable Plan and affirmative or deemed elections with respect to the Commutation Election, including the work to be done by KCC (or any other entity retained by the County acceptable to the Sewer Warrant Insurers) as a solicitation agent acceptable to the Sewer Warrant Insurers, which will take all reasonable efforts as approved by the Bankruptcy Court to provide holders of Class 1-A claims with actual notice regarding the Commutation Election and an Acceptable Plan (the "Solicitation Procedures"), including the ballots or such other documents that contain the Commutation Election (the "Solicitation Ballots") and any

affidavit of service to be filed by KCC (or any other agent) in connection therewith; (iii) the Disclosure Statement, including the description of the Solicitation Procedures set forth in the Disclosure Statement and any other document to be distributed to holders of Class 1-A claims and the form of the Solicitation Ballots; (iv) procedures by which holders of Class 1-A claims that do not vote or make the Commutation Election, or that elect to both make and not make the Commutation Election, are deemed to have made such an election (the “Commutation Election Procedures”); (v) procedures by which holders of Series 2003-C-9 or 2003-C-10 Sewer Warrants insured by Assured, who have been “deemed” to make the Commutation Election, will be notified of their right to rescind such “deemed” Commutation Election by providing written notice thereof to KCC (or any other agent), Assured, and the County within not less than 29 calendar days after the deadline for making the Commutation Election (the “Rescission Procedures”); (vi) the order or orders approving the Disclosure Statement, Solicitation Procedures, form of Solicitation Ballots, Commutation Election Procedures, and Rescission Procedures; (vii) the Confirmation Order; (viii) the Stipulated Order (as defined below); (ix) the Tail Risk Payment Agreements; (x) all other related Acceptable Plan and closing documentation; and (xi) any other document which is subject to approval by the Sewer Warrant Insurers pursuant to the Plan Term Sheet. The County shall provide the Insurer Professionals with a copy of the ballot tabulation and Commutation Election results (after giving effect to any rescissions exercised by any holders of the Series 2003-C-9 or 2003-C-10 sewer warrants insured by Assured) within one (1) business day of the completion of the report of such results by KCC (or any other agent) and the County.

(i) Whenever this Agreement provides that any Party has the “right to approve” a document or that a document must be “acceptable” or “satisfactory” to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) “Litigation” shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC Rehabilitation Proceeding, except for any actions taken in the FGIC Rehabilitation Proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of such holder

as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any of the Sewer Wrap Policies or any of the Sewer DSRF Policies); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), the Sewer Warrant Insurers providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of the Sewer Warrant Insurers to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction) of the Sewer Warrant Insurers, including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of such Sewer Warrant Insurer) expose any such Sewer Warrant Insurer to liability (contingent or otherwise) or unreimbursed material expense.

(b) Each Party agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) The Sewer Warrant Insurers shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 7.

(d) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any of the Sewer Wrap Policies and Sewer DSRF Policies, pursuant to a stipulated form of order acceptable to the County and each of the Sewer Warrant Insurers (the “Stipulated Order”) to effect a standstill or suspension of the Declaratory Judgment Action, (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the Trustee to, present any claims or seek to draw on any Sewer Wrap Policies or Sewer DSRF Policies; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Sections 2(d)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the

termination of this Agreement in accordance with Section 7 of the Agreement, other than under Section 7.1(x) of the Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

(e) So long as none of this Agreement, the Supporting Warrantholder PSA, or the JPMorgan PSA has been terminated, FGIC shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring any of the FGIC Assured-Insured Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of FGIC to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

### **Section 3. Representations and Covenants Regarding Claims.**

(a) FGIC represents that as of the date of this Agreement, FGIC owns (i) Series 2002-A Sewer Warrants in the principal amount of \$101,465,000, and (ii) Series 2003-B-8 Sewer Warrants in the principal amount of \$6,000,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Syncora represents that as of the date of this Agreement, Syncora owns Sewer Warrants in the principal amount of \$214,191,875.11 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Assured represents that as of the date of this Agreement, Assured owns Sewer Warrants in the principal amount of \$20,375,000 and retains all rights to vote any claims arising from or related to such Sewer Warrants to accept an Acceptable Plan. Each Sewer Warrant Insurer represents that as of the date of this Agreement, and except (i) pursuant to any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) as may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to such insurer or such insurer's inability to pay claims in full; or (iii) pursuant to a stipulation, agreement, or court order described in Section 3(c) below, it has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Sewer Warrant Insurer Claims held by such Sewer Warrant Insurer that are inconsistent with, or in violation of, the representations and warranties of such Sewer Warrant Insurer herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Sewer Warrant Insurer's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Sewer Warrant Insurer covenants that, from the date hereof until the termination of this Agreement in accordance with Section 7 of the Agreement, it will not sell, pledge, hypothecate, or otherwise transfer, assign or dispose of any of its Sewer Warrant Insurer Claims (including any Sewer Warrants), or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a "Transfer"). Any attempt to Transfer any Sewer Warrant Insurer Claims or related rights or interests therein from the date hereof until the termination of this Agreement in accordance

with Section 7 of this Agreement shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*.

(c) Notwithstanding the foregoing, each of (i) any applicable reinsurance, settlement, or commutation agreements entered into prior to the date hereof; (ii) any transfer that may have occurred or is alleged to have occurred as the result of the commencement of a rehabilitation proceeding with respect to a Sewer Warrant Insurer or such insurer's inability to pay claims in full; and (iii) any stipulation, other agreement, or court order resolving or otherwise addressing any dispute between one or more holders of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC Rehabilitation Proceeding) concerning the rights of holders, as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by holders and insured by such Sewer Warrant Insurer shall not constitute a "Transfer" under this Agreement.

(d) This Agreement shall in no way be construed to preclude any Sewer Warrant Insurer from acquiring additional Sewer Warrants or any claims directly related thereto as a result of such Sewer Warrant Insurer making payment under any applicable Sewer Wrap Policy or Sewer DSRF Policies on account of regularly scheduled principal or interest due on Sewer Warrants insured by such Sewer Warrant Insurer; *provided, however*, that any additional Sewer Warrants or claims against the County directly related thereto so acquired by any Sewer Warrant Insurer shall automatically be deemed to be subject to the terms of this Agreement, including the voting requirements set forth in Section 1 hereof, and the Sewer Warrant Insurer's rights to receive payments on account of such Sewer Warrants as part of the Insurer Outlay Amount set forth in the Plan Term Sheet.

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County represents that the JPMorgan PSA and the Supporting Warrantholder PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as Exhibit B and Exhibit C, respectively, and that the Supporting Warrantholders as of the date of the Supporting Warrantholder PSA have represented in the Supporting Warrantholder PSA that they hold in the aggregate no less than \$872,559,361.11 principal amount of Sewer Warrants as of the date of the Supporting Warrantholder PSA.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an

Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Plan Support Parties) shall be approximately \$1.835 billion (assuming only for purposes of setting forth such aggregate consideration that the Tail Risk is equal to exactly \$25 million), plus the distribution of Accumulated Revenues pursuant to an Acceptable Plan as set forth in the Plan Term Sheet.

(c) The County shall provide written notice to the Sewer Warrant Insurers of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA, the Supporting Warrantholder PSA, or the GO PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Sewer Warrant Insurers under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Sewer Warrant Insurers of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County shall provide the Insurer Professionals a copy of the update of the relevant portion of Schedule 1 of the Supporting Warrantholder PSA that is required under Section 3(f) of the Supporting Warrantholder PSA within one (1) business day of the County's receipt of such update from the Supporting Warrantholders.

**Section 5. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 and approval by the FGIC Rehabilitation Court (in the case of FGIC), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party, including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) Subject to approval by the FGIC Rehabilitation Court (in the case of FGIC), the execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126, and except for the FGIC Rehabilitation Court (in the case of FGIC) and the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 6. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 7, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 7.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 7.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Sewer Warrant Insurers;

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the Outside Date;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

(b) In connection with the agreement of the Sewer Warrant Insurers to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring,

as long as this Agreement has not been terminated in accordance with Section 7, each of the Sewer Warrant Insurers shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, the Sewer Wrap Policies, the Sewer DSRF Policies, the Sewer DSRF Reimbursement Agreements, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(h); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 7.1(o) of this Agreement.

## **Section 7. Termination & Default.**

### **7.1. Events of Termination & Default.**

(a) The County and the Sewer Warrant Insurers may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within

twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a “Market Shift”), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Sewer Warrant Insurers or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County, as a result of events outside the County’s control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(e) If the FGIC Rehabilitation Court fails to approve FGIC’s execution and performance of this Agreement on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the Rehabilitator for obtaining such approval, then any of the Sewer Warrant Insurers or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the “Standstill Date”), then any of the Sewer Warrant Insurers or the County may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been

obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) any of the Sewer Warrant Insurers or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a “Litigation Termination Notice”). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then any of the Sewer Warrant Insurers or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Sewer Warrant Insurer materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof from the County or any non-breaching Sewer Warrant Insurer, then, subject to such Party’s rights under Section 7.2(a), the County or any non-breaching Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 7.1 in the case of any other specified material breach by the County, then any of the Sewer Warrant Insurers, but only if such breach adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of any of the Sewer Warrant Insurers, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the applicable Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from any Sewer Warrant Insurer, then any of the Sewer Warrant Insurers, but only if such action adversely affects a right, obligation, or interest of such Sewer Warrant Insurer, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If any of the Sewer Warrant Insurers files any motion or pleading that, in the reasonable judgment of the County or any other Sewer Warrant Insurer, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County or any other Sewer Warrant Insurer under this Agreement, the Plan Term Sheet, or an Acceptable Plan, and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County or any other Sewer Warrant Insurer, then the County or any other Sewer Warrant Insurer may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants, the Sewer Warrant Insurer Claims, or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants or the Sewer Warrant Insurers (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then the County or any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court by July 1, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement, the Solicitation Procedures, the form of Solicitation Ballots, and the

Commutation Election Procedures by August 30, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion; or

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants by November 25, 2013, unless such date is extended by the Sewer Warrant Insurers in their sole and absolute discretion;

then, in each case, any of the Sewer Warrant Insurers may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(q) If the Supporting Warrantholder PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Sewer Warrant Insurers, without the written consent of each affected Sewer Warrant Insurer) or is no longer in full force and effect, then the County or any of the Sewer Warrant Insurers may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If any of the Sewer Warrant Insurers materially breaches one of the Sewer Warrant Insurers Agreements and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof, then any non-breaching Sewer Warrant Insurer, but only if such breach is in respect of a right, obligation, or interest that extends to such non-breaching Sewer Warrant Insurer's benefit, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(s) If any of the Sewer Warrant Insurers Agreements shall have been terminated or is otherwise no longer in full force and effect, then any Sewer Warrant Insurer that is a party to and has not breached the applicable Sewer Warrant Insurers Agreement may by written notice to each other Party terminate this Agreement at any time thereafter.

(t) If any condition precedent (including for the avoidance of doubt each condition precedent set forth in paragraph E. of the Plan Term Sheet) to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then the County or any of the Sewer Warrant Insurers may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the

condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(u) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County and the Sewer Warrant Insurers on or prior to September 30, 2013, or such later date as may be agreed in writing by the County and the Sewer Warrant Insurers, then the County or any of the Sewer Warrant Insurers may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(v) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(w) If the County amends the Financing Plan in any material respect without the written approval of each Sewer Warrant Insurer and does not rescind such amendment or obtain the written approval of each Sewer Warrant Insurer regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from one or more of the Sewer Warrant Insurers (which written notice must be provided by the applicable Sewer Warrant Insurer within seven (7) calendar days after the County provides the notice required by Section 4(d)), then any of the Sewer Warrant Insurers may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(x) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (x) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a "Trigger Event."

## **7.2. Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 7.2(a) shall only apply to Sections 7.1(b)-(d), (f)-(m), (r), and (t)-(u), and (w), and a Trigger Event under all other clauses of Section 7.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 7.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the

event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 7.1(b)-(c), (g)-(m), (r), (u), and (w), and not the other Trigger Events in Section 7.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 7.2(c) shall prejudice any Party's rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

### **7.3. Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties (including in the case of FGIC, the Rehabilitator); *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 7.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

### **7.4. Effect of Termination.**

Upon termination of this Agreement in accordance with Section 7.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 8.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 7.1 (other than a termination under Section 7.1(x)), any and all ballots with respect to an Acceptable Plan delivered by each Sewer Warrant Insurer prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. For the avoidance of doubt, termination of this Agreement in accordance with Section 7 of this Agreement as to one of the Sewer Warrant Insurers will result in a termination of this Agreement as to all of the Sewer Warrant Insurers. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 7.1(x), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement, the Plan Term Sheet, and the Sewer Warrant Insurers Agreements were never entered into and all claims and defenses of the Parties (subject to Section 8.10) shall be fully reserved.

## **Section 8. Miscellaneous Terms.**

### **8.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Sewer Warrant Insurer or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Supporting Warrantholder, any other Sewer Warrant Insurer, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

### **8.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties (including in the case of FGIC, the Rehabilitator), and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

### **8.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County and each of the Sewer Warrant Insurers (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court). Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without constituting a Trigger Event except as provided in Section 7.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

### **8.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

### **8.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE "CHOICE OF LAW" PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 8.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for

the sole and express benefit of each of the other Parties to this Agreement. Notwithstanding the foregoing, any dispute regarding whether FGIC has been authorized by the FGIC Rehabilitation Court to execute and perform (a) this Agreement or (b) any of the Sewer Warrant Insurers Agreements shall be subject to the exclusive jurisdiction of the FGIC Rehabilitation Court.

#### **8.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the Sewer Warrant Insurers Agreements, this Agreement (including the Plan Term Sheet), together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by the County and each Sewer Warrant Insurer.

(d) Other than waivers contemplated by Section 7.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

#### **8.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

## **8.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party (except, with respect to FGIC, subject to and only upon approval by the FGIC Rehabilitation Court) represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party

## **8.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

## **8.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 8.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 8.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than (i) a proceeding to enforce or interpret the terms of this Agreement or (ii) with respect to FGIC, in any proceeding seeking approval of this Agreement by the FGIC Rehabilitation Court. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

## **8.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

### **8.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Sewer Warrant Insurer hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. It is understood and agreed that no Sewer Warrant Insurer has any duty of trust or confidence in any form with any other Sewer Warrant Insurer.

### **8.13 Notices.**

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babco.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: [kklee@ktbslaw.com](mailto:kklee@ktbslaw.com); [lbogdanoff@ktbslaw.com](mailto:lbogdanoff@ktbslaw.com); [wholt@ktbslaw.com](mailto:wholt@ktbslaw.com)

If to Assured:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: Bruce Stern

With a copy to:

Assured Guaranty Municipal Corp.  
31 West 52nd Street  
New York, New York 10019  
Attn: General Counsel

and

Winston & Strawn, LLP  
200 Park Avenue  
New York, New York 10166  
Attn: Lawrence A. Larose  
Facsimile: (212) 294-4700  
Email: [LLarose@winston.com](mailto:LLarose@winston.com)

If to FGIC:

Financial Guaranty Insurance Company  
125 Park Avenue  
New York, NY 10017  
Attn: Timothy Travers

With a copy to:

Dabney, PLLC  
303 Grande Court  
Richmond, VA 23229  
Attn: H. Slayton Dabney, Jr., Esq.  
Email: [sdabney@dabneypllc.com](mailto:sdabney@dabneypllc.com)

and

Heller, Draper, Patrick & Horn, L.L.C.  
650 Poydras Street, Suite 2500  
New Orleans, Louisiana 70130  
Attn: William H. Patrick, III, Esq.  
Facsimile: (504) 299-3399  
Email: WPatrick@hellerdraper.com

If to Syncora:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: Frederick B. Hnat, Esq.

With a copy to:

Syncora Guarantee Inc.  
135 W. 50th Street  
New York, New York 10020  
Attn: James W. Lundy, Jr., Esq.  
General Counsel  
Facsimile: (212) 478-3479  
Email: james.lundy@scafg.com

and

DLA Piper LLP (US)  
1251 Avenue of the Americas  
New York, New York 10020  
Attn: George B. South III, Esq.  
Facsimile: (917) 778-8540  
Email: george.south@dlapiper.com

and

Quinn Emanuel Urquhart & Sullivan LLP  
51 Madison Avenue, 22nd Floor  
New York, New York 10010  
Attn: Susheel Kirpalani, Esq.  
Eric M. Kay, Esq.  
Facsimile: (212) 849-7100  
Email: susheelkirpalani@quinnemanuel.com; erickay@quinnemanuel.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 8.13.

#### **8.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 7.1 hereof, the agreements and obligations of the Parties in Sections 2(d)(iii)(y), 7.3, 7.4, 8.2, 8.3, 8.4, 8.5, 8.6, 8.7, 8.9, 8.10, 8.11, 8.12, 8.13, 8.15, 8.16, 8.17, and this Section 8.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

#### **8.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however,* that to the extent there is any inconsistency between any provision of this Agreement and parts C., D., E., or F. of the Plan Term Sheet, parts C., D., E., and F. of the Plan Term Sheet shall control.

#### **8.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

#### **8.17 Use of “Including” and “FGIC”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”. Whenever this Agreement uses the word “FGIC,” such reference shall be deemed to mean “FGIC or the Rehabilitator acting on behalf of FGIC”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

\_\_\_\_\_  
By:  
Its:

**ASSURED GUARANTY MUNICIPAL CORP.**

\_\_\_\_\_  
By:  
Its:

**FINANCIAL GUARANTY INSURANCE COMPANY**

By: BENJAMIN M. LAWSKY  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

By: \_\_\_\_\_

Name: Peter A. Giacone  
Title: Chief Financial Officer and Agent of Benjamin M. Lawsky,  
Superintendent of Financial Services of the State of New York,  
as Rehabilitator of Financial Guaranty Insurance Company

**SYNCORA GUARANTEE INC.**

\_\_\_\_\_  
By:  
Its:

**Exhibit C**

**Form of Supporting Warrantholder PSA**

## **PLAN SUPPORT AGREEMENT**

**THIS PLAN SUPPORT AGREEMENT DOES NOT CONSTITUTE A VOTE TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN OR A SOLICITATION OF VOTES TO ACCEPT OR REJECT ANY CHAPTER 9 PLAN; ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED OR MADE UNTIL THE BANKRUPTCY COURT APPROVES A DISCLOSURE STATEMENT RESPECTING A PLAN**

This PLAN SUPPORT AGREEMENT (as it may be amended or supplemented from time to time in accordance with the terms hereof, and collectively with each of the exhibits and schedules attached hereto, including the plan term sheet attached hereto as **Exhibit A** (the "**Plan Term Sheet**"), which are expressly incorporated herein by reference, this "**Agreement**"), dated as of June 6, 2013, is made and entered into by and among (i) Jefferson County, Alabama (the "**County**"); (ii) each holder of Sewer Warrants signatory hereto (as further defined below, including those holders that become party hereto by signing a Transfer Agreement (as defined below), the "**Supporting Warrantholders**"); and (iii) JPMorgan Chase Bank, N.A. ("**JPMorgan**"). Each of the Supporting Warrantholders, JPMorgan, and the County are referred to herein as a "**Party**" and collectively as the "**Parties**." Any capitalized term used but not defined in this Agreement shall have the meaning ascribed to that term in the Plan Term Sheet. The Plan Term Sheet constitutes an integral part of this Agreement.

### **RECITALS**

**WHEREAS**, pursuant to a Trust Indenture, dated as of February 1, 1997 (as supplemented by eleven supplemental indentures through the date hereof, the "**Indenture**"), between the County and The Bank of New York Mellon, as indenture trustee and successor to AmSouth Bank of Alabama (in such capacity, the "**Trustee**"), the County issued approximately \$3.6 billion principal amount of warrants secured by the net revenues of the County's sewer system (the "**Sewer Warrants**");

**WHEREAS**, in connection with the issuance of certain series of the Sewer Warrants, the County entered into a series of standby warrant purchase agreements (each a "**Standby Agreement**");

**WHEREAS**, on November 9, 2011, the County filed a petition for relief under chapter 9 of title 11 of the United States Code (the "**Bankruptcy Code**"), thereby commencing Bankruptcy Case No. 11-05736-TBB9 (the "**Bankruptcy Case**") before the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the "**Bankruptcy Court**");

**WHEREAS**, the Parties and their representatives have engaged in good faith, arms' length settlement discussions regarding a consensual resolution of certain disputes among them and, subject to the terms and conditions set forth herein and, in the case of JPMorgan and the County, in the JPMorgan PSA (as defined below), each Party has agreed to support and implement a restructuring transaction in accordance with the terms and conditions of the Plan Term Sheet and this Agreement (the "**Restructuring**") pursuant to an Acceptable Plan (as defined below);

**WHEREAS**, the County and JPMorgan are contemporaneously entering into a separate plan support agreement (the “JPMorgan PSA”) and JPMorgan is a party to this Agreement to give effect to the agreement between JPMorgan and the Supporting Warranholders set forth in Section 5 hereof;

**WHEREAS**, the County is contemporaneously entering into a plan support agreement (the “Sewer Warrant Insurer PSA”) with Assured Guaranty Municipal Corp., as successor to Financial Security Assurance, Inc. (“Assured”), Financial Guaranty Insurance Company (“FGIC”), and Syncora Guarantee Inc., f/k/a XL Capital Assurance Inc. (“Syncora”), each of which is referred to as a “Sewer Warrant Insurer” and collectively with the Supporting Warranholders and JPMorgan are the “Plan Support Parties”;

**WHEREAS**, in expressing such support and commitment, the Parties recognize that this Agreement is subject to and limited by the solicitation requirements of applicable bankruptcy law;

**NOW, THEREFORE**, in consideration of the foregoing and the promises, mutual covenants, and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows.

## **AGREEMENT**

### **Section 1. Restructuring and Plan Support.**

(a) The County shall file and exercise all reasonable efforts to expeditiously prosecute, confirm, and consummate a chapter 9 plan of adjustment that incorporates the provisions of, and is otherwise materially consistent with, this Agreement and the Plan Term Sheet (an “Acceptable Plan”) and to meet the deadlines set forth in Section 8.1(o) hereof. The County shall exercise all reasonable efforts to obtain required regulatory and/or third-party approvals, if any, necessary to consummate the Restructuring.

(b) The County shall provide to the Ad Hoc Professionals and counsel to JPMorgan draft copies of all pleadings and documents related to any Acceptable Plan, the Restructuring, or any of the transactions contemplated thereby as soon as reasonably practicable with reasonable time to review and comment prior to the filing of same with the applicable court. The Ad Hoc Professionals and counsel to JPMorgan will review and provide any comments on all draft pleadings and documents as soon as reasonably practicable with reasonable time for the County to consider and address any comments. Each Party will cooperate, negotiate, and otherwise work with each other Party in good faith to ensure that such pleadings and documents (including any amendments thereto), including an Acceptable Plan, a disclosure statement for an Acceptable Plan (the “Disclosure Statement”), the Backstop/Put Agreement, and an order confirming an Acceptable Plan (the “Confirmation Order”), incorporate the provisions of, and are otherwise materially consistent with, this Agreement and acceptable to the Parties.

(c) The County shall not take any action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan, or the

expeditious confirmation and consummation of an Acceptable Plan including consummation of the Restructuring.

(d) The County shall not file, support, or seek confirmation of any plan of adjustment with respect to the Sewer Warrants under Bankruptcy Code section 1129(b) unless such plan of adjustment is an Acceptable Plan.

(e) Each of the Supporting Warrantholders shall (i) use all reasonable efforts to support confirmation of an Acceptable Plan; (ii) subject to Bankruptcy Code sections 1125 and 1126, vote all Sewer Warrants it holds as of the date hereof or may hereafter acquire (the “Covered Sewer Warrants,” including those Sewer Warrants held as of the date hereof and set forth opposite its name on Schedule 1 (the “Eligible Sewer Warrants”)) to accept an Acceptable Plan (through submission of a ballot directly to the County’s balloting agent to the extent so permitted by the solicitation procedures order or to its prime broker or nominee holder, as applicable, in either case with a copy to the County and JPMorgan) on or before the day that is twenty-one (21) calendar days prior to the deadline set by the Bankruptcy Court for voting on an Acceptable Plan (as confirmed in writing by the County once determined, the “Ballot Submission Deadline”) and not change or withdraw (or cause to be changed or withdrawn) such vote except pursuant to Section 8.4; (iii) make the election described in Section 3[b] of the Plan Term Sheet with respect to all Covered Sewer Warrants as of the Ballot Submission Deadline contemporaneously with the vote to accept an Acceptable Plan (except to the extent provided in Section 3(e)); and (iv) subject to the occurrence of the Effective Date of an Acceptable Plan, provide a release of the County and all other Plan Support Parties of all claims arising under or in connection with the Covered Sewer Warrants (including providing releases as contemplated by the Plan Term Sheet) (except to the extent provided in Section 3(e)). For the avoidance of doubt, such releases shall not release any rights of the Supporting Warrantholders (x) vis-à-vis each other to the extent not released in or reserved in any agreement among the Supporting Warrantholders, or (y) under an Acceptable Plan. Also for the avoidance of doubt, Covered Sewer Warrants shall not include any Sewer Warrants that are acquired after the date hereof in a fiduciary, agency, or other representative capacity for third-party customers, clients, or accountholders for which such Supporting Warrantholder does not have the power to bind (“Fiduciary Sewer Warrants”).

(f) No Party will contest any other Party’s ability to appear as a party-in-interest in any matter to be adjudicated in the Bankruptcy Case if such appearance and the positions advocated in connection therewith (i) are not inconsistent with this Agreement, and are not for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; or (ii) are for the purposes of contesting whether any matter, fact, or thing, is a breach of, or inconsistent with, this Agreement or to otherwise enforce this Agreement.

(g) Each Supporting Warrantholder confirms its intention to purchase a portion of the offering of New Sewer Warrants to the extent necessary and as contemplated in the Plan Term Sheet, subject to execution of a Backstop/Put Agreement containing terms and conditions acceptable to such Supporting Warrantholder and the County (including agreement concerning the terms of the indenture for the New Sewer Warrants), with commitments to be allocated among the Supporting Warrantholders on a pro rata basis based upon the Supporting

Warrantheolders' holdings of Eligible Sewer Warrants or on other terms acceptable to each Supporting Warrantheolder and the County.

(h) This Agreement is not and shall not be deemed to be a solicitation of or votes for the acceptance or rejection of any chapter 9 plan for the purposes of Bankruptcy Code sections 1125 and 1126 or otherwise. There will be no solicitation of acceptances of the Supporting Warrantheolders or any other creditors with respect to an Acceptable Plan until such parties have received the Disclosure Statement, any supplements thereto and related ballot, in each case as approved by the Bankruptcy Court, and in each case in accordance with the Bankruptcy Code and negotiated consistent with Section 1(b). Each Party further acknowledges that no securities of the County are being offered or sold hereby and that this Agreement does not constitute an offer to sell or a solicitation of an offer to buy any securities of the County.

(i) At any time, a Supporting Warrantheolder shall be required to comply with the terms of this Agreement with respect to Covered Sewer Warrants it holds at such time, and not with respect to Sewer Warrants that it has transferred in accordance with Section 3.

(j) Whenever this Agreement provides that any Party has the "right to approve" a document or that a document must be "acceptable" or "satisfactory" to a Party, such requirement shall in each case be subject to a reasonableness qualifier; *provided, however*, that the Acceptable Plan must in all events incorporate the provisions which are stated in this Agreement and the Plan Term Sheet to be included in an Acceptable Plan.

## **Section 2. Litigation Standstill.**

(a) For purposes of this Agreement, the following terms shall have the following meanings:

(i) "Litigation" shall mean any litigation that is related to the County, the Bankruptcy Case, the Sewer Warrants (including any financing or other transactions entered into in connection therewith), or insurance issued in respect of the Sewer Warrants (in each case, whether pending before the Bankruptcy Court or before any other court), but excluding (v) any litigation to enforce, interpret, or implement this Agreement, an Acceptable Plan, the Restructuring, or any document executed in connection therewith; (w) the pending adversary proceeding concerning the priority of the Lehman Brothers swap claim, Adv. Proc. No. 12-00149-TBB; (x) the FGIC rehabilitation proceeding, except for any actions taken in the FGIC rehabilitation proceeding for the purpose of hindering, delaying, or preventing the confirmation or consummation of an Acceptable Plan and the Restructuring; (y) any litigation involving any dispute between a holder of Sewer Warrants (or the Trustee) and a Sewer Warrant Insurer (including litigation in the FGIC rehabilitation proceeding) concerning the rights of such holder as compared to any Sewer Warrant Insurer, with respect to who owns, controls, and may exercise all rights arising out of or in connection with Sewer Warrants that are beneficially owned by such holder and insured by such Sewer Warrant Insurer (but not with respect to any Sewer Warrants or other rights held by any of the Sewer Warrant Insurers as a result of payments made or to be made under any insurance policy); and (z) any litigation permitted by Section 1(f).

(ii) “Reasonable Steps” for purposes of this Agreement shall mean, in furtherance of a suspension or standstill of all Litigation pending on the date hereof that is satisfactory to all the Parties (the “Litigation Standstill,” which for the avoidance of doubt will include the Stipulated Order (as defined below)), providing all reasonable support to the County in prosecuting a motion in the Bankruptcy Court for appropriate relief to achieve such Litigation Standstill, but shall exclude (x) any obligation of any Party to cause any person to take any actions which it is not permitted to take under applicable law or by contract; and (y) any action (or inaction), including commencing or continuing any action in the Bankruptcy Court or other court, that could (in the reasonable judgment of any Party) expose any such Party to liability (contingent or otherwise) or unreimbursed material expense.

(b) The County and each Supporting Warrantholder agrees that it shall (i) not commence any new Litigation against any other Party or any other Plan Support Party and shall not prosecute and shall exercise all reasonable efforts to suspend any existing Litigation against any other Party or any other Plan Support Party and (ii) in connection with any such Litigation, take no action inconsistent with the Restructuring contemplated by this Agreement and an Acceptable Plan; *provided, however*, that no action, matter, or proceeding excluded from the definition of Litigation in Section 2(a)(i) shall be or shall be deemed to be an action inconsistent with the Restructuring or an Acceptable Plan.

(c) Each Supporting Warrantholder shall, with respect to all Sewer Warrants held by it, shall take Reasonable Steps to obtain and implement the Litigation Standstill that will remain in effect until the earlier of (x) the Effective Date of an Acceptable Plan or (y) termination of this Agreement in accordance with Section 8.

(d) So long as none of this Agreement, the JPMorgan PSA, or the Sewer Warrant Insurer PSA has been terminated, each Supporting Warrantholder shall not assert a claim against any Sewer Warrant Insurer, demand payment from any Sewer Warrant Insurer, or institute or prosecute any Litigation to obtain payment from any Sewer Warrant Insurer in respect of any insurance policy issued by such Sewer Warrant Insurer insuring such Supporting Warrantholder’s Covered Sewer Warrants, or direct or cause the Trustee to do any of the foregoing; *provided, however*, that nothing herein shall limit the rights of such Supporting Warrantholder to take action excluded from the definition of Litigation in Section 2(a)(i)(x) or (y).

(e) As part of the Litigation Standstill, without modifying the Indenture, any Standby Agreement, or any insurance policy with respect to any Sewer Warrants, pursuant to a stipulated form of order acceptable to the County and the Majority Eligible Warrantholders (as defined below) (the “Stipulated Order”) to effect a standstill or suspension of the adversary proceeding commenced by the Trustee against the County, Syncora, and Assured styled as *The Bank of New York Mellon, as Indenture Trustee v. Jefferson County, Alabama, et al. (In re Jefferson County, Alabama)*, Adv. Proc. No. 13-00019 (the “Declaratory Judgment Action”), (i) the County will continue to pay to the Trustee on a monthly basis net revenues of the County’s sewer system (without deducting any additional amounts that may be subject to deduction as “Operating Expenses” under the Indenture as a result of any ruling by the Bankruptcy Court regarding pending disputes about actually incurred professional fees in Adv. Proc. No. 12-00016-TBB); (ii) the Trustee will not, and the Plan Support Parties will not direct or cause the

Trustee to, present any claims or seek to draw on any insurance policy with respect to any Sewer Warrants; and (iii) the Trustee shall not distribute such sewer revenues to the holders of Sewer Warrants on account of obligations becoming due on or after February 1, 2013, in each case of Section 2(e)(i)-(iii), until the earlier of (x) the Effective Date, at which time distributions will be made pursuant to an Acceptable Plan as set forth in the Plan Term Sheet; and (y) the date of the termination of this Agreement in accordance with Section 8 of the Agreement, other than under Section 8(w) of this Agreement, after which the Parties' rights shall be reserved and determined as if this Agreement and Plan Term Sheet had never been executed.

### **Section 3. Ownership; Transfers of Sewer Warrants.**

(a) Except as otherwise provided, permitted, or exempted in this Section 3, each Supporting Warrantholder, severally, and not jointly, represents, warrants, and covenants that:

(i) such Supporting Warrantholder is the owner of, or advises the accounts that own, the Eligible Sewer Warrants set forth opposite its name on Schedule 1 hereto, and has and shall maintain the power and authority to bind all the legal and beneficial owner(s) of such Eligible Sewer Warrants to the terms of this Agreement;

(ii) such Supporting Warrantholder (a) has and shall maintain full power and authority to execute and deliver its signature page(s) to this Agreement and, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants to accept an Acceptable Plan or (b) has received an irrevocable direction from the party having full power and authority, subject to Bankruptcy Code sections 1125 and 1126, to vote its Eligible Sewer Warrants and execute and deliver its signature page(s) to this Agreement;

(iii) none of the Eligible Sewer Warrants constitute Fiduciary Sewer Warrants;

(iv) other than as permitted under this Agreement, its Eligible Sewer Warrants are and shall continue to be free and clear of any pledge, lien, security interest, charge, claim, equity, option, proxy, voting restriction, right of first refusal or other limitation on disposition, or encumbrances of any kind, that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed; and

(v) such Supporting Warrantholder has made no prior Transfer (as defined below), and has not entered into any other agreement to assign, sell, participate, grant, convey or otherwise transfer, in whole or in part, any portion of its right, title, or interest in any Eligible Sewer Warrants held by such Supporting Warrantholder as of the date hereof that are inconsistent with, or in violation of, the representations and warranties of such Supporting Warrantholder herein, in violation of its obligations under this Agreement or that would adversely affect in any way such Supporting Warrantholder's performance of its obligations under this Agreement at the time such obligations are required to be performed.

(b) Each Supporting Warrantholder individually covenants that, from the date hereof until the termination of this Agreement, it will not sell, pledge, hypothecate, or otherwise

transfer, assign or dispose of any of its Eligible Sewer Warrants, or grant any option, right to acquire, or voting, participation, or other interest therein to any person or entity (any such transfer, disposition, or grant, a “Transfer”), except (x) to another Supporting Warrantholder (and any such Eligible Sewer Warrants so transferred shall remain Eligible Sewer Warrants) or (y) to a person or entity (a “Transferee”) that as a condition to such Transfer executes and delivers to the County at least three (3) Business Days prior to the settlement of such Transfer an agreement in writing substantially in the form of Exhibit B-1 hereto (a “Transfer Agreement”), pursuant to which such Transferee agrees (i) to become a party to and be bound by all terms of this Agreement applicable to a Supporting Warrantholder as if such Transferee were an original signatory hereto; (ii) to become a party to and be bound by the Backstop/Put Agreement, to the extent such transferring Supporting Warrantholder was so bound in respect of the Eligible Sewer Warrants that are the subject of the Transfer; and (iii) to retain the same counsel and financial advisor that, at the time of the Transfer, are retained by Supporting Warrantholders holding at least a majority of the Eligible Sewer Warrants (the “Majority Eligible Warrantholders”) through appropriate retention documentation with respect to matters concerning the Sewer Warrants or to otherwise abide by the decisions of the Majority Eligible Warrantholders. “Business Day” means any day other than a Saturday, a Sunday, a “legal holiday” (as defined in Federal Rule of Bankruptcy Procedure 9006(a)), or any other day on which commercial banks in New York, New York are required or authorized to close by law or executive order. For the avoidance of doubt, a Supporting Warrantholder’s rights and obligations under this Agreement and the Backstop/Put Agreement (if any) may not be transferred separately and must be transferred together.

(c) Notwithstanding Section 3(b), if a Transferee is a Qualified Marketmaker, then the Supporting Warrantholder making the Transfer shall cause such Transferee to execute and deliver to the County at least three (3) Business Days prior to the settlement of such Transfer a Marketmaker Transfer Agreement substantially in the form of Exhibit B-2 hereto and such Qualified Marketmaker shall cause any subsequent Transferee to execute a Transfer Agreement in the form of Exhibit B-1, to the extent such subsequent Transferee is not a Qualified Marketmaker or a Transfer Agreement substantially in the form of Exhibit B-2 to the extent such Transferee is a Qualified Marketmaker. “Qualified Marketmaker” means an entity that (x) holds itself out to the public or the applicable private markets as standing ready in the ordinary course of business to purchase from customers and sell to customers Sewer Warrants issued by the County or other claims against the County, or enter with customers into positions in Sewer Warrants issued by the County or other claims against the County, in either case in its capacity as a dealer or market maker in Sewer Warrants or other claims against the County; and (y) is in fact regularly in the business of making a market in claims against issuers or borrowers.

(d) This Agreement shall not be construed to preclude any Supporting Warrantholder from acquiring additional Sewer Warrants; *provided, however*, that any additional Sewer Warrants acquired by such Supporting Warrantholder (i) shall be Covered Sewer Warrants but (ii) shall not be Eligible Sewer Warrants unless such warrants were, initially, Eligible Sewer Warrants. For the avoidance of doubt, a Transfer of Covered Sewer Warrants that are not Eligible Sewer Warrants (“Excess Sewer Warrants”) shall not be subject to the transfer restrictions contained in this Section 3 other than during the Excess Warrant Restriction Period (as defined below); *provided, further, however*, that for so long as a Supporting

Warrantholder owns Covered Sewer Warrants, it must otherwise comply with all obligations under this Agreement with respect to such Covered Sewer Warrants.

(e) Notwithstanding anything to the contrary herein, to the extent that Excess Sewer Warrants consist of Sewer Warrants in Series 2003-B-8 with a CUSIP# 472682MP5, 472682MQ3, 472682MR1, or 472682MS9 (“Exempt Excess Sewer Warrants”), the relevant Supporting Warrantholder, solely with respect to such Exempt Excess Sewer Warrants, shall not be required (i) to elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement or (ii) to otherwise comply with the restrictions on transfer in Section 3; *provided, however*, that to the extent that a Supporting Warrantholder who is an original signatory to this Agreement holds any Exempt Excess Sewer Warrants on the Ballot Submission Deadline, such Party shall elect to waive claims under any wrap insurance policy for such Excess Sewer Warrants in accordance with the terms of this Agreement.

(f) Notwithstanding Section 3(d), for the period beginning on the date on which the Disclosure Statement is approved by the Bankruptcy Court and continuing through and including the date(s) on which a confirmation hearing for an Acceptable Plan is held (the “Excess Warrant Restriction Period”), the Transfer of any Excess Sewer Warrants held by a Supporting Warrantholder or any option, right to acquire, or voting, participation, or other interest therein to any person or entity may be completed only in accordance with Section 3(b) and (c), as though such Excess Sewer Warrants were Eligible Sewer Warrants. On the first date of the Excess Warrant Restriction Period, each Supporting Warrantholder shall provide an update of the relevant portion of Schedule 1 showing such Party’s holdings of Covered Sewer Warrants (including both Eligible Sewer Warrants and Excess Sewer Warrants) to the County and JPMorgan. For the avoidance of doubt, other than during the Excess Warrant Restriction Period, any transfer of Excess Sewer Warrants may be completed without complying with the requirements for Transfers of Eligible Sewer Warrants in Section 3(b) and (c).

(g) No Supporting Warrantholder will create or use any subsidiary or affiliate to evade or attempt to evade the transfer restrictions set forth in this Section 3 or any other obligations set forth in this Agreement. Any attempt by any Supporting Warrantholder to transfer any Sewer Warrants or related rights or interests therein other than in compliance with this Section 3 shall be deemed ineffective, including with regard to any right to accept or reject an Acceptable Plan or the Restructuring, and shall be deemed void *ab initio*. Upon completion of a Transfer in compliance with this Section 3, the transferor shall be deemed to relinquish its rights (and be released from its obligations) under this Agreement to the extent of such transferred Covered Sewer Warrants (and relinquished rights and released obligations).

#### **Section 4. Additional County Covenants and Determinations.**

(a) The County shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Covered Sewer Warrants to the extent and in the amount that distributions made generally available from the County to holders of Other Warrants (including in respect of the Covered Sewer Warrants) are increased.

(b) The County represents that as of the date of the County's execution hereof, the County has determined in good faith that based on the Financing Plan, an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that it shall further represent that (i) as of the date on which the Disclosure Statement is approved by the Bankruptcy Court, and (ii) as of the date on which a confirmation hearing begins with respect to an Acceptable Plan, the County in each case has still determined in good faith that based on the Financing Plan (as it may have been amended prior to each such date in accordance with the terms of this Agreement), an Acceptable Plan can be consummated through issuance of New Sewer Warrants sufficient to generate cash needed for consummation of an Acceptable Plan as set forth in the Plan Term Sheet. The County agrees that an Acceptable Plan will provide that the aggregate consideration from issuance of New Sewer Warrants and other sources of cash to be paid under an Acceptable Plan to the Sewer Warrant creditors (including the Supporting Warrantholders and the other Plan Support Parties) shall be approximately \$1.835 billion, plus the distribution of the Reinstated Interest Payments and Reinstated Principal Payments pursuant to an Acceptable Plan as set forth in the Plan Term Sheet, plus the premium payable under the Backstop/Put Agreement.

(c) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan (in the case of the Sewer Warrant Insurer PSA) of any termination of, amendment to, or written notice of potential termination of the JPMorgan PSA or to the Sewer Warrant Insurer PSA within one (1) business day of any such termination, amendment, or written notice. The written notice that the County must provide to the Supporting Warrantholders and to JPMorgan under the immediately preceding sentence shall include a copy of any applicable amendment, notice of termination, or notice of potential termination.

(d) The County shall provide written notice to the Supporting Warrantholders and to JPMorgan of any amendment to the Financing Plan within one (1) business day of any such amendment, which written notice shall include a copy of any such amendment. The County represents that any amendment to the Financing Plan shall be a publicly available document.

(e) The County represents that the Sewer Warrant Insurer PSA and the JPMorgan PSA have been executed and delivered contemporaneously with the execution and delivery of this Agreement by all parties thereto in the forms attached as **Exhibit C** and **Exhibit D**.

**Section 5. Agreements Between the Supporting Warrantholders and JPMorgan.**

As a material component of the Supporting Warrantholders' agreement to the transactions described in this Agreement and the Restructuring:

(a) In order to facilitate the various settlements to be implemented pursuant to an Acceptable Plan and the occurrence of the Effective Date, each Supporting Warrantholder hereby agrees (i) subject to Bankruptcy Code sections 1125 and 1126, to elect by the Ballot Submission Deadline the treatment under an Acceptable Plan set forth in Section 3[b] of the Plan Term Sheet in respect of all of its Covered Sewer Warrants (except to the extent provided in Section 3(e)); (ii) conditioned upon and effective as of the Effective Date, (A) to release each

Sewer Warrant Insurer from any claims it may have arising out of or relating to any insurance policies relating to its Covered Sewer Warrants (except to the extent provided in Section 3(e)), and (B) to waive any claims it may have for interest accruing or payable under its Covered Sewer Warrants at any rate other than the rate applicable to such Covered Sewer Warrants prior to the occurrence of an event of default under the Indenture or any Standby Agreement, as applicable; (iii) to comply with Section 2 above; and (iv) to comply with the restrictions on the transfer of its Sewer Warrants set forth in Section 3 above.

(b) Based upon the Supporting Warrantholders' agreements set forth in Section 5(a) above, JPMorgan will on or before the Effective Date, provide irrevocable directions to the County and the Trustee (or "paying agent" under an Acceptable Plan) to reallocate and distribute to each Supporting Warrantholder, instead of JPMorgan (and any of its affiliates holding Sewer Warrants), a portion of the cash recovery on the Sewer Warrants held by JPMorgan (and any such affiliates) under an Acceptable Plan, equal to (x) the principal amount of Eligible Sewer Warrants held by such holder (subject to Section 5(c) below) multiplied by (y) 3.46%; *provided, however*, that any increase in distributions made generally available from the County to holders of Other Warrants (including in respect of the Eligible Sewer Warrants) in excess of the amount set forth in part [b] of Section 3 of the Plan Term Sheet shall increase the amount payable in part [b] of Section 3 of the Plan Term Sheet in respect of the Eligible Sewer Warrants, and shall correspondingly reduce the amount of the JPMorgan reallocation to the benefited Supporting Warrantholders in respect of their Eligible Sewer Warrants pursuant to this Section 5(b); *provided, further, however*, that the aggregate JPMorgan reallocation to Supporting Warrantholders shall not be reduced below \$4 million.

(c) Each Supporting Warrantholder shall certify in writing to the County and JPMorgan no later than the third Business Day after the record date for distributions pursuant to the Acceptable Plan the amount of Eligible Sewer Warrants held by such Supporting Warrantholder as of such record date, *provided that*, for purposes of the reallocation pursuant to Section 5(b) above, the total amount of Eligible Sewer Warrants shall not exceed the total set forth on Schedule 1 on the date of execution of this Agreement, and the aggregate amount of such reallocation shall not exceed the product of such total set forth on Schedule 1 multiplied by the percentage referenced in Section 5(b) above.

(d) Each of the Supporting Warrantholders' agreement to provide the releases and waivers as set forth in Section 5(a)(ii)(A) and (B) shall be conditioned on the continued effectiveness of this Agreement and the JPMorgan PSA, and compliance by JPMorgan with all of its obligations under or contemplated by this Agreement.

(e) JPMorgan's obligation to reallocate to the Supporting Warrantholders pursuant to Section 5(b) above a portion of JPMorgan's cash distributions under an Acceptable Plan on account of the Sewer Warrants held by JPMorgan (and any of its affiliates holding Sewer Warrants) shall be subject to Section 5(c) above and conditioned upon confirmation of an Acceptable Plan and the occurrence of the Effective Date, approval by the Bankruptcy Court of such reallocation by JPMorgan to the Supporting Warrantholders pursuant to Section 5(b) above, receipt by JPMorgan (and any such affiliates) of an indefeasible cash recovery on the Effective Date of not less than the amount set forth in the JPMorgan PSA, plus all Reinstated Interest Payments and any Reinstated Principal Payments, which amount shall be after giving effect to all

other concessions by JPMorgan pursuant to or in furtherance of an Acceptable Plan and such reallocation pursuant to Section 5(b) above, the continued effectiveness of this Agreement, the Backstop/Put Agreement and the JPMorgan PSA, and compliance by all Supporting Warrantholders with all of their obligations under or contemplated by this Agreement and the Backstop/Put Agreement.

**Section 6. Mutual Representations, Warranties, and Covenants.**

Each Party makes the following representations, warranties, and covenants (on a several basis, with respect to such Party only) to each of the other Parties, each of which are continuing representations, warranties, and covenants:

(a) Subject to Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders), this Agreement is a legal, valid, and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by applicable laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability, and the actions to be taken by such Party (pursuant to Section 5 hereof, in the case of JPMorgan), including in respect of the Restructuring contemplated by this Agreement, are within such Party's powers and have been duly authorized by all necessary action on its part.

(b) The execution, delivery, and performance of this Agreement by such Party does not and shall not: (i) violate any law, rule, or regulation applicable to such Party or any of its subsidiaries, as applicable; (ii) violate its certificate of incorporation, bylaws, or other organizational documents or those of any of its subsidiaries, as applicable; or (iii) conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any material contractual obligation to which it or any of its subsidiaries, as applicable, is a party.

(c) Subject to the provisions of Bankruptcy Code sections 1125 and 1126 (in the case of the Supporting Warrantholders) and except for the approval by the Jefferson County Commission (in the case of the County, which approval has been obtained as set forth below), the execution, delivery, and performance by such Party of this Agreement does not and shall not require any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body. The County represents that any registration or filing with, consent or approval of, or notice to, or other action to, with or by, any Federal, state, or other governmental authority or regulatory body that is required before the Jefferson County Commission can execute, deliver, and perform this Agreement shall have been completed, received, or given, as the case may be, prior to the County's execution and delivery of this Agreement, and the Jefferson County Commission has duly approved and authorized the execution, delivery, and performance of this Agreement by the County.

**Section 7. Support Commitments.**

(a) In connection with the agreement of the County to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this

Agreement has not been terminated in accordance with Section 8, the County shall use all reasonable efforts to:

(i) file a Disclosure Statement and an Acceptable Plan prior to the deadline set forth in Section 8.1(o)(i) of this Agreement;

(ii) prosecute the Disclosure Statement and an Acceptable Plan and implement all steps necessary or appropriate to obtain from the Bankruptcy Court the Confirmation Order prior to the deadlines set forth in Section 8.1(o)(ii)-(iv) of this Agreement, which Confirmation Order shall be satisfactory to the Majority Eligible Warrantholders (and, in relation to the matters addressed in Section 5 hereof, JPMorgan);

(iii) cause the Effective Date of an Acceptable Plan to occur prior to the deadline set forth in Section 8.1(o)(v) of this Agreement;

(iv) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(v) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement or an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

(b) In connection with the agreement of the Supporting Warrantholders to support confirmation and consummation of an Acceptable Plan and consummation of the Restructuring, as long as this Agreement has not been terminated in accordance with Section 8, each of the Supporting Warrantholders shall use all reasonable efforts to:

(i) not object to, challenge, or otherwise commence or participate in any proceeding opposing any of the terms of the Restructuring contemplated by this Agreement and an Acceptable Plan;

(ii) not seek or support appointment of a trustee for the County under Bankruptcy Code section 926(a) or dismissal of the Bankruptcy Case;

(iii) to the extent available, without any Party conceding its applicability, not make or affirmatively reject any election for the application of Bankruptcy Code section 1111(b)(2) to any claims arising from or in connection with the Indenture, any Standby Agreement, or any Sewer Warrants;

(iv) in furtherance of the Litigation Standstill, not seek or support the reinstatement of control over the sewer system or sewer rate-setting in the receiver appointed by the Alabama state court or any other receiver;

(v) negotiate in good faith with the other Parties each of the definitive agreements and documents referenced in, or reasonably necessary or desirable to effectuate the transactions contemplated by an Acceptable Plan or the Restructuring, including the documents identified in Section 1(b); and

(vi) take no action (directly or indirectly) that is inconsistent with this Agreement, the Plan Term Sheet, or an Acceptable Plan, or that would delay or otherwise impede approval of the Disclosure Statement for an Acceptable Plan or the expeditious confirmation and consummation of an Acceptable Plan or consummation of the Restructuring by the deadlines set forth in Section 8.1(o) of this Agreement.

## **Section 8. Termination & Default.**

### **8.1 Events of Termination & Default.**

(a) The County, JPMorgan, and the Majority Eligible Warrantholders may collectively terminate this Agreement by written agreement.

(b) If the County provides written notice to each other Party that the County, in consultation with its financial advisors, has reasonably determined in good faith that it is not economically possible to consummate an Acceptable Plan in accordance with the Financing Plan without economic modifications (other than as anticipated in the Financing Plan) adverse to the ratepayers or the sewer system in any material respect, which such notice must specify the basis for such a determination, and does not rescind such notice within fifteen (15) calendar days of the date on which such notice is provided, then the Majority Eligible Warrantholders, JPMorgan, or the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice. For the avoidance of doubt and without limitation, except to the extent necessary to address (i) an up to a 50 basis point increase in borrowing rates (yields) from those set forth in the Financing Plan (a "Market Shift"), (ii) a decline in actual or projected revenues from those set forth in the Financing Plan having an economic effect equivalent to or less than a Market Shift, or (iii) some combination of increased borrowing rates (yields) and a decline in actual or projected revenues, in each case from those set forth in Financing Plan and in the aggregate having an economic effect equivalent to or less than a Market Shift, under no other circumstances shall the County be required to proceed with an Acceptable Plan if in order to issue the New Sewer Warrants, in the amount required thereunder, the County must make any pre-Effective Date upward adjustment in the Approved Rate Schedule.

(c) If any of the Majority Eligible Warrantholders, JPMorgan, or the County provides a written notice to each other Party that such Party has reasonably determined in good faith that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur, in the case of the County as a result of events outside the County's control (which notice shall specify the basis for such determination), and does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice; *provided, however*, that in any proceeding challenging such a determination, the Party providing the notice bears the burden of proof that the events specified in the notice

have occurred and that an Acceptable Plan cannot be confirmed or that the Effective Date cannot occur because of such events.

(d) If any governmental authority, including the Bankruptcy Court or any other regulatory authority or court of competent jurisdiction, enters any final, non-appealable ruling, or order enjoining the consummation of a material portion of the Restructuring, makes a final, non-appealable determination that, or issues a final, non-appealable judgment, order, decree, or ruling to the effect that this Agreement or any material provision of this Agreement or any related document is illegal, invalid, or unenforceable, or enters a final, non-appealable judgment, order, decree, or ruling denying confirmation of an Acceptable Plan, then the Majority Eligible Warrantholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(e) If the Supreme Court of the State of New York, County of New York sitting in *In the Matter of the Rehabilitation of Financial Guaranty Insurance Company*, Index No. 401265/2012, fails to approve FGIC's execution and performance of the Sewer Warrant Insurer PSA on or before June 28, 2013, or any later date agreed in writing by the County, FGIC, and the FGIC rehabilitator for obtaining such approval, then the Majority Eligible Warrantholders, JPMorgan, or the County may terminate this Agreement by written notice to each other Party.

(f) If the Parties are unable to obtain and implement the Litigation Standstill on or before July 8, 2013, or such later date agreed by the Parties in writing (the "Standstill Date"), then the Majority Eligible Warrantholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving written notice identifying which provisions of the Litigation Standstill have not been obtained or implemented to each other Party within fifteen (15) calendar days after the Standstill Date.

(g) If (i) the Litigation Standstill fails to remain in effect after the Standstill Date or (ii) any new potentially materially-prejudicial Litigation is commenced by the County, any Plan Support Party, the Trustee, or any other party against the County, against any Plan Support Party, or against the Trustee after the Standstill Date, then (x) the Majority Eligible Warrantholders, JPMorgan, or the County may provide a written notice specifying, with respect to subsection (g)(i), the provisions of the Litigation Standstill that are no longer in effect or, with respect to subsection (g)(ii), the potential material prejudice associated with such new Litigation and, with respect to either such notice, expressing an intent to terminate this Agreement (a "Litigation Termination Notice"). The Litigation Termination Notice must be provided within fifteen (15) calendar days of the discovery (x) by the Party giving such notice provided under subsection (g)(i) of the provisions of the Litigation Standstill that are no longer in effect or (y) of the commencement of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii), as applicable, and if the Litigation Standstill is not reinstated with respect to subsection (g)(i), or a standstill or resolution of the specified new potentially materially-prejudicial Litigation under subsection (g)(ii) satisfactory to the Party giving such notice does not occur within twenty (20) calendar days of the giving of such notice, then the Majority Eligible Warrantholders, JPMorgan, or the County, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty-five (25) calendar days of the Litigation Termination Notice.

(h) If any Supporting Warrantholder materially breaches this Agreement (a “Breaching Warrantholder”) and such breach is not remedied, either by the Breaching Warrantholder or by one or more Supporting Warrantholders who have purchased the Covered Sewer Warrants held by the Breaching Warrantholder (or an equivalent amount of replacement Sewer Warrants of like series, type, and insurer, as applicable, which replacement warrants shall thereafter be treated as Covered Sewer Warrants or Eligible Sewer Warrants to the same extent as the replaced warrants were Covered Sewer Warrants or Eligible Sewer Warrants), within fifteen (15) calendar days of receiving written notice thereof from JPMorgan or the County to each Party or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by a Supporting Warrantholder, then the County or JPMorgan may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(i) If the County materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by the County, then either JPMorgan or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(j) If the County withdraws, files a motion or pleading to withdraw, or publicly announces its intention not to pursue, an Acceptable Plan, or proposes or files a motion with the Bankruptcy Court seeking approval of a plan that is not an Acceptable Plan, or the County modifies an Acceptable Plan such that it is no longer an Acceptable Plan (but only if such modification adversely affects a right, obligation, or interest of such Party), and does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(k) If the County files any motion, pleading, and/or disclosure statement that, in the reasonable judgment of the Majority Eligible Warrantholders or JPMorgan, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the Supporting Warrantholders or JPMorgan, as applicable, under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders, but only if such action adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(l) If JPMorgan or any of the Supporting Warrantholders files any motion or pleading that, in the reasonable judgment of the County, is materially inconsistent with an Acceptable Plan or adversely affects a right, obligation, or interest of the County under this Agreement, the Plan Term Sheet, or an Acceptable Plan and does not remedy or rescind such action within fifteen (15) calendar days of receiving written notice thereof from the County, then

the County may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(m) If the County files any motion, application, or adversary proceeding challenging the validity, enforceability, perfection, or priority of, or seeking avoidance or subordination of, any of the Sewer Warrants or the liens under the Indenture (or otherwise) securing the Sewer Warrants or asserting any other cause of action against and/or with respect to the Sewer Warrants, the Supporting Warrantholders, or JPMorgan (or if the County supports any such motion, application, or adversary proceeding commenced by any third party or consents to the standing of any such third party), or if the Bankruptcy Court enters an order granting relief with respect to any of the foregoing claims or causes of action, and the County does not remedy or rescind such action within ten (10) calendar days of receiving written notice thereof, then either JPMorgan or the Majority Eligible Warrantholders may terminate this Agreement by giving a second written notice to each other Party within fifteen (15) calendar days of the first written notice.

(n) If (i) the Bankruptcy Case is dismissed or (ii) control over the sewer system or sewer rate-setting is reinstated in the receiver appointed by the Alabama state court or any other receiver, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(o) If any of the following deadlines are not satisfied:

(i) the County shall not have filed an Acceptable Plan and Disclosure Statement with the Bankruptcy Court on or prior to July 1, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(ii) the Bankruptcy Court shall have failed to enter an order approving the Disclosure Statement on or prior to August 30, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iii) the Bankruptcy Court shall have failed to enter the Confirmation Order on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion;

(iv) the Bankruptcy Court shall have failed to enter an order (which may be the Confirmation Order) validating the New Sewer Warrants on or prior to November 25, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; or

(v) the Effective Date shall not have occurred on or prior to December 20, 2013, unless such date is extended by the Majority Eligible Warrantholders in their sole and absolute discretion; *provided, however*, that such date may not be extended beyond December 31, 2013 (the "Outside Date");

then, in each case, the Majority Eligible Warrantholders may terminate this Agreement by giving written notice to each other Party at any time thereafter.

(p) If JPMorgan materially breaches this Agreement and does not remedy such breach within fifteen (15) calendar days of receiving written notice thereof or within such other period that may be specified elsewhere in this Section 8.1 in the case of any other specified material breach by JPMorgan, then either the County or the Majority Eligible Warrantholders, but only if such breach adversely affects a right, obligation, or interest of such Party, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(q) If the JPMorgan PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders, without the written consent of each affected Supporting Warrantholder) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(r) If the Sewer Warrant Insurer PSA shall have been terminated (or amended with respect to provisions thereof that adversely affect a right, obligation, or interest of one or more of the Supporting Warrantholders or JPMorgan, without the written consent of each affected Party) or is no longer in full force and effect, then any of the County, JPMorgan, or the Majority Eligible Warrantholders (or such affected Supporting Warrantholder(s), in the event of such an amendment) may by written notice to each other Party terminate this Agreement at any time thereafter.

(s) If any condition precedent to confirmation or the Effective Date of an Acceptable Plan is not satisfied, other than occurrence of the Effective Date by the Outside Date, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give written notice of such failure of condition to each other Party and may terminate this Agreement by giving a second written notice to each other Party after the expiration of ten (10) calendar days after such first written notice unless, before the expiration of such ten (10) calendar days, the condition is satisfied or, if waiveable, has been waived in accordance with the terms of such Acceptable Plan.

(t) If the County fails to enter into a closing agreement relating to the Sewer Warrants and the New Sewer Warrants with the Internal Revenue Service in form and substance acceptable to the County, the Majority Eligible Warrantholders, and JPMorgan on or prior to September 30, 2013, or such later date as may be agreed in writing by the County, the Majority Eligible Warrantholders, and JPMorgan, then any of the County, JPMorgan, or the Majority Eligible Warrantholders may give a written notice of intent to terminate this Agreement, and if such Party does not rescind such notice within thirty (30) calendar days of the date on which such notice is provided, then such Party may terminate this Agreement by giving a second written notice to each other Party within thirty-five (35) calendar days of the first written notice.

(u) If the Effective Date shall not have occurred on or prior to the Outside Date, then this Agreement shall terminate automatically without further required action or notice.

(v) If the County amends the Financing Plan in any material respect without the written approval of the Majority Eligible Warranholders and JPMorgan and does not rescind such amendment or obtain the written approval of the Majority Eligible Warranholders and JPMorgan regarding such amendment within fifteen (15) calendar days of receiving written notice concerning any such amendment from the Majority Eligible Warranholders or JPMorgan (which written notice must be provided by the Majority Eligible Warranholders or JPMorgan, as applicable, within seven (7) calendar days after the County provides the notice required by Section 4(d)), then either JPMorgan or the Majority Eligible Warranholders, as applicable, may terminate this Agreement by giving a second written notice to each other Party within twenty (20) calendar days of the first written notice.

(w) If not previously terminated in accordance with the provisions hereof, this Agreement shall terminate automatically without further required action or notice upon the Effective Date of an Acceptable Plan.

Each of the foregoing events set forth in subsections (a) through (w) entitling a Party or Parties to terminate or amend this Agreement, as applicable, shall constitute a “Trigger Event.”

## **8.2 Trigger Event Notices.**

(a) Each Party receiving a notice asserting that a Trigger Event has occurred may challenge the accuracy or validity of such notice by commencing a proceeding in Bankruptcy Court within seven (7) calendar days of receiving such notice. All Parties consent to an expedited hearing of any such proceeding. For the avoidance of doubt, this Section 8.2(a) shall only apply to Sections 8.1(b)-(d), (f)-(m), (p), (s), (t), and (v), and a Trigger Event under all other clauses of Section 8.1 will result in termination of this Agreement in accordance with the express terms of the Trigger Event.

(b) The failure of one or more Parties to give a second notice required under Section 8.1 within the time specified for giving such notice (solely to the extent applicable) shall constitute a waiver of the right of such Party or Parties to terminate this Agreement based on the event specified in the first notice (but shall not constitute a waiver with respect to any future new event). Such a potential waiver shall apply only to Trigger Events in Sections 8.1(b)-(c), (g)-(m), (p), (t), and (v), and not the other Trigger Events in Section 8.1.

(c) Each Party hereby waives any requirement under Bankruptcy Code sections 362 or 922 to lift the automatic stays thereunder for purposes of providing a first or second notice of a Trigger Event or termination of this Agreement (and agrees not to object to any non-breaching Party seeking, if necessary, to lift such automatic stays in connection with the provision of any such notice) or commencing a proceeding in the Bankruptcy Court with respect thereto; *provided, however*, that nothing in this Section 8.2(c) shall prejudice any Party’s rights to argue that the notice of a Trigger Event or termination of this Agreement was not proper under the terms of this Agreement.

## **8.3 Benefits of Termination.**

The foregoing Trigger Events are intended solely for the benefit of the specified Parties; *provided, however*, that no Party may terminate this Agreement based upon a breach or a failure

of a condition (if any) in this Agreement arising solely out of its own actions or omissions. Other than as contemplated in Section 8.2(b), a Trigger Event may be waived only by the Party for whose benefit such a Trigger Event exists.

#### **8.4 Effect of Termination.**

Upon termination of this Agreement in accordance with Section 8.1, the obligations and agreements of each Party under this Agreement (and the Plan Term Sheet) shall terminate and be of no further force and effect other than those obligations and agreements that expressly survive the termination of this Agreement as set forth in Section 9.14; *provided, however*, that any claim for breach of this Agreement shall survive termination and all rights and remedies with respect to such breach shall be neither waived nor prejudiced in any way by any such termination. Upon termination of this Agreement in accordance with Section 8.1 (other than a termination under Section 8.1(w)), any and all ballots with respect to an Acceptable Plan delivered by each Supporting Warrantholder prior to such date of termination shall be immediately withdrawn, and such ballots shall be deemed to be null and void for all purposes and shall not be considered or otherwise used in any manner. To the extent that an Acceptable Plan has been confirmed prior to the termination of this Agreement, other than a termination under Section 8.1(w), the Confirmation Order and order approving the Disclosure Statement shall be vacated, the Parties will be restored to their rights as if this Agreement and the Plan Term Sheet were never entered into and all claims and defenses of the Parties (subject to Section 9.10) shall be fully reserved.

### **Section 9. Miscellaneous Terms.**

#### **9.1 Communications.**

This Agreement shall not, and shall not be deemed to, impair, prohibit, limit, or restrict any Supporting Warrantholder or its officers or representatives from engaging in discussions with or among any or all of: the County, JPMorgan, any Sewer Warrant Insurer, any other Supporting Warrantholder, any potential or actual underwriter, or any of the foregoing parties' respective officers, representatives, or advisors.

#### **9.2 No Third Party Beneficiaries.**

Nothing in this Agreement, express or implied, shall give to any person or entity, other than the Parties and their respective successors, assigns, and representatives, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

#### **9.3 Effectiveness of Agreement; Savings Clause.**

This Agreement shall become effective once duly executed by the County, JPMorgan, and all of the Supporting Warrantholders listed on Schedule 1 as of the date hereof. Notwithstanding the foregoing, the treatment as set forth in the Plan Term Sheet and under an Acceptable Plan shall become effective only on the Effective Date. If any provision hereof is construed to constitute an agreement to take any step or action that would violate any provision of applicable bankruptcy law or any other applicable law, such provision shall be deemed stricken herefrom and of no force and effect without liability to any of the Parties and without

constituting a Trigger Event except as provided in Section 8.1(d), and shall not affect the validity, legality, or enforceability of any other provision of this Agreement.

#### **9.4 Headings.**

The headings of all sections of this Agreement are inserted solely for the convenience of reference and are not a part of and are not intended to govern, limit, or aid in the construction or interpretation of any term or provision hereof.

#### **9.5 Governing Law.**

**THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF ALABAMA, WITHOUT REGARD TO THE “CHOICE OF LAW” PRINCIPLES OF THAT OR ANY OTHER JURISDICTION.** By its execution and delivery of this Agreement, each of the Parties hereby irrevocably and unconditionally agrees that any dispute with respect to this Agreement shall be resolved by the Bankruptcy Court, which shall have non-exclusive jurisdiction and power to enforce the terms of this Agreement. Each of the Parties irrevocably consents to service of process by mail at the addresses listed for such Party in Section 9.13 hereof. Each of the Parties agrees that its submission to jurisdiction and consent to service of process by mail is made for the sole and express benefit of each of the other Parties to this Agreement.

#### **9.6 Complete Agreement; Interpretation; Amendment, Modification and Waiver.**

(a) With the exception of the JPMorgan PSA and certain agreements among the Supporting Warranholders, this Agreement, together with all exhibits and schedules attached hereto, constitutes the complete agreement among the Parties with respect to the subject matter hereof and supersedes all prior agreements, oral or written, between or among the Parties with respect to the subject matter hereof.

(b) This Agreement is the product of negotiation by and among the Parties. Any Party enforcing or interpreting this Agreement shall interpret it in a neutral manner. There shall be no presumption concerning whether to interpret this Agreement for or against any Party by reason of that Party having drafted this Agreement, or any portion thereof, or caused it or any portion thereof to be drafted.

(c) This Agreement may not be modified, amended, or supplemented except in a writing signed by (x) the County, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of the County; (y) JPMorgan, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of JPMorgan; and (z) the Majority Eligible Warranholders, in the case of any modification, amendment, or supplement affecting a right, obligation, or interest of all Supporting Warranholders; *provided*, that (i) any modification of, or amendment or supplement to, this Agreement that has a disproportionate material adverse effect on any Supporting Warranholder shall require the written consent of such Supporting Warranholder so affected; (ii) any modification of, or amendment or supplement to, the consideration payable to the Supporting Warranholders (other than an increase in the consideration payable thereto in accordance with the Plan Term Sheet, which such increases shall not require the written consent of such affected

Supporting Warrantholders); (iii) any modification of, or amendment or supplement to, this Agreement that imposes additional obligations, cost or liability on a Party shall require the written consent of the Party so affected; and (iv) any modification of, or amendment or supplement to, this Section 9.6(c) or the Outside Date shall require the written consent of all Parties.

(d) Other than waivers contemplated by Section 8.2(b), no waiver of any provision of this Agreement or any default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, whether intentional or not, shall be valid unless that waiver is made in a writing signed by the Party making such waiver, nor will such waiver be deemed to extend to any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant hereunder, or affect in any manner any rights arising by virtue of any prior or subsequent default, misrepresentation, or breach of any representation, warranty, or covenant.

### **9.7 Specific Performance.**

This Agreement is intended as a binding commitment enforceable in accordance with its terms. Each Party acknowledges and agrees that the exact nature and extent of damages resulting from a breach of this Agreement are uncertain at the time of entering into this Agreement and that any such breach of this Agreement would result in damages that would be difficult to determine with certainty. It is understood and agreed that any non-breaching Party shall be entitled to seek specific performance, mandamus, and injunctive relief as its sole remedies for any such breach, and each Party further agrees to waive, and to cause each of their representatives to waive, any requirement for the securing or posting of any bond in connection with requesting such remedy. Such remedies shall be the exclusive remedies for the breach of this Agreement by any Party.

### **9.8 Execution of the Agreement.**

This Agreement may be executed and delivered (by facsimile, PDF, or otherwise) in any number of counterparts, each of which, when executed and delivered, shall be deemed an original, and all of which together shall constitute the same agreement. Delivery of an executed signature page of this Agreement by telecopier or email shall be as effective as delivery of a manually executed signature page of this Agreement. Each Party represents that each individual executing this Agreement on behalf of such Party has been duly authorized and empowered to execute and deliver this Agreement on behalf of such Party.

### **9.9 Independent Due Diligence and Decision-Making.**

Each Party hereby confirms that its decision to execute this Agreement has been based upon its independent investigation of the operations, businesses, financial and other conditions and prospects of the County. Each Party acknowledges that any materials or information furnished to it by any other Party has been provided for informational purposes only, without any representation or warranty by such other Party.

#### **9.10 Settlement Discussions.**

This Agreement and the Restructuring are part of a proposed settlement of claims and disputes among the Parties and are the product of good faith, arm's length negotiations among the Parties and their respective representatives. Nothing herein shall be deemed an admission of any kind; *provided, however*, that, consistent with the final two sentences of this Section 9.10, this Agreement and the Financing Plan may be admitted for the purposes identified therein. If the transactions contemplated herein are not consummated, or following the termination of this Agreement as set forth herein, if applicable, nothing shall be construed herein as a waiver by any Party of any or all of such Party's rights and the Parties expressly reserve any and all of their respective rights other than as set forth in the final two sentences of this Section 9.10. Pursuant to Federal Rule of Evidence 408 and any applicable state rules of evidence, this Agreement and all negotiations relating hereto shall not be admissible into evidence in any proceeding other than a proceeding to enforce or interpret the terms of this Agreement. Subject to any otherwise applicable rules in the Federal Rules of Evidence (other than Federal Rule of Evidence 408), this Agreement and the Financing Plan may be admitted into evidence in any proceeding arising as a result of or in connection with a Party's breach of this Agreement or in which breach of this Agreement is alleged as a relevant fact.

#### **9.11 Successors and Assigns; Severability.**

This Agreement is intended to bind and inure to the benefit of the Parties and their respective successors and permitted assigns.

#### **9.12 Several Liability; Individual Status; No Fiduciary.**

All obligations and liabilities of the Parties hereunder are several and not joint, and no party to this Agreement shall be liable for any breach or non-performance by any other party to this Agreement. Each Supporting Warrantholder hereby agrees that it is (i) executing and delivering this Agreement in its individual capacity and (ii) making its own determination as to whether to execute this Agreement and support the Restructuring. Neither the execution nor delivery of this Agreement by the Supporting Warrantholders, nor the terms and conditions contained herein, shall provide a basis for the establishment or formation of a "group" under section 13(d)(3) of the Securities Exchange Act of 1934, as amended. Each Supporting Warrantholder disclaims the beneficial ownership of any securities of the County held by any other Supporting Warrantholder and its affiliates. It is understood and agreed that no Supporting Warrantholder has any duty of trust or confidence in any form with any other Supporting Warrantholder. In this regard, it is understood and agreed that, subject to Section 3, any Supporting Warrantholder may trade in the Sewer Warrants or other debt securities of the County without the consent of the County or JPMorgan, as the case may be, or any other Supporting Warrantholder, subject to all applicable securities laws and the terms of this Agreement; *provided, further*, that no Supporting Warrantholder shall have any responsibility for any such trading by any other entity by virtue of this Agreement. No prior history, pattern or practice of sharing confidences among or between the Supporting Warrantholders shall in any way affect or negate this understanding and agreement.

### 9.13 Notices.

All notices hereunder (including any termination notice), shall be deemed given if in writing and delivered, if sent by telecopy, electronic mail, courier, or by registered or certified mail (return receipt requested) to the following addresses and telecopier numbers (or at such other addresses or telecopier numbers as shall be specified by like notice):

If to the County:

Jefferson County, Alabama  
Attn: County Manager  
Room 251, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 731-2879

-and-

Jefferson County, Alabama  
Attn: County Attorney  
Room 280, Jefferson County Courthouse  
716 Richard Arrington Jr. Boulevard North  
Birmingham, Alabama 35203  
Facsimile: (205) 325-5840

-and-

Bradley Arant Boult Cummings LLP  
One Federal Place  
1819 Fifth Avenue North  
Birmingham, Alabama 35203  
Attn: J. Patrick Darby, Esq.  
Facsimile: (205) 521-8500  
Email: pdarby@babbc.com

-and-

Klee, Tuchin, Bogdanoff & Stern LLP  
1999 Avenue of the Stars, 39th Floor  
Los Angeles, California 90067  
Attn: Kenneth N. Klee, Esq.; Lee R. Bogdanoff, Esq.; Whitman L. Holt, Esq.  
Facsimile: (310) 407-9090  
E-mail: kklee@ktbslaw.com; lbogdanoff@ktbslaw.com; wholt@ktbslaw.com

If to JPMorgan:

JPMorgan Chase Bank, N.A.  
383 Madison Avenue

New York, New York 10179  
Attn: William A. Austin  
Facsimile: (212) 622-4556  
Email: william.a.austin@jpmchase.com

-and-

Simpson Thacher & Bartlett LLP  
425 Lexington Avenue  
New York, New York 10017  
Attn: Steve M. Fuhrman, Esq.  
Facsimile: (212) 455-2502  
Email: sfuhrman@stblaw.com

If to Supporting Warrantholders:

At the addresses set forth in the signature pages hereto or set forth in a Transfer Agreement

-and-

Kramer Levin Naftalis & Frankel LLP  
1177 Avenue of the Americas  
New York, New York 10036  
Attn: Thomas Moers Mayer, Esq.; Elan Daniels, Esq.  
Facsimile: (212) 715-8169  
Email: tmayer@kramerlevin.com; edaniels@kramerlevin.com

Any notice given by delivery, mail, or courier shall be effective when received. Any notice given by telecopier shall be effective upon oral or machine confirmation of transmission. Any notice given by electronic mail shall be effective upon oral or machine confirmation of receipt. For the avoidance of doubt, any references in this Agreement to a “notice” shall mean a written notice sent in accordance with this Section 9.13.

**9.14 Survival.**

Notwithstanding any termination of this Agreement pursuant to Section 8.1 hereof, the agreements and obligations of the Parties in Sections 2(e)(y), 8.3, 8.4, 9.2, 9.3, 9.4, 9.5, 9.6, 9.7, 9.9, 9.10, 9.11, 9.12, 9.13, 9.15, 9.16, 9.17, and this Section 9.14 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

**9.15 Inconsistencies.**

To the extent there is any inconsistency between any provision of this Agreement and any provision of the Plan Term Sheet, the terms contained within this Agreement (excluding the Plan Term Sheet) shall control; *provided, however*, that to the extent there is any inconsistency

between any provision of this Agreement and Section 3 of the Plan Term Sheet, Section 3 of the Plan Term Sheet shall control.

**9.16 Time Is of the Essence.**

Time is of the essence with respect to all dates and deadlines specified in this Agreement.

**9.17 Use of “Including”.**

Whenever this Agreement uses the word “including,” such reference shall be deemed to mean “including, without limitation,”.

[remainder of page intentionally left blank; signature pages follow]

IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the date first written above.

**JEFFERSON COUNTY, ALABAMA**

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By:  
Its:

**JPMorgan Chase Bank, N.A.**

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By:  
Its:

**[Signature pages for each Supporting Warrantholder follow separately below]**

**Schedule 1**

**Eligible Sewer Warrants**

<b><u>WARRANTHOLDER</u></b>	<b><u>CUSIP#</u></b>	<b><u>AMOUNT</u></b>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KA0	\$19,375,000.00
Claren Road Credit Master Fund, LTD.	472682KA0	\$1,875,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KA0	\$800,000.00
Emerald Eagle Holdings South, L.L.C.	472682KA0	\$2,437,875.00
Emerald Eagle Holdings, L.L.C.	472682KA0	\$1,237,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KA0	\$45,000.00
Monarch Capital Master Partners II LP	472682KA0	\$99,000.00
Monarch Capital Master Partners II-A LP	472682KA0	\$143,000.00
Monarch Capital Master Partners LP	472682KA0	\$93,000.00
Monarch Cayman Fund Limited	472682KA0	\$88,000.00
Monarch Debt Recovery Master Fund Ltd	472682KA0	\$1,241,000.00
Monarch Opportunities Master Fund Ltd	472682KA0	\$1,448,000.00
Oakford MF Limited	472682KA0	\$221,000.00
P Monarch Recovery LTD	472682KA0	\$122,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KB8	\$16,125,000.00
Claren Road Credit Master Fund, LTD.	472682KB8	\$425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KB8	\$200,000.00
Emerald Eagle Holdings South, L.L.C.	472682KB8	\$166,250.00
Emerald Eagle Holdings, L.L.C.	472682KB8	\$83,750.00
Monarch Alternative Solutions Master Fund Ltd	472682KB8	\$51,000.00
Monarch Capital Master Partners II LP	472682KB8	\$19,000.00
Monarch Capital Master Partners II-A LP	472682KB8	\$159,000.00
Monarch Capital Master Partners LP	472682KB8	\$70,000.00
Monarch Cayman Fund Limited	472682KB8	\$99,000.00
Monarch Debt Recovery Master Fund Ltd	472682KB8	\$1,406,000.00
Monarch Opportunities Master Fund Ltd	472682KB8	\$455,000.00
Oakford MF Limited	472682KB8	\$16,000.00
P Monarch Recovery LTD	472682KB8	\$250,000.00
Claren Road Credit Master Fund, LTD.	472682KC6	\$950,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Opportunities Master Fund, LTD.	472682KC6	\$400,000.00
Emerald Eagle Holdings South, L.L.C.	472682KC6	\$256,875.00
Emerald Eagle Holdings, L.L.C.	472682KC6	\$118,125.00
Monarch Alternative Solutions Master Fund Ltd	472682KC6	\$751,000.00
Monarch Capital Master Partners II LP	472682KC6	\$329,000.00
Monarch Capital Master Partners II-A LP	472682KC6	\$2,237,000.00
Monarch Capital Master Partners LP	472682KC6	\$2,185,000.00
Monarch Cayman Fund Limited	472682KC6	\$1,290,000.00
Monarch Debt Recovery Master Fund Ltd	472682KC6	\$8,565,000.00
Monarch Opportunities Master Fund Ltd	472682KC6	\$3,733,000.00
Oakford MF Limited	472682KC6	\$485,000.00
P Monarch Recovery LTD	472682KC6	\$1,125,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682KC6	\$9,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KD4	\$10,100,000.00
Emerald Eagle Holdings South, L.L.C.	472682KD4	\$6,788,500.00
Emerald Eagle Holdings, L.L.C.	472682KD4	\$3,636,500.00
Monarch Alternative Solutions Master Fund Ltd	472682KD4	\$127,000.00
Monarch Capital Master Partners II LP	472682KD4	\$41,000.00
Monarch Capital Master Partners II-A LP	472682KD4	\$414,000.00
Monarch Capital Master Partners LP	472682KD4	\$613,000.00
Monarch Cayman Fund Limited	472682KD4	\$190,000.00
Monarch Debt Recovery Master Fund Ltd	472682KD4	\$2,671,000.00
Monarch Opportunities Master Fund Ltd	472682KD4	\$491,000.00
Oakford MF Limited	472682KD4	\$71,000.00
P Monarch Recovery LTD	472682KD4	\$232,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682KH5	\$16,525,000.00
Claren Road Credit Master Fund, LTD.	472682KH5	\$18,675,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682KH5	\$8,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682KH5	\$9,560,000.00
Emerald Eagle Holdings, L.L.C.	472682KH5	\$5,140,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LH4	\$8,925,000.00
Emerald Eagle Holdings South, L.L.C.	472682LH4	\$3,661,125.00
Emerald Eagle Holdings, L.L.C.	472682LH4	\$2,038,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LH4	\$13,275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LH4	\$168,000.00
Monarch Capital Master Partners II LP	472682LH4	\$19,000.00
Monarch Capital Master Partners II-A LP	472682LH4	\$757,000.00
Monarch Capital Master Partners LP	472682LH4	\$125,000.00
Monarch Cayman Fund Limited	472682LH4	\$666,000.00
Monarch Debt Recovery Master Fund Ltd	472682LH4	\$4,659,000.00
Monarch Opportunities Master Fund Ltd	472682LH4	\$1,376,000.00
Oakford MF Limited	472682LH4	\$93,000.00
P Monarch Recovery LTD	472682LH4	\$187,000.00
Emerald Eagle Holdings South, L.L.C.	472682LJ0	\$2,130,000.00
Emerald Eagle Holdings, L.L.C.	472682LJ0	\$1,045,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LJ0	\$275,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LJ0	\$84,000.00
Monarch Capital Master Partners II LP	472682LJ0	\$23,000.00
Monarch Capital Master Partners II-A LP	472682LJ0	\$272,000.00
Monarch Capital Master Partners LP	472682LJ0	\$363,000.00
Monarch Cayman Fund Limited	472682LJ0	\$217,000.00
Monarch Debt Recovery Master Fund Ltd	472682LJ0	\$2,323,000.00
Monarch Opportunities Master Fund Ltd	472682LJ0	\$460,000.00
Oakford MF Limited	472682LJ0	\$83,000.00
P Monarch Recovery LTD	472682LJ0	\$125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LK7	\$20,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682LK7	\$3,559,375.00
Emerald Eagle Holdings, L.L.C.	472682LK7	\$1,765,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LK7	\$1,100,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LK7	\$71,000.00
Monarch Capital Master Partners II LP	472682LK7	\$28,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682LK7	\$232,000.00
Monarch Capital Master Partners LP	472682LK7	\$398,000.00
Monarch Cayman Fund Limited	472682LK7	\$144,000.00
Monarch Debt Recovery Master Fund Ltd	472682LK7	\$1,992,000.00
Monarch Opportunities Master Fund Ltd	472682LK7	\$643,000.00
Oakford MF Limited	472682LK7	\$91,000.00
P Monarch Recovery LTD	472682LK7	\$176,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LL5	\$1,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682LL5	\$3,360,125.00
Emerald Eagle Holdings, L.L.C.	472682LL5	\$1,664,875.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LL5	\$5,650,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LL5	\$353,000.00
Monarch Capital Master Partners II LP	472682LL5	\$168,000.00
Monarch Capital Master Partners II-A LP	472682LL5	\$1,357,000.00
Monarch Capital Master Partners LP	472682LL5	\$695,000.00
Monarch Cayman Fund Limited	472682LL5	\$2,057,000.00
Monarch Debt Recovery Master Fund Ltd	472682LL5	\$2,166,000.00
Monarch Opportunities Master Fund Ltd	472682LL5	\$1,432,000.00
Oakford MF Limited	472682LL5	\$522,000.00
P Monarch Recovery LTD	472682LL5	\$550,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682LM3	\$11,200,000.00
Emerald Eagle Holdings South, L.L.C.	472682LM3	\$9,533,305.00
Emerald Eagle Holdings, L.L.C.	472682LM3	\$5,326,695.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LM3	\$12,350,000.00
Monarch Alternative Solutions Master Fund Ltd	472682LM3	\$166,000.00
Monarch Capital Master Partners II LP	472682LM3	\$33,000.00
Monarch Capital Master Partners II-A LP	472682LM3	\$723,000.00
Monarch Capital Master Partners LP	472682LM3	\$654,000.00
Monarch Cayman Fund Limited	472682LM3	\$606,000.00
Monarch Debt Recovery Master Fund Ltd	472682LM3	\$4,686,000.00
Monarch Opportunities Master Fund Ltd	472682LM3	\$1,928,000.00
Oakford MF Limited	472682LM3	\$205,000.00
P Monarch Recovery LTD	472682LM3	\$224,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682LN1	\$35,589,820.76
Emerald Eagle Holdings South, L.L.C.	472682LT8	\$12,500,000.00
Emerald Eagle Holdings, L.L.C.	472682LT8	\$7,500,000.00
Fundamental Partners II LP	472682LT8	\$17,500,000.00
Fundamental Partners LP	472682LT8	\$17,500,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682LT8	\$12,910,420.86
Emerald Eagle Holdings South, L.L.C.	472682MD2	\$253,450.00
Emerald Eagle Holdings, L.L.C.	472682MD2	\$116,550.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NA7	\$9,975,000.00
Emerald Eagle Holdings South, L.L.C.	472682NA7	\$6,505,625.00
Emerald Eagle Holdings, L.L.C.	472682NA7	\$3,369,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NA7	\$4,175,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NA7	\$21,000.00
Monarch Capital Master Partners II-A LP	472682NA7	\$203,000.00
Monarch Cayman Fund Limited	472682NA7	\$254,000.00
Monarch Debt Recovery Master Fund Ltd	472682NA7	\$607,000.00
Monarch Opportunities Master Fund Ltd	472682NA7	\$774,000.00
Oakford MF Limited	472682NA7	\$41,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NB5	\$2,500,000.00
Claren Road Credit Master Fund, LTD.	472682NB5	\$1,200,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NB5	\$525,000.00
Emerald Eagle Holdings South, L.L.C.	472682NB5	\$10,186,625.00
Emerald Eagle Holdings, L.L.C.	472682NB5	\$5,163,375.00
Monarch Alternative Solutions Master Fund Ltd	472682NB5	\$84,000.00
Monarch Capital Master Partners II LP	472682NB5	\$286,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Monarch Capital Master Partners II-A LP	472682NB5	\$1,022,000.00
Monarch Cayman Fund Limited	472682NB5	\$422,000.00
Monarch Debt Recovery Master Fund Ltd	472682NB5	\$1,412,000.00
Monarch Opportunities Master Fund Ltd	472682NB5	\$1,370,000.00
Oakford MF Limited	472682NB5	\$57,000.00
P Monarch Recovery LTD	472682NB5	\$172,000.00
Emerald Eagle Holdings South, L.L.C.	472682NC3	\$330,000.00
Emerald Eagle Holdings, L.L.C.	472682NC3	\$170,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NC3	\$375,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NC3	\$108,000.00
Monarch Capital Master Partners II LP	472682NC3	\$49,000.00
Monarch Capital Master Partners II-A LP	472682NC3	\$350,000.00
Monarch Capital Master Partners LP	472682NC3	\$992,000.00
Monarch Cayman Fund Limited	472682NC3	\$216,000.00
Monarch Debt Recovery Master Fund Ltd	472682NC3	\$3,040,000.00
Monarch Opportunities Master Fund Ltd	472682NC3	\$1,217,000.00
Oakford MF Limited	472682NC3	\$227,000.00
P Monarch Recovery LTD	472682NC3	\$151,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NC3	\$250,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682ND1	\$2,000,000.00
Claren Road Credit Master Fund, LTD.	472682ND1	\$8,250,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682ND1	\$3,550,000.00
Emerald Eagle Holdings South, L.L.C.	472682ND1	\$2,129,375.00
Emerald Eagle Holdings, L.L.C.	472682ND1	\$995,625.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682ND1	\$2,800,000.00
Monarch Alternative Solutions Master Fund Ltd	472682ND1	\$48,000.00
Monarch Capital Master Partners II LP	472682ND1	\$241,000.00
Monarch Capital Master Partners II-A LP	472682ND1	\$153,000.00
Monarch Capital Master Partners LP	472682ND1	\$436,000.00
Monarch Cayman Fund Limited	472682ND1	\$319,000.00
Monarch Debt Recovery Master Fund Ltd	472682ND1	\$1,334,000.00
Monarch Opportunities Master Fund Ltd	472682ND1	\$3,759,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Oakford MF Limited	472682ND1	\$596,000.00
P Monarch Recovery LTD	472682ND1	\$64,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NE9	\$2,700,000.00
Emerald Eagle Holdings South, L.L.C.	472682NE9	\$4,410,625.00
Emerald Eagle Holdings, L.L.C.	472682NE9	\$2,239,375.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NE9	\$4,125,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NF6	\$35,000,000.00
Claren Road Credit Master Fund, LTD.	472682NF6	\$3,500,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NF6	\$1,500,000.00
Emerald Eagle Holdings South, L.L.C.	472682NF6	\$12,950,000.00
Emerald Eagle Holdings, L.L.C.	472682NF6	\$7,050,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NF6	\$2,500,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682NF6	\$10,000,000.00
Claren Road Credit Master Fund, LTD.	472682NG4	\$14,425,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NG4	\$6,200,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NG4	\$7,325,000.00
Monarch Alternative Solutions Master Fund Ltd	472682NG4	\$336,000.00
Monarch Capital Master Partners II LP	472682NG4	\$65,000.00
Monarch Capital Master Partners II-A LP	472682NG4	\$1,282,000.00
Monarch Cayman Fund Limited	472682NG4	\$791,000.00
Monarch Debt Recovery Master Fund Ltd	472682NG4	\$3,797,000.00
Monarch Opportunities Master Fund Ltd	472682NG4	\$3,455,000.00
Oakford MF Limited	472682NG4	\$197,000.00
P Monarch Recovery LTD	472682NG4	\$577,000.00
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682NH2	\$39,850,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
Claren Road Credit Master Fund, LTD.	472682NH2	\$6,925,000.00
Claren Road Credit Opportunities Master Fund, LTD.	472682NH2	\$2,975,000.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NH2	\$15,000,000.00
Emerald Eagle Holdings South, L.L.C.	472682NJ8	\$34,250.00
Emerald Eagle Holdings, L.L.C.	472682NJ8	\$15,750.00
Glendon Capital Management LP <i>on behalf of its advised accounts</i>	472682NJ8	\$225,000.00
Monarch Capital Master Partners II LP	472682NJ8	\$2,000.00
Monarch Debt Recovery Master Fund Ltd	472682NJ8	\$6,000.00
Monarch Opportunities Master Fund Ltd	472682NJ8	\$62,000.00
P Monarch Recovery LTD	472682NJ8	\$30,000.00
Emerald Eagle Holdings South, L.L.C.	472682NK5	\$68,500.00
Emerald Eagle Holdings, L.L.C.	472682NK5	\$31,500.00
Monarch Capital Master Partners II LP	472682NK5	\$1,000.00
Monarch Debt Recovery Master Fund Ltd	472682NK5	\$2,000.00
Monarch Opportunities Master Fund Ltd	472682NK5	\$15,000.00
P Monarch Recovery LTD	472682NK5	\$7,000.00
Red Mountain Holdings LLC	472682PJ6	\$4,918,002.82
Red Mountain Holdings LLC	472682PJ6	\$1,448,295.26
Red Mountain Holdings LLC	472682PJ6	\$674,970.72
Red Mountain Holdings LLC	472682PJ6	\$5,118,831.65
Red Mountain Holdings LLC	472682PJ6	\$29,015,611.89
Red Mountain Holdings LLC	472682PJ6	\$16,501,131.27
Red Mountain Holdings LLC	472682PJ6	\$1,940,704.55
Red Mountain Holdings LLC	472682PJ6	\$2,236,623.73
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PL1	\$30,000,000.00
Monarch Alternative Solutions Master Fund Ltd	472682PL1	\$1,534,000.00
Monarch Capital Master Partners II-A LP	472682PL1	\$4,886,000.00
Monarch Debt Recovery Master Fund Ltd	472682PL1	\$15,218,947.00
Monarch Opportunities Master Fund Ltd	472682PL1	\$9,350,000.00
Monarch Research Alpha Master Fund Ltd	472682PL1	\$1,368,000.00

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
P Monarch Recovery LTD	472682PL1	\$1,298,000.00
Stone Lion Capital Partners L.P. <i>on behalf of funds and accounts managed by it</i>	472682PL1	\$30,000,000.60
Brigade Capital Management, LLC <i>on behalf of the funds and accounts managed by it</i>	472682PM9	\$31,770,000.00

**Excess Sewer Warrants**

<u>WARRANTHOLDER</u>	<u>CUSIP#</u>	<u>AMOUNT</u>
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<b>Jefferson County, Alabama Sewer Revenue Restructuring Sources and Uses</b>		
<b>Sources:</b>	Tax Exempt	Total
<b>Bond Proceeds</b>		
Principal		
CIBS	\$1,417,915,000	\$1,417,915,000
CABS	\$299,553,493	\$299,553,493
CCABS	\$174,547,695	\$174,547,695
		<u>\$1,892,016,188</u>
Original Issue Premium/Discount	\$70,503,593	\$70,503,593
		-
		-
		<u>\$70,503,593</u>
<b>Total Bond Proceeds</b>		<b>\$1,962,519,780</b>
<b>Other Sources</b>		
Cash From System Available to Closing	\$96,185,941	\$96,185,941
<b>Total Sources</b>	<b>2,058,705,721.65</b>	<b>\$2,058,705,722</b>
<b>Uses:</b>		
Proceeds to Creditors*	\$1,835,003,941	\$1,835,003,941
Backstop**	\$13,080,000	\$13,080,000
Debt Service Reserve Fund Deposit	\$189,201,619	\$189,201,619
Underwriters Discount	\$18,920,162	\$18,920,162
Costs of Issuance	\$2,500,000	\$2,500,000
Additional Proceeds	-	-
<b>Total Uses</b>	<b>\$2,058,705,722</b>	<b>\$2,058,705,722</b>
<b>Summary Statistics</b>		
First four rate increases of 7.41% and 3.49% thereafter		
FV of CABS	\$1,650,005,000	
FV of CCABS	\$317,100,000	
FV of All Capital Appreciating Debt	\$1,967,105,000	
Anticipated CAPEX Shortfall	\$1,214,427,305	
Dated Date	12/1/2013	
Delivery Date	12/1/2013	

The rates set forth herein are solely for purposes of showing anticipated revenues. It is possible for the County to achieve equivalent revenues through means other than across the board rate increases, such as by tiered rates or minimum charges.

\*Amount based on negotiated and assumed distributions to sewer creditors: full usage of \$25 million non-commutation basket, \$165 million to monolines, 65 cent non-commutation distribution, 80 cent commutation distribution (with waivers), and JPM reallocations. Amount does not include distributions to pay, or reimburse insurers for their payment of, pre-closing interest and principal scheduled to come due on or after February 1, 2013.

\*\*Backstop/Put Agreement

**Jefferson County, Alabama  
Sewer Revenue Restructuring  
Consolidated Cash Flows (\$000's)**

Year	Net Revenues						Debt Service			CAPEX							Free Cash Flow (2013+)						
	Sewer Revenue (w/o) Misc.	Net Growth	Total Gross Revenue	Operating Expenses	Growth	Prior Year Excess	Net Sewer Revenue	Growth	Gross Debt Service	Gross Coverage	Total Gross Debt Service	Target Capex	Misc Rev	CAPEX Net Misc. Rev	Applied CF	Funded Capex	CAPEX Shortfall	Total Debt Plus Capex	Net Coverage	Gross FCF	Fund Deposit	Net FCF	Fund Balance
<b>Total (2014+)</b>	\$14,328,013		\$14,349,137	\$5,051,879		\$12,183	\$9,309,441		\$6,892,326		\$6,892,326	\$3,314,303	\$857,529	\$2,456,774	\$153,846	\$2,302,929	\$1,214,427	\$9,195,255		\$157,173	\$48,806	\$108,367	
2013																				\$42,987	\$7,832	\$35,155	\$14,832
2014	\$140,677	-7.97%	\$140,738	\$52,141	-11.85%	-	\$88,596	-5.46%	\$29,980	2.96x	\$29,980	\$11,243	\$14,197	(\$2,954)	-	(\$2,954)	-	\$27,025	3.28x	\$61,571	\$541	\$61,031	\$15,372
2015	\$180,373	28.22%	\$180,508	\$63,173	21.16%	-	\$117,335	32.44%	\$93,869	1.25x	\$93,869	\$37,898	\$14,481	\$23,418	\$419	\$22,998	-	\$116,867	1.00x	\$468	\$469	(\$1)	\$15,841
2016	\$191,926	6.41%	\$192,142	\$65,581	3.81%	-	\$126,561	7.86%	\$89,742	1.41x	\$89,742	\$78,983	\$14,771	\$64,212	\$27,997	\$36,215	-	\$125,957	1.00x	\$603	\$603	\$0	\$16,444
2017	\$204,219	6.41%	\$204,525	\$67,848	3.46%	-	\$136,677	7.99%	\$89,742	1.52x	\$89,742	\$63,961	\$15,066	\$48,895	\$2,529	\$46,366	-	\$136,108	1.00x	\$569	\$569	\$0	\$17,013
2018	\$210,493	3.07%	\$210,809	\$69,991	3.16%	-	\$140,818	3.03%	\$100,582	1.40x	\$100,582	\$55,067	\$15,367	\$39,699	-	\$39,699	-	\$140,282	1.00x	\$536	\$538	(\$2)	\$17,551
2019	\$216,988	3.09%	\$217,313	\$72,202	3.16%	-	\$145,112	3.05%	\$89,200	1.63x	\$89,200	\$183,587	\$15,675	\$167,912	\$112,556	\$55,356	-	\$144,556	1.00x	\$556	\$555	\$0	\$18,106
2020	\$223,682	3.08%	\$224,017	\$74,484	3.16%	-	\$149,534	3.05%	\$89,200	1.68x	\$89,200	\$86,092	\$15,988	\$70,104	\$10,344	\$59,760	-	\$148,960	1.00x	\$574	\$573	\$0	\$18,680
2021	\$230,685	3.13%	\$231,031	\$76,839	3.16%	-	\$154,192	3.12%	\$97,065	1.59x	\$97,065	\$72,841	\$16,308	\$56,533	-	\$56,533	-	\$153,598	1.00x	\$594	\$592	\$2	\$19,271
2022	\$237,832	3.10%	\$238,189	\$81,879	6.56%	\$2	\$156,312	1.37%	\$96,662	1.62x	\$96,662	\$75,026	\$16,634	\$58,392	-	\$58,392	-	\$155,054	1.01x	\$1,258	\$1,254	\$4	\$20,526
2023	\$245,184	3.09%	\$245,552	\$84,554	3.27%	\$4	\$161,001	3.00%	\$91,014	1.77x	\$91,014	\$77,277	\$16,967	\$60,310	-	\$60,310	-	\$151,324	1.06x	\$9,677	\$671	\$9,006	\$21,197
2024	\$252,820	3.11%	\$253,199	\$87,316	3.27%	\$9,006	\$174,889	8.63%	\$108,861	1.61x	\$108,861	\$79,595	\$17,306	\$62,289	-	\$62,289	-	\$171,150	1.02x	\$3,739	\$693	\$3,045	\$21,890
2025	\$260,647	3.10%	\$261,038	\$90,169	3.27%	\$3,045	\$173,914	-0.56%	\$108,861	1.60x	\$108,861	\$81,983	\$17,652	\$64,330	-	\$64,330	-	\$173,192	1.00x	\$722	\$716	\$6	\$22,606
2026	\$268,757	3.11%	\$269,160	\$93,116	3.27%	\$6	\$176,050	1.23%	\$108,866	1.62x	\$108,866	\$84,442	\$18,005	\$66,437	-	\$66,437	-	\$175,303	1.00x	\$747	\$740	\$7	\$23,346
2027	\$277,073	3.09%	\$277,488	\$96,160	3.27%	\$7	\$181,335	3.00%	\$111,956	1.62x	\$111,956	\$86,975	\$18,365	\$68,610	-	\$68,610	-	\$180,566	1.00x	\$769	\$764	\$5	\$24,110
2028	\$285,684	3.11%	\$286,112	\$99,304	3.27%	\$5	\$186,814	3.02%	\$115,166	1.62x	\$115,166	\$89,585	\$18,733	\$70,852	-	\$70,852	-	\$186,018	1.00x	\$795	\$789	\$6	\$24,899
2029	\$294,602	3.12%	\$295,044	\$102,551	3.27%	\$6	\$192,499	3.04%	\$118,511	1.62x	\$118,511	\$92,272	\$19,107	\$73,165	-	\$73,165	-	\$191,676	1.00x	\$823	\$815	\$8	\$25,714
2030	\$303,712	3.09%	\$304,167	\$105,905	3.27%	\$8	\$198,270	3.00%	\$121,871	1.63x	\$121,871	\$95,040	\$19,489	\$75,551	-	\$75,551	-	\$197,422	1.00x	\$848	\$842	\$6	\$26,556
2031	\$313,129	3.10%	\$313,598	\$109,369	3.27%	\$6	\$204,235	3.01%	\$125,346	1.63x	\$125,346	\$97,892	\$19,879	\$78,012	-	\$78,012	-	\$203,599	1.00x	\$877	\$870	\$7	\$27,426
2032	\$322,863	3.11%	\$323,347	\$112,947	3.27%	\$7	\$210,407	3.02%	\$168,321	1.25x	\$168,321	\$61,458	\$20,777	\$41,182	-	\$41,182	\$39,370	\$209,503	1.00x	\$904	\$898	\$5	\$28,324
2033	\$332,901	3.11%	\$333,400	\$116,643	3.27%	\$5	\$216,762	3.02%	\$173,406	1.25x	\$173,406	\$63,106	\$20,682	\$42,423	-	\$42,423	\$40,747	\$215,830	1.00x	\$932	\$928	\$4	\$29,252
2034	\$343,238	3.11%	\$343,753	\$120,461	3.27%	\$4	\$223,296	3.01%	\$178,631	1.25x	\$178,631	\$64,796	\$21,096	\$43,700	-	\$43,700	\$42,173	\$222,331	1.00x	\$965	\$959	\$6	\$30,211
2035	\$353,924	3.11%	\$354,455	\$124,404	3.27%	\$6	\$230,057	3.03%	\$184,041	1.25x	\$184,041	\$66,538	\$21,518	\$45,020	-	\$45,020	\$43,640	\$229,061	1.00x	\$995	\$990	\$5	\$31,201
2036	\$364,919	3.11%	\$365,466	\$128,478	3.27%	\$5	\$236,994	3.02%	\$189,591	1.25x	\$189,591	\$68,323	\$21,948	\$46,375	-	\$46,375	\$45,160	\$235,966	1.00x	\$1,027	\$1,023	\$5	\$32,223
2037	\$376,239	3.10%	\$376,803	\$132,685	3.27%	\$5	\$244,123	3.01%	\$195,296	1.25x	\$195,296	\$70,154	\$22,387	\$47,767	-	\$47,767	\$46,733	\$243,064	1.00x	\$1,059	\$1,056	\$3	\$33,280
2038	\$388,004	3.13%	\$388,586	\$137,031	3.28%	\$3	\$251,558	3.05%	\$201,246	1.25x	\$201,246	\$72,055	\$22,835	\$49,220	-	\$49,220	\$48,340	\$250,466	1.00x	\$1,092	\$1,091	\$1	\$34,371
2039	\$400,105	3.12%	\$400,705	\$141,520	3.28%	\$1	\$259,186	3.03%	\$207,346	1.25x	\$207,346	\$74,001	\$23,292	\$50,710	-	\$50,710	\$50,005	\$258,056	1.00x	\$1,130	\$1,127	\$2	\$35,498
2040	\$412,515	3.10%	\$413,133	\$146,157	3.28%	\$2	\$266,979	3.01%	\$213,581	1.25x	\$213,581	\$75,988	\$23,758	\$52,231	-	\$52,231	\$51,738	\$265,812	1.00x	\$1,167	\$1,164	\$2	\$36,663
2041	\$425,374	3.12%	\$426,012	\$150,946	3.28%	\$2	\$275,068	3.03%	\$220,051	1.25x	\$220,051	\$78,043	\$24,233	\$53,810	-	\$53,810	\$53,515	\$273,862	1.00x	\$1,206	\$1,203	\$3	\$37,866
2042	\$438,713	3.14%	\$439,371	\$155,894	3.28%	\$3	\$283,480	3.06%	\$226,781	1.25x	\$226,781	\$80,170	\$24,717	\$55,453	-	\$55,453	\$55,335	\$282,234	1.00x	\$1,246	\$1,243	\$3	\$39,108
2043	\$452,374	3.11%	\$453,052	\$161,005	3.28%	\$3	\$292,051	3.02%	\$233,636	1.25x	\$233,636	\$82,338	\$25,212	\$57,126	-	\$57,126	\$57,232	\$290,762	1.00x	\$1,288	\$1,284	\$5	\$40,392
2044	\$466,492	3.12%	\$467,191	\$166,284	3.28%	\$5	\$300,912	3.03%	\$240,727	1.25x	\$240,727	\$84,571	\$25,716	\$58,856	-	\$58,856	\$59,186	\$299,582	1.00x	\$1,330	\$1,326	\$4	\$41,718
2045	\$481,071	3.13%	\$481,792	\$171,737	3.28%	\$4	\$310,059	3.04%	\$248,044	1.25x	\$248,044	\$86,872	\$26,230	\$60,641	-	\$60,641	\$61,198	\$308,685	1.00x	\$1,374	\$1,370	\$4	\$43,088
2046	\$496,071	3.12%	\$496,815	\$177,371	3.28%	\$4	\$319,448	3.03%	\$255,554	1.25x	\$255,554	\$89,229	\$26,755	\$62,474	-	\$62,474	\$63,283	\$318,028	1.00x	\$1,420	\$1,415	\$5	\$44,503
2047	\$511,542	3.12%	\$512,309	\$183,190	3.28%	\$5	\$329,124	3.03%	\$263,297	1.25x	\$263,297	\$91,652	\$27,290	\$64,362	-	\$64,362	\$65,435	\$327,659	1.00x	\$1,466	\$1,462	\$4	\$45,964
2048	\$527,492	3.12%	\$528,283	\$189,201	3.28%	\$4	\$339,086	3.03%	\$271,265	1.25x	\$271,265	\$94,142	\$27,836	\$66,306	-	\$66,306	\$67,658	\$337,571	1.00x	\$1,515	\$1,510	\$5	\$47,474
2049	\$544,009	3.13%	\$544,825	\$195,410	3.28%	\$5	\$349,420	3.05%	\$279,531	1.25x	\$279,531	\$96,716	\$28,392	\$68,323	-	\$68,323	\$69,938	\$347,854	1.00x	\$1,566	\$1,560	\$6	\$49,034
2050	\$561,013	3.13%	\$561,854	\$201,824	3.28%	\$6	\$360,036	3.04%	\$288,026	1.25x	\$288,026	\$99,355	\$28,960	\$70,395	-	\$70,395	\$72,299	\$358,420	1.00x	\$1,616	\$1,611	\$4	\$50,645
2051	\$578,617	3.14%	\$579,485	\$208,450	3.28%	\$4	\$371,038	3.06%	\$296,831	1.25x	\$296,831	\$102,082	\$29,540	\$72,542	-	\$72,542	\$74,721	\$369,373	1.00x	\$1,666	\$1,665	\$1	\$52,310
2052	\$596,702	3.13%	\$597,597	\$215,295	3.28%	\$1	\$382,302	3.04%	\$305,841	1.25x	\$305,841	\$104,871	\$30,130	\$74,741	-	\$74,741	\$77,236	\$380,582	1.00x	\$1,720	\$1,720	\$1	\$54,030
2053	\$615,352	3.13%	\$616,275	\$222,365	3.28%	\$1	\$393,911	3.04%	\$264,781	1.49x	\$264,781	\$158,085	\$30,733	\$127,352	-	\$127,352	\$29,485	\$392,134	1.00x	\$1,777	\$1,776	\$1	\$55,806

\* DSRF is kept until final maturity of Tax Exempt bonds and is used to pay debt service. Assumes 0.00% earnings and full release of DSRF in 2053

\*\* Assumes initial balance in construction fund of \$153,845,872 and 0.00% earnings. Funds are diverted to the DSRF and then reimbursed through FCF in the first 2 years

\*\*\* Assumes Free Cash flow in FY 2013 and 2014 totaling \$96,185,941.25 funds up the CAPEX account for funds previously diverted to the DSRF.

\*\*\*\* Assumes the 2013 Net Free Cash Flow of \$35,155,413 is the result of standard, ongoing cash flows of the system and also net of the Delayed Feb. 2013 Debt Service Payment, the projected contingency, a small and a deposit into an OpEx Reserve Fund

\*\*\*\*\* 2014 Revenues, Operating Expenses, and CAPEX requirements have been adjusted downward for October and November 2013 as these are prior to the Delivery Date. These cash flows are reflected in the net 2013 FCF value.

Jefferson County, Alabama Sewer Revenue Restructuring Current Interest Bond Pricing					
Maturity Date	Call Date	Principal	Coupon	Yield	Price
4/1/2014	4/1/2014	-	5.000%	3.500%	100.484
4/1/2015	4/1/2015	\$3,930,000	5.000%	3.500%	101.932
4/1/2016	4/1/2016	-	5.000%	3.625%	103.045
4/1/2017	4/1/2017	-	5.000%	3.750%	103.877
4/1/2018	4/1/2018	\$10,840,000	5.000%	3.875%	104.442
4/1/2019	4/1/2019	-	5.000%	4.125%	104.145
4/1/2020	4/1/2020	-	5.000%	4.250%	104.120
4/1/2021	4/1/2021	\$7,865,000	5.000%	4.375%	103.878
4/1/2022	4/1/2022	\$7,855,000	5.000%	4.500%	103.436
4/1/2023	4/1/2023	\$2,600,000	6.322%	5.625%	105.000
4/1/2024	4/1/2023	-	6.322%	5.625%	105.000
4/1/2025	4/1/2023	-	6.322%	5.625%	105.000
4/1/2026	4/1/2023	-	6.322%	5.625%	105.000
4/1/2027	4/1/2023	-	6.322%	5.625%	105.000
4/1/2028	4/1/2023	-	6.322%	5.625%	105.000
4/1/2029	4/1/2023	-	6.322%	5.625%	105.000
4/1/2030	4/1/2023	-	6.322%	5.625%	105.000
4/1/2031	4/1/2023	-	6.322%	5.625%	105.000
4/1/2032	4/1/2023	-	6.322%	5.625%	105.000
4/1/2033	4/1/2023	-	6.322%	5.625%	105.000
4/1/2034	4/1/2023	-	6.322%	5.625%	105.000
4/1/2035	4/1/2023	-	6.322%	5.625%	105.000
4/1/2036	4/1/2023	-	6.322%	5.625%	105.000
4/1/2037	4/1/2023	-	6.322%	5.625%	105.000
4/1/2038	4/1/2023	-	6.322%	5.625%	105.000
4/1/2039	4/1/2023	-	6.322%	5.625%	105.000
4/1/2040	4/1/2023	-	6.322%	5.625%	105.000
4/1/2041	4/1/2023	-	6.322%	5.625%	105.000
4/1/2042	4/1/2023	-	6.322%	5.625%	105.000
4/1/2043	4/1/2023	\$11,385,000	6.322%	5.625%	105.000
4/1/2044	4/1/2023	\$132,585,000	6.322%	5.625%	105.000
4/1/2045	4/1/2023	\$148,285,000	6.322%	5.625%	105.000
4/1/2046	4/1/2023	\$165,170,000	6.322%	5.625%	105.000
4/1/2047	4/1/2023	\$183,355,000	6.322%	5.625%	105.000
4/1/2048	4/1/2023	\$202,915,000	6.322%	5.625%	105.000
4/1/2049	4/1/2023	-	6.451%	5.750%	105.000
4/1/2050	4/1/2023	-	6.451%	5.750%	105.000
4/1/2051	4/1/2023	\$170,580,000	6.451%	5.750%	105.000
4/1/2052	4/1/2023	\$261,325,000	6.451%	5.750%	105.000
4/1/2053	4/1/2023	\$109,225,000	6.451%	5.750%	105.000

Jefferson County, Alabama Sewer Revenue Restructuring Capital Appreciation Bond Pricing						
Maturity Date	Call Date	Principal	Coupon	Yield	Price	CAB Price
4/1/2014	4/1/2014	-	5.875%	5.875%	100.000	97.610
4/1/2015	4/1/2015	-	5.875%	5.875%	100.000	92.570
4/1/2016	4/1/2016	-	5.875%	5.875%	100.000	87.362
4/1/2017	4/1/2017	-	5.875%	5.875%	100.000	82.447
4/1/2018	4/1/2018	-	5.875%	5.875%	100.000	77.808
4/1/2019	4/1/2019	-	5.875%	5.875%	100.000	73.431
4/1/2020	4/1/2020	-	5.875%	5.875%	100.000	69.300
4/1/2021	4/1/2021	-	5.875%	5.875%	100.000	65.401
4/1/2022	4/1/2022	-	5.875%	5.875%	100.000	61.721
4/1/2023	4/1/2023*	-	5.875%	5.875%	100.000	58.249
4/1/2024	4/1/2023*	-	5.875%	5.875%	100.000	54.972
4/1/2025	4/1/2023*	-	5.875%	5.875%	100.000	51.879
4/1/2026	4/1/2023*	\$2,448	5.875%	5.875%	100.000	48.961
4/1/2027	4/1/2023*	\$1,430,076	5.875%	5.875%	100.000	46.206
4/1/2028	4/1/2023*	\$2,749,421	5.875%	5.875%	100.000	43.607
4/1/2029	4/1/2023*	\$3,971,265	5.875%	5.875%	100.000	41.153
4/1/2030	4/1/2023*	\$4,953,558	6.000%	6.000%	100.000	38.075
4/1/2031	4/1/2023*	\$5,916,467	6.000%	6.000%	100.000	35.890
4/1/2032	4/1/2023*	\$19,672,341	6.125%	6.125%	100.000	33.085
4/1/2033	4/1/2023*	\$20,104,477	6.125%	6.125%	100.000	31.148
4/1/2034	4/1/2023*	\$19,961,197	6.250%	6.250%	100.000	28.610
4/1/2035	4/1/2023*	\$20,225,675	6.250%	6.250%	100.000	26.903
4/1/2036	4/1/2023*	\$19,876,533	6.375%	6.375%	100.000	24.621
4/1/2037	4/1/2023*	\$19,987,229	6.375%	6.375%	100.000	23.124
4/1/2038	4/1/2023*	\$19,481,225	6.500%	6.500%	100.000	21.087
4/1/2039	4/1/2023*	\$19,480,333	6.500%	6.500%	100.000	19.780
4/1/2040	4/1/2023*	\$19,429,749	6.500%	6.500%	100.000	18.554
4/1/2041	4/1/2023*	\$18,722,172	6.625%	6.625%	100.000	16.838
4/1/2042	4/1/2023*	\$18,603,059	6.625%	6.625%	100.000	15.776
4/1/2043	4/1/2023*	\$16,759,042	6.625%	6.625%	100.000	14.780
4/1/2044	4/1/2023*	-	6.750%	6.750%	100.000	13.349
4/1/2045	4/1/2023*	-	6.750%	6.750%	100.000	12.491
4/1/2046	4/1/2023*	-	6.750%	6.750%	100.000	11.689
4/1/2047	4/1/2023*	-	6.750%	6.750%	100.000	10.938
4/1/2048	4/1/2023*	-	6.750%	6.750%	100.000	10.236
4/1/2049	4/1/2023*	\$21,455,678	6.750%	6.750%	100.000	9.578
4/1/2050	4/1/2023*	\$20,839,423	6.750%	6.750%	100.000	8.963
4/1/2051	4/1/2023*	\$5,932,125	6.750%	6.750%	100.000	8.387
4/1/2052	4/1/2023*	-	6.750%	6.750%	100.000	7.848
4/1/2053	4/1/2023*	-	6.750%	6.750%	100.000	7.344

\*Note: Subject to make-whole provisions from 2023 through 2053

**Jefferson County, Alabama  
Sewer Revenue Restructuring  
Convertible Capital Appreciation Bond Pricing**

Maturity Date	Conversion Date	Principal	Coupon	Yield	Price	CCAB Price
4/1/2023	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2024	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2025	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2026	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2027	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2028	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2029	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2030	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2031	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2032	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2033	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2034	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2035	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2036	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2037	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2038	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2039	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2040	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2041	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2042	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2043	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2044	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2045	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2046	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2047	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2048	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2049	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2050	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2051	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2052	4/1/2023	-	6.500%	6.500%	100.000	55.045
4/1/2053	4/1/2023	\$174,547,695	6.500%	6.500%	100.000	55.045