

The following is a representative sample of the forbearance letter agreements entered into with respect to the Standby Warrant Purchase Agreements which provide liquidity for the County's variable rate demand sewer warrants. The County entered into similar letter agreements with each of the liquidity providers.



May 13, 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, as Trustee (the "Trustee"), and JPMorgan Chase Bank (the "Bank"), as liquidity provider, relating to \$110,00,000 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) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), XL Capital Assurance Inc. ("XLCA") 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 Forbearance Agreement"); and (d) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, FGIC, XLCA, 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 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 and May 1, 2008 (the "Default Interest") shall be due and payable in full upon expiration of the Forbearance Period. Absent earlier termination in accordance with the terms thereof, the Forbearance Period under the Forbearance Agreements will expire at 5:00 p.m. (prevailing Birmingham, Alabama time) on May 15, 2008.

In recognition of 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 has decided to proceed as follows: Notwithstanding the expiration on May 15, 2008 of the Forbearance Period under the Forbearance Agreements, 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, the Bank does not intend 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 May 30, 2008. In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements or the expiration of the Forbearance Period on May 15, 2008, the Bank agrees that, effective upon the execution in counterparts of this letter by the County, the Trustee, XLCA and FGIC, the Default Interest shall be due and payable in full by the County on June 1, 2008 and not upon expiration of the Forbearance Period.

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 as or shall 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 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 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. XLCA 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 Bond Insurers and the Trustee.

FROM

(TUE) 5.13'08 12:13/ST. 12:12/NO. 4863793140 P 2

4

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: Betty Jane Collins
Title: PRESIDENT

FINANCIAL GUARANTY INSURANCE COMPANY

By: _____
Title

XL CAPITAL ASSURANCE INC.

By: _____
Title:

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

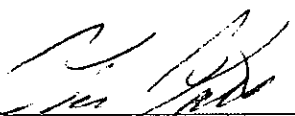
By: _____
Title:

CONSENT AND AGREE:

JEFFERSON COUNTY, ALABAMA

By: _____
Title:

FINANCIAL GUARANTY INSURANCE COMPANY

By: 
Title: *Managing Director, Credit Risk Management*

XI. CAPITAL ASSURANCE INC.

By: _____
Title:

FROM

(TUE) 5.13'08 12:13/ST. 12:12/NO. 4863793140 P 2

4

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: _____
Title: _____

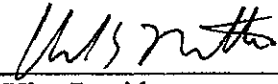
FINANCIAL GUARANTY INSURANCE COMPANY

By: _____
Title: _____

XL CAPITAL ASSURANCE INC.

By: Edward Byrd
Title: PRESIDENT

THE BANK OF NEW YORK, as Trustee

By: 
Title: Vice President