



October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreements and Related Forbearance  
Agreements Between Jefferson County and JPMorgan Chase Bank

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of February 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), and JPMorgan Chase Bank (the "Bank"), as liquidity provider, relating to \$110,000,000 Jefferson County, Alabama Sewer Revenue Capital Improvement Warrants Series 2002-A (the "2002-A Standby Agreement"); (b) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among the County, the Trustee, JPMorgan Chase Bank, as Liquidity Agent (the "Liquidity Agent"), and the Bank, as liquidity provider, relating to \$73,700,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-2 (the "2002-C-2 Standby Agreement"; collectively with the 2002-A Standby Agreement, the "Standby Agreements"); (c)(i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc (formerly XL Capital Assurance Inc., "Syncora") and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2002-A Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008 and October 7, 2008 regarding the 2002-A Standby Agreement and the 2002-A Original Forbearance Agreement (the documents described in this clause (c) are referred to collectively as the "2002-A Forbearance Agreement"); and (d)(i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, FGIC, Syncora, the Liquidity Agent and the Bank (as

amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2002-C-2 Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008 and October 7, 2008 regarding the 2002-C-2 Standby Agreement and the 2002-C-2 Original Forbearance Agreement (the documents described in this clause (d) are referred to collectively as the "2002-C-2 Forbearance Agreement"; collectively with the 2002-A Forbearance Agreement, the "Forbearance Agreements"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreements or the Standby Agreements, as applicable.

As you know, pursuant to the Forbearance Agreements, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreements, that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants, and that all interest accrued at the Default Rate on the Bank Warrants in excess of the amount paid by the County to the Bank on April 1, 2008, May 1, 2008, June 2, 2008, July 1, 2008, August 4, 2008, September 2, 2008 and October 1, 2008 (the "Default Interest") shall be due and payable in full by the County on October 31, 2008. Additionally, pursuant to the Forbearance Agreements, and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, the Bank stated its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 31, 2008.

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows: Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date as the Bank in its sole discretion (and without execution of any writing by the County or any other Party) selects for Default Interest to be due and payable or (ii) immediately upon written notice from the Bank to the County demanding payment of such Default Interest.

On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of such partial payment of interest calculated at the Bank Rate, rather than at the Default Rate that became applicable to the Bank Warrants upon the occurrence of the above referenced Events of Default under the Standby Agreements,

shall not constitute a waiver of the Banks' rights under the Standby Agreements, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreements, the Bank Warrants, and the Related Documents.

For purposes of the definition of "Bank Rate" in the 2002-C-2 Standby Agreement, the Expiration Date shall be October 17, 2008. For all other purposes, the Expiration Date as defined in the 2002-C-2 Standby Agreement shall be October 31, 2008. Syncora confirms that the Bank Rate as calculated in conformity with this paragraph constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter does not constitute an amendment or modification of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreements requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreements as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer does not contravene or constitute a default under any statute,

regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreements, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreements, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers and the Trustee.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

JPMORGAN CHASE BANK

By: William A. Austin  
Title: EXECUTIVE DIRECTOR

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: Bettye Fine Collins  
Title: PRESIDENT

FINANCIAL GUARANTY INSURANCE COMPANY

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

SYNCORA GUARANTEE INC., formerly XL  
CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly The BANK OF NEW YORK, as Trustee

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

October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement and Related Forbearance Agreement  
Between Jefferson County and Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as Liquidity Agent (the "Liquidity Agent"), and Bank of America, N.A., as liquidity provider (the "Bank"), relating to \$98,300,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-3 (the "Standby Agreement"); (b) (i) the Forbearance Agreement and Reservation of Rights (Standby Warrant Purchase Agreement – Bank of America, N.A.), dated as of March 31, 2008, among the County, the Bank, the Liquidity Agent, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc., formerly XL Capital Assurance Inc. ("Syncora") (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 29, 2008 and September 30, 2008 regarding the Standby Agreement and the Original Forbearance Agreement (the documents described in this clause (b) are referred to collectively as the "Forbearance Agreement"); (c) (i) the Notice and Instructions Concerning Redemption of Bank Warrants, dated April 15, 2008, relating to the Standby Agreement (the "Redemption Notice"); (ii) the Notice and Officer's Certificate, dated May 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice and (iii) the Notice and Officer's Certificate (revised) dated July 31, 2008 from the Bank related to the revised calculation of redemption amounts under the Redemption Notice (the documents referred to in this clause (c) collectively, the "Notice and Officer's Certificate"). Unless otherwise defined,

capitalized terms are used herein as defined in the Forbearance Agreement, the Standby Agreement or the Notice and Officer's Certificate, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement, that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants, and that all interest accrued at the Default Rate on the Bank Warrants in excess of the amount paid by or for account of the County to the Bank on April 1, 2008, May 1, 2008, June 2, 2008, July 1, 2008, August 4, 2008, September 2, 2008 and October 1, 2008 (the "Default Interest") were due and payable in full by the County on October 8, 2008. Also, pursuant to the Forbearance Agreement, and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, the Bank stated its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 8, 2008. Additionally, in accordance with a forbearance letter from the Bank to the County dated October 7, 2008 (the "October 7, 2008 Forbearance Letter"), the Bank, under certain terms and conditions and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, was willing to state its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 31, 2008. Syncora and FGIC declined to execute the October 7, 2008, Forbearance Letter. As a result of Syncora's and FGIC's refusal to execute the October 7, 2008 Forbearance Letter, the October 7, 2008 Forbearance Letter by its own terms did not become effective. Nonetheless, the Bank has to date elected to refrain from exercising its rights and remedies (without prejudice to any of those rights and remedies) in respect of the above-referenced Events of Default.

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows: Notwithstanding the termination of the Forbearance Period and the refusal of Syncora and FGIC to execute the October 7, 2008 Forbearance Letter, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreement, the Bank agrees that, effective upon the execution in counterparts of this letter by the County, the Liquidity Agent and the Trustee, the Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date as the Bank in its sole discretion (and without execution of any writing by the County or any other Party) selects for Default Interest to be due and payable or (ii) immediately upon written notice from the Bank to the County demanding payment of such Default Interest.



On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the Bank Rate. The acceptance of such partial payment of interest calculated at the Bank Rate, rather than at the Default Rate that became applicable to the Bank Warrants upon the occurrence of the above referenced Events of Default under the Standby Agreement, shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents.

Please note that nothing contained in this letter is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Liquidity Agent and the Trustee.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

BANK OF AMERICA, N.A.

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

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: *Walter Gene Collins*  
Title: **PRESIDENT**

JPMORGAN CHASE BANK

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

THE BANK OF NEW YORK MELLON,  
formerly The BANK OF NEW YORK, as Trustee

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

October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreements and Related Forbearance  
Agreements Between Jefferson County and The Bank of Nova Scotia

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as liquidity agent (the "Liquidity Agent"), and The Bank of Nova Scotia acting through its New York Agency (the "Bank"), as liquidity provider, relating to \$73,700,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-4 (the "2002-C-4 Standby Agreement"); (b) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc. (formerly XL Capital Assurance Inc., "Syncora"), the Liquidity Agent and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008 (as so amended, the "2002-C Original Forbearance Agreement"); and (c) the forbearance letters from the Bank to the County dated May 14, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008 and October 7, 2008, regarding the 2002-C-4 Standby Agreement and the 2002-C Original Forbearance Agreement (the documents described in this clause (c) are referred to collectively as the "2002-C Forbearance Agreement"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreement or the Standby Agreement, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing effort to reach a consensual restructuring of the County's sewer

related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows. Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agreed that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County, or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest. On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. For purposes of the definition of "Bank Rate" in the Standby Agreement, the Expiration Date (as such term is defined in the 2002-C-4 Standby Agreement) shall remain at October 24, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing

contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Syncora hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Syncora hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants,

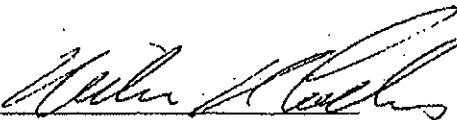
the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Liquidity Agent and the Trustee.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

THE BANK OF NOVA SCOTIA

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

WILLIAM R. COLLINS  
MANAGING DIRECTOR

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By:   
Title: \_\_\_\_\_  
**PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Liquidity Agent

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



**SYNCORA GUARANTEE INC., formerly XL  
CAPITAL ASSURANCE INC.**

**By: \_\_\_\_\_  
Title:**

**THE BANK OF NEW YORK MELLON,  
formerly The Bank of New York, as Trustee**

**By: \_\_\_\_\_  
Title:**



October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement and Related Forbearance  
Agreement Between Jefferson County and Regions Bank

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as liquidity agent (the "Liquidity Agent"), and Regions Bank, (the "Bank"), as liquidity provider, relating to \$49,100,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-7 (the "Standby Agreement"); and (b)(i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, the Liquidity Agent, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc., formerly XL Capital Assurance Inc. ("Syncora") and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008, and October 8, 2008 regarding the Standby Agreement and the Original Forbearance Agreement (the documents described in this clause (b) are referred to collectively as the "Forbearance Agreement"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreement or the Standby Agreement, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement, and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows. Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County, or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest. On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto.

For purposes of the definition of "Bank Rate" in the Standby Agreement, the Expiration Date (as such term is defined in the Standby Agreement) shall remain at October 17, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to

the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter, nor any extension of any date pursuant hereto, shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies; and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent

applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Liquidity Agent, and the Trustee.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

REGIONS BANK

By: N. Ronald Downey III  
N. Ronald Downey III  
Title: Vice President

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: Walter Gene Collier  
Title: **PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

SYNCORA GUARANTEE INC.,  
formerly XL CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly The Bank of New York, as Trustee

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

JPMORGAN CHASE BANK, as Liquidity Agent

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

October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreements and Related Forbearance  
Agreements Between Jefferson County and Lloyds TSB Bank PLC

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as liquidity agent (the "Liquidity Agent"), and Lloyds TSB Bank PLC (the "Bank"), as liquidity provider, relating to \$105,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-7 (the "2003-B-7 Standby Agreement"); (b) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc. (formerly XL Capital Assurance Inc., "Syncora"), the Liquidity Agent and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008 (as so amended, the "2003-B-7 Original Forbearance Agreement"); and (c) the forbearance letters from the Bank to the County dated May 14, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008 and October 7, 2008, regarding the 2003-B-7 Original Forbearance Agreement (the documents described in this clause (c) are referred to collectively as the "2003-B-7 Forbearance Agreement"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreement or the Standby Agreement, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that



mutual goal, the Bank presently intends to proceed as follows. Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County, or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest. On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. For purposes of the definition of "Bank Rate" in the Standby Agreement, the Expiration Date (as such term is defined in the 2003-B-7 Standby Agreement) shall remain at April 23, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or

release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Syncora hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Syncora hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Liquidity Agent and the Trustee.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

LLOYDS TSB BANK PLC

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

*NJB*  
Nicholas J. Bruce  
Vice President & Manager  
Risk Management & Business Support  
8081

*J. Smith*  
Jonathan Smith  
Assistant Vice President  
Risk Management & Business Support  
8025

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

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

*Kathy Sue Collins*

**PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION, as Liquidity Agent

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

SYNCORA GUARANTEE INC., formerly XL  
CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly The Bank of New York, as Trustee

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



**THE BANK OF NEW YORK MELLON**

October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement and Related Forbearance Agreement  
Between Jefferson County and The Bank of New York Mellon

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of May 1, 2003, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly known as The Bank of New York, as Trustee (the "Trustee"), The Bank of New York Mellon, formerly known as The Bank of New York (the "Bank"), as liquidity provider, and JPMorgan Chase Bank (the "Liquidity Agent"), as liquidity agent, relating to the County's Sewer Revenue Refunding Warrants, Series 2003-B-3 and Series 2003-B-4 (the "Standby Agreement"); and (b) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc., formerly known as XL Capital Assurance Inc. ("Syncora"), the Liquidity Agent, and the Bank, as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, and the letter agreements relating thereto among the Bank, the County, and the other parties thereto, dated as of May 13, 2008, May 30, 2008, August 1, 2008, and August 29, 2008 (collectively, the "Forbearance Agreement"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreement or the Standby Agreement, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement, and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer

related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows. Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County, or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest. On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto.

For purposes of the definition of "Bank Rate" in the Standby Agreement, the Expiration Date (as such term is defined in the Standby Agreement) shall remain at April 23, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's

rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter, nor any extension of any date pursuant hereto, shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any



undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Trustee, and the Liquidity Agent.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

THE BANK OF NEW YORK MELLON,  
formerly known as The Bank of New York

By:   
Title:

**KEVIN J. DUNPHY**  
**MANAGING DIRECTOR**

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: *Betty Sue Collins*  
Title:

**PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION,  
as Liquidity Agent

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

SYNCORA GUARANTEE INC.,  
formerly known as XL Capital Assurance Inc.

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

THE BANK OF NEW YORK MELLON,  
formerly known as The Bank of New York,  
as Trustee

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

October 31, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement and Related Forbearance Agreement  
Between Jefferson County and Bank of America, N.A.

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as Liquidity Agent (the "Liquidity Agent"), and Bank of America, N.A., as liquidity provider (the "Bank"), relating to \$98,300,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-3 (the "Standby Agreement"); (b) (i) the Forbearance Agreement and Reservation of Rights (Standby Warrant Purchase Agreement – Bank of America, N.A.), dated as of March 31, 2008, among the County, the Bank, the Liquidity Agent, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc., formerly XL Capital Assurance Inc. ("Syncora") (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008 and August 29, 2008 regarding the Standby Agreement and the Original Forbearance Agreement (the documents described in this clause (b) are referred to collectively as the "Forbearance Agreement"); (c) (i) the Notice and Instructions Concerning Redemption of Bank Warrants, dated April 15, 2008, relating to the Standby Agreement (the "Redemption Notice"); (ii) the Notice and Officer's Certificate, dated May 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice and (iii) the Notice and Officer's Certificate (revised) dated July 31, 2008 from the Bank related to the revised calculation of redemption amounts under the Redemption Notice (the documents referred to in this clause (c) collectively, the "Notice and Officer's Certificate"). Unless otherwise defined, capitalized terms are used herein

as defined in the Forbearance Agreement, the Standby Agreement or the Notice and Officer's Certificate, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement, that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants, and that all interest accrued at the Default Rate on the Bank Warrants in excess of the amount paid by or for account of the County to the Bank on April 1, 2008, May 1, 2008, June 2, 2008, July 1, 2008, August 4, 2008 and September 2, 2008 (the "Default Interest") were due and payable in full by the County on October 1, 2008. Also, pursuant to the Forbearance Agreement, and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, the Bank stated its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 1, 2008. Additionally, in accordance with forbearance letters from the Bank to the County dated September 30, 2008 (the "September 30, 2008 Forbearance Letter") and October 7, 2008 (the "October 7, 2008 Forbearance Letter"), respectively, the Bank, under certain terms and conditions and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, was willing to state its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 8, 2008 and October 31, 2008, respectively. The September 30, 2008 Forbearance Letter and the October 7, 2008 Forbearance Letter, however, were not fully executed and thus by their own terms did not become effective. Nonetheless, the Bank has to date elected to refrain from exercising its rights and remedies (without prejudice to any of those rights and remedies) in respect of the above-referenced Events of Default.

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows: Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreement, the Bank agrees that, effective upon the execution in counterparts of this letter by the County, the Liquidity Agent, the Trustee, Syncora and FGIC the Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date as the Bank in its sole discretion (and without execution of any writing by the County or any other Party) selects for Default Interest to be due and payable or (ii) immediately upon written notice from the Bank to the County demanding payment of such Default Interest.

On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the Bank Rate. The acceptance of such partial payment of interest calculated at the Bank Rate, rather than at the Default Rate that became applicable to the Bank Warrants upon the occurrence of the above referenced Events of Default under the Standby Agreement, shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents.

Please note that nothing contained in this letter is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective

Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Liquidity Agent, the Bond Insurers and the Trustee.



We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

BANK OF AMERICA, N.A.

By: 

Title: SVP

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: *Betty Jane Collins*  
Title: \_\_\_\_\_

**PRESIDENT**

JPMORGAN CHASE BANK

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

**PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

SYNCORA GUARANTEE INC.,  
formerly XL CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly The BANK OF NEW YORK, as Trustee

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



STATE STREET.

October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement and Related Forbearance  
Agreement Between Jefferson County and State Street Bank and Trust  
Company

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of May 1, 2003, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), JP Morgan Chase Bank, as Liquidity Agent, (the "Liquidity Agent"), and State Street Bank and Trust Company (the "Bank"), as liquidity provider, relating to \$75,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-B-5, and \$15,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-B-6 (as amended, supplemented or otherwise modified, the "Standby Agreement"); (b) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee, Inc. ("Syncora" f/k/a XL Capital Assurance, Inc.) the Liquidity Agent and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "Original Forbearance Agreement"); (c) the letter from the Bank to the County dated May 14, 2008, regarding the Standby Agreement and the Original Forbearance Agreement; (d) the letter from the Bank to the County dated May 30, 2008, regarding the Standby Agreement and the Original Forbearance Agreement; (e) the letter from the Bank to the County dated July 31, 2008 regarding the Standby Agreement and the Original Forbearance Agreement; and (f) the letter from the Bank to the County dated August 29, 2008 regarding the Standby Agreement and the Original Forbearance Agreement (the documents described in clauses (b), (c), (d), (e), and (f) are referred to collectively as the "Forbearance Agreement"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreement or the Standby Agreement, as applicable.

As you know, pursuant to the Forbearance Agreement, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreement and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank presently intends to proceed as follows: Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgement by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County, or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest. On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto.

For purposes of the definition of "Bank Rate" in the Standby Agreement, the Expiration Date (as such term is defined in the Standby Agreement) shall remain at April 23, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to

the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter, nor any extension of any date pursuant hereto, shall be deemed to waive any existing Events of Default, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreement, the Forbearance Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreement requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document (other than to the Standby Agreement as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent

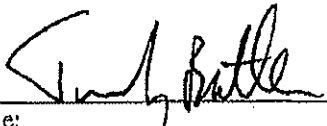
applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreement, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Trustee, and the Liquidity Agent.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

STATE STREET BANK AND TRUST  
COMPANY

By:   
Title:

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By:   
Title: **PRESIDENT**

FINANCIAL GUARANTY INSURANCE COMPANY

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

SYNCORA GUARANTEE INC., formerly XL  
CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly The BANK OF NW YORK, as Trustee

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

JP MORGAN CHASE BANK, as Liquidity Agent

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



October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreements and Related Forbearance  
Agreements Between Jefferson County and Societe Generale, New York  
Branch

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of October 1, 2002, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly known as The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as liquidity agent (the "Liquidity Agent"), and Societe Generale, New York Branch (the "Bank"), as liquidity provider, relating to \$147,600,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-6 (the "2002-C-6 Standby Agreement"); (b) the Standby Warrant Purchase Agreement, dated as of May 1, 2003, among the County, the Trustee, the Liquidity Agent, and the Bank, as liquidity provider, relating to \$55,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-2 (the "2003-B-2 Standby Agreement"); collectively with the 2002-C-6 Standby Agreement, the "Standby Agreements"; (c) (i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, the Liquidity Agent, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc., formerly known as XL Capital Assurance Inc. ("Syncora") and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2002-C-6 Original Forbearance Agreement") and (ii) the letter agreements relating thereto among the Bank, the County and the other parties thereto, dated as of May 13, 2008, May 30, 2008, July 31, 2008 and August 29, 2008 regarding the 2002-C-6 Standby Agreement and the 2002-C-6 Original Forbearance Agreement (the documents described in this clause (c) are referred to collectively as the "2002-C-6 Forbearance Agreement"); and (d) (i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, the Liquidity Agent, FGIC, Syncora, and the Bank

(as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2003-B-2 Original Forbearance Agreement") and (ii) the letter agreements relating thereto among the Bank, the County and the other parties thereto, dated as of May 13, 2008, May 30, 2008, July 31, 2008 and August 29, 2008 regarding the 2003-B-2 Standby Agreement and the 2003-B-2 Original Forbearance Agreement (the documents described in this clause (d) are referred to collectively as the "2003-B-2 Forbearance Agreement"; collectively with the 2002-C-6 Forbearance Agreement, the "Forbearance Agreements"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreements or the Standby Agreements, as applicable.

As you know, pursuant to the Forbearance Agreements, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreements, and that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants (the "Unpaid Default Interest").

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows: Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County; provided that the Bank shall receive when due (a) interest on the Bank Warrants that has accrued at the applicable Bank Rate, as such term is defined in the Standby Agreement, and (b) principal payments on the Bank Warrants. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that, the Unpaid Default Interest shall be due and payable in full by the County on the earlier of (i) December 8, 2008, or such later date of which the Bank in its sole discretion (and without the need for any acknowledgment by the County or any other Party) may give notice to the County or (ii) immediately upon written notice from the Bank to the County demanding payment of such Unpaid Default Interest.

On each of November 3, 2008 and December 1, 2008, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of payments of interest that are not calculated at the Default Rate shall not constitute a waiver of the Bank's rights under the Standby Agreements, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreements, the Bank Warrants, and the Related Documents. In accordance with the terms of the Standby Agreement, from January 24, 2008, the date of the first occurrence of any continuing

Event of Default, interest on the Bank Warrants has accrued and will continue to accrue at the Default Rate. Syncora approves of the provisions of this paragraph and acknowledges and confirms that all interest accrued and accruing on the Bank Warrants is insured by the Municipal Bond Insurance Policy, subject, to the extent applicable, to the terms and conditions of the Standby Agreement, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto.

For purposes of the definition of "Bank Rate" in the Standby Agreements, (i) the Expiration Date (as such term is defined in the 2003-B-2 Standby Agreement) shall remain at April 23, 2008, and (ii) the Expiration Date (as such term is defined in the 2002-C-6 Standby Agreement) shall remain at October 17, 2008. Syncora confirms that the Bank Rate as calculated in conformity with the preceding sentence constitutes the Bank Rate for purposes of the Municipal Bond Insurance Policy.

Please note that nothing contained in this letter, nor any extension of any date pursuant hereto, is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Unpaid Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the Parties in relation to the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any Party, nor shall anything contained in this letter, nor any extension of any date pursuant hereto, enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this letter, nor any extension of any date pursuant hereto, shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter, and any extension of any date pursuant hereto, does not constitute an amendment or modification of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein, nor any extension of any date pursuant hereto, shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent to the extent that the third paragraph of this letter constitutes an amendment to the Standby Agreements requiring its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the

Indenture or any Related Document (other than to the Standby Agreements as provided in the third paragraph of this letter) and has not agreed to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

The execution, delivery and performance of this letter agreement by each undersigned Bond Insurer, and any extension of any date pursuant hereto, does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of the respective Bond Insurer's organizational documents or any contractual restriction binding on such Bond Insurer (including any agreement between such Bond Insurer and any reinsurer) or require any authorization, consent, approval, exemption or license from, or any filing of registration by any officers or other internal authorities of such Bond Insurer or with any governmental authority that has not been obtained. Each undersigned Bond Insurer hereby ratifies and confirms the Municipal Bond Insurance Policy and its insurance, in accordance with the terms thereof, of all payments of principal and interest on the Bank Warrants, subject, to the extent applicable, to the terms and conditions of the Standby Agreements, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Each undersigned Bond Insurer hereby ratifies and confirms the DSRF Insurance Policy issued by it, subject, to the extent applicable, to the terms and conditions of the Standby Agreements, the Bank Warrants, each Bond Insurance Policy, the other Related Documents, and any and all documents related thereto. Without limiting the generality of the foregoing, as between each undersigned Bond Insurer, on the one hand, and the Bank and the Trustee, on the other, neither the execution and delivery of this letter agreement, nor performance hereunder, nor any extension of any date pursuant hereto, shall alter in any way (a) the rights of the Bank or the Trustee, or the obligations of any undersigned Bond Insurer, under each Bond Insurance Policy, nor constitute a defense to payment or release under any Bond Insurance Policy, and each undersigned Bond Insurer expressly waives the benefit of any rule of law or provision of any Related Document that would provide otherwise and (b) the rights and/or defenses of any undersigned Bond Insurer, as such rights and/or defenses existed prior to the execution of this letter agreement, under the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, and any and all documents related thereto.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County, the Bond Insurers, the Trustee and the Liquidity Agent.

We look forward to continuing to work cooperatively in an effort to achieve a consensual restructuring of the County's sewer related indebtedness, and of course, we remain willing to discuss any issue with you at your convenience.

Sincerely,

SOCIETE GENERALE, NEW YORK BRANCH

By: [Signature]  
Title: Director

JPMORGAN CHASE BANK, solely with respect to its participation percentage of the 2003-B-2 Bank Warrants.

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

**PRESIDENT**

CONSENT AND AGREE:  
JEFFERSON COUNTY, ALABAMA

By: [Signature]  
Title: \_\_\_\_\_

FINANCIAL GUARANTY INSURANCE COMPANY

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

SYNCORA GUARANTEE INC., formerly known as XL  
CAPITAL ASSURANCE INC.

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

THE BANK OF NEW YORK MELLON,  
formerly known as The BANK OF NEW YORK, as Trustee

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

JPMORGAN CHASE BANK, as Liquidity Agent

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



JPMORGAN CHASE BANK  
REDEMPTION DATE DEFERRAL

October 29, 2008

The Bank of New York Mellon  
Financial Center, 7<sup>th</sup> Floor  
505 North 20<sup>th</sup> Street  
Birmingham, Alabama 35203

Re: Jefferson County, Alabama Sewer Revenue Refunding Warrants, Series 2002-C-2

Ladies and Gentlemen:

Reference is made to (i) the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (as amended, supplemented or otherwise modified, the "Standby Agreement"), among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), JPMorgan Chase Bank, as Liquidity Agent, and JPMorgan Chase Bank (the "Bank"), relating to the Jefferson County, Alabama Sewer Revenue Refunding Warrants, Series 2002-C-2, (ii) the Notice and Instructions Concerning Redemption of Bank Warrants, dated April 15, 2008, relating to the Standby Agreement (as modified by the Notice and Officer's Certificate referred to in clause (iii) below, the "Redemption Notice"), (iii) (a) the Notice and Officer's Certificate, dated May 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice and (b) the Notice and Officer's Certificate, dated October 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice (collectively, the "Notice and Officer's Certificate"), and (iv) (a) the Redemption Date Deferral Notice, dated September 29, 2008 from the Bank related to the deferral of certain redemption dates set forth in the Redemption Notice and (b) the Redemption Date Deferral Notice, dated October 6, 2008 from the Bank related to the deferral of certain redemption dates set forth in the Redemption Notice. Unless otherwise defined herein, capitalized terms are used herein as defined in the Standby Agreement or the Redemption Notice, as applicable.

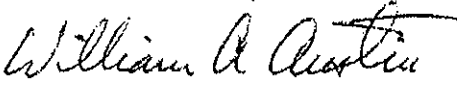
Pursuant to the Redemption Notice, this letter shall constitute the written directions to the Trustee by the Bank to defer to December 8, 2008 the entire \$4,605,000 currently scheduled to be redeemed on October 31, 2008.

Based upon the deferral set forth in the immediately preceding paragraph, (i) the amount of the redemption scheduled to occur on October 31, 2008 shall now be \$0, and (ii) the amount of the redemption scheduled to occur on December 8, 2008 shall be \$4,605,000. Except as may be further modified pursuant to the Redemption Notice, all other redemptions shall occur on the dates and in the amounts set forth in the Redemption Notice.

Pursuant to the Redemption Notice and the Redemption Date Deferral Notice dated October 6, 2008, this Redemption Date Deferral Notice shall be effective upon execution by the Bank and the Trustee. The Bank agrees to promptly provide to the County and the Bond Insurer notice, for informational purposes only, of this Redemption Date Deferral Notice.

Sincerely,

JPMORGAN CHASE BANK, as Bank

By:   
Title: EXECUTIVE DIRECTOR

CONSENT AND AGREE:

THE BANK OF NEW YORK MELLON,  
formerly THE BANK OF NEW YORK, as Trustee

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





JPMORGAN CHASE BANK  
REDEMPTION DATE DEFERRAL

October 29, 2008

The Bank of New York Mellon  
Financial Center, 7<sup>th</sup> Floor  
505 North 20<sup>th</sup> Street  
Birmingham, Alabama 35203

Re: Jefferson County, Alabama Sewer Revenue Refunding Warrants, Series 2002-A

Ladies and Gentlemen:

Reference is made to (i) the Standby Warrant Purchase Agreement, dated as of February 1, 2002 (as amended, supplemented or otherwise modified, the "Standby Agreement"), among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), and JPMorgan Chase Bank (the "Bank"), relating to the Jefferson County, Alabama Sewer Revenue Refunding Warrants, Series 2002-A, (ii) the Notice and Instructions Concerning Redemption of Bank Warrants, dated April 15, 2008, relating to the Standby Agreement (as modified by the Notice and Officer's Certificate referred to in clause (iii) below, the "Redemption Notice"), (iii) (a) the Notice and Officer's Certificate, dated May 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice and (b) the Notice and Officer's Certificate, dated September 29, 2008, from the Bank related to the calculation of redemption amounts under the Redemption Notice (the documents referred to in this clause (iii) collectively, the "Notice and Officer's Certificate"), and (iv) (a) the Redemption Date Deferral Notice, dated September 29, 2008, from the Bank related to the deferral of certain redemption dates set forth in the Redemption Notice and (b) the Redemption Date Deferral Notice, dated October 6, 2008, from the Bank related to the deferral of certain redemption dates set forth in the Redemption Notice. Unless otherwise defined herein, capitalized terms are used herein as defined in the Standby Agreement or the Redemption Notice, as applicable.

Pursuant to the Redemption Notice, this letter shall constitute the written directions to the Trustee by the Bank to defer to December 8, 2008 the entire \$25,365,000 currently scheduled to be redeemed on October 31, 2008.

Based upon the deferral set forth in the immediately preceding paragraph, (i) the amount of the redemption scheduled to occur on October 31, 2008 shall now be \$0, and (ii) the amount of the redemption scheduled to occur on December 8, 2008 shall be \$25,365,000. Except as may be further modified pursuant to the Redemption Notice, all other redemptions shall occur on the dates and in the amounts set forth in the Redemption Notice.

Pursuant to the Redemption Notice and the Redemption Date Deferral Notice dated October 6, 2008, this Redemption Date Deferral Notice shall be effective upon execution by the Bank and the Trustee. The Bank agrees to promptly provide to the County and the Bond Insurer notice, for informational purposes only, of this Redemption Date Deferral Notice.

Sincerely,

JPMORGAN CHASE BANK, as Bank

By: William A. Austin  
Title: EXECUTIVE DIRECTOR

CONSENT AND AGREE:

THE BANK OF NEW YORK MELLON,  
formerly THE BANK OF NEW YORK, as Trustee

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



October 30, 2008

Jefferson County, Alabama  
County Courthouse  
716 Richard Arrington Boulevard  
Birmingham, Alabama 35203  
Attn: President of County Commission

Re: Standby Warrant Purchase Agreement/Series 2001-B

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of July 1, 2001, among Jefferson County, Alabama (the "County"), The Bank of New York Mellon (formerly The Bank of New York), as Trustee (the "Trustee"), JPMorgan Chase Bank (successor by merger with Morgan Guaranty Trust Company of New York, ("JPMorgan"), Bayerische Landesbank (f.k.a. Bayerische Landesbank Girozentrale), acting through its New York Branch ("Bayerische"; together with JPMorgan, the "Banks"), and JPMorgan, as liquidity agent (in such capacity, the "Liquidity Agent") relating to \$120,000,000 Jefferson County, Alabama General Obligation Warrants Series 2001-B (as amended from time to time, the "Standby Agreement"); and (b) the forbearance letters from the Banks to the County, dated September 15, 2008, September 30, 2008 and October 7, 2008, relating to the Standby Agreement (collectively, the "Forbearance Letter"). Unless otherwise defined, capitalized terms are used herein as defined in the Standby Agreement or the Forbearance Letter.

As you know, pursuant to the Forbearance Letter, the County acknowledged that an Event of Default has occurred and is continuing under Section 8.01(l) of the Standby Agreement and, pursuant to Section 2.08(b) of the Standby Agreement, as of July 31, 2008 interest has accrued and continues to accrue at the Default Rate on the Bank Warrants.

Pursuant to the Standby Agreement, the Banks purchased on March 13, 2008 Warrants in the aggregate principal amount of \$118,740,000.00. Pursuant to Section 3.02 of the Standby Agreement, the County is obligated to redeem said amount of the Bank

Warrants in six equal semi-annual principal installments from the dates upon which such Warrants were purchased by the Banks. The first such principal installment in respect of such purchased Bank Warrants, in the amount of \$9,895,000 to each Bank, was due and payable on September 15, 2008.

As you know, an Event of Default has occurred and is continuing under Section 8.01(a) of the Standby Agreement as a result of the failure by the County to make the principal installment payment due to each Bank on September 15, 2008.

Pursuant to the Forbearance Letter, the Banks stated that notwithstanding the occurrence and continuance of the above referenced Events of Default, but without prejudice to the right of each Bank (acting individually or jointly) to exercise any of its rights and remedies at any time in the exercise of its sole discretion, neither Bank intended to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on October 31, 2008.

The County has requested that the Banks and the Liquidity Agent agree not to exercise their rights and remedies under the Standby Agreement and the Related Documents in respect of above referenced Events of Default. The Banks and the Liquidity Agent are willing to proceed on the terms set forth in this letter.

On or before October 31, 2008, the County shall pay to the Trustee for further distribution to each Bank a partial principal payment on the Bank Warrants in the amount of \$5,000,000 in respect of the principal installment in the amount of \$9,895,000 that was due and payable to each Bank on September 15, 2008. The acceptance of such partial principal payment shall not constitute a waiver of the Banks' rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the payment of principal installments in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents.

On each of November 3, 2008, December 1, 2008 and January 2, 2009, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay to the Trustee for further distribution to each Bank an amount sufficient to permit the payment of interest on the Bank Warrants held by such Bank that has accrued at the applicable Bank Rate. The acceptance of such partial payment of interest calculated at the Bank Rate, rather than at the Default Rate that became applicable to the Bank Warrants upon the occurrence of the above referenced Event of Default under Section 8.01(l) of the Standby Agreement, shall not constitute a waiver of the Banks' rights under the Standby Agreement, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreement, the Bank Warrants, and the Related Documents.

Notwithstanding the occurrence and continuance of the above referenced Events of Default, but without prejudice to the right of each Bank (acting individually or jointly) to exercise any of its rights and remedies at any time in the exercise of its sole discretion,

including without limitation, to demand payment of all accrued and unpaid Default Interest, and provided that the above-referenced principal payment is received by the Banks on or before October 31, 2008, it is not the current intent of either Bank to exercise any such rights and remedies in respect of the above referenced Events of Default prior to the earlier of (i) 5:00 p.m. (prevailing Birmingham, Alabama time) on January 15, 2009 or (ii) the date on which any forbearance period in respect of the County's sewer variable rate demand warrants terminates or expires without being extended.

Please note that nothing contained in this letter is intended as or shall constitute an alteration, waiver or release of any rights, remedies, claims, causes of action, or defenses by any of the parties hereto in relation to the Standby Agreement, the Bank Warrants, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the parties are hereby reserved. Nothing contained in this letter is intended to nor shall anything contained herein constitute an admission of liability on the part of any party, nor shall anything contained in this letter enhance, prejudice, or otherwise alter in any manner any party's rights, remedies, claims, causes of action, or defenses against any other party or Person. Nothing contained in this letter shall be deemed to waive any existing Events of Default, or relieve or release the County from any of its obligations under the Standby Agreement, the Bank Warrants, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. This letter does not constitute an amendment or modification of the Standby Agreement, the Bank Warrants, or any Related Documents, and the terms and conditions of the Standby Agreement, the Bank Warrants, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein shall be deemed to constitute an election of remedies.

Please further note that we have requested that the Trustee execute this letter for the sole and limited purpose of indicating its consent. Furthermore, the Trustee has not agreed to any amendment, waiver or supplement to the Indenture or any Related Document and has not agreed to waive any of its rights under the Indenture or to forbear from exercising any remedy it has or may have under the Indenture or any other Related Document.

This letter shall take effect only upon execution and return to us of counterparts of this letter executed by the County and the Trustee.

Sincerely,

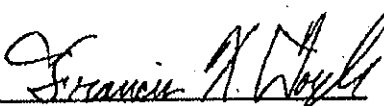
JPMORGAN CHASE BANK, N.A.

By: William A. Austin  
Title: EXECUTIVE DIRECTOR

BAYERISCHE LANDESBANK (f.k.a.  
Bayerische Landesbank Girozentrale), New  
York Branch

By:   
Title: **JOSEPH G. CAMPAGNA**  
**SENIOR VICE PRESIDENT**

BAYERISCHE LANDESBANK (f.k.a.  
Bayerische Landesbank Girozentrale), New  
York Branch

By:   
Title: **FRANCIS X. DOYLE**  
**VICE PRESIDENT**

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: Boetger Fine College  
Title:

**PRESIDENT**

THE BANK OF NEW YORK MELLON,  
formerly The BANK OF NEW YORK, as Trustee

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