

NEW ISSUE - FULL BOOK-ENTRY

Ratings: S&P: AAA
Moody's: Aaa
(Financial Guaranty insured; see "RATINGS" herein)

In the opinion of Bond Counsel, under existing law interest on the Series 2001-A Warrants (i) will be excluded from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2001-A Warrants in order that interest thereon be and remain excluded from gross income, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Bond Counsel is also of the opinion that under existing law interest on the Series 2001-A Warrants will be exempt from State of Alabama income taxation. See "TAX STATUS" herein for further information and certain other federal tax consequences arising with respect to the Series 2001-A Warrants.

\$275,000,000
JEFFERSON COUNTY, ALABAMA
Sewer Revenue Capital Improvement Warrants,
Series 2001-A

Dated: March 1, 2001

Due: February 1 as shown on inside front cover

The Series 2001-A Warrants are issuable as fully registered warrants and, when issued, will be registered in the name of Cede & Co., a nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases of the Series 2001-A Warrants will be made in book-entry form only, and individual purchasers ("Beneficial Owners") of the Series 2001-A Warrants will not receive physical delivery of warrant certificates. Payments of principal of, redemption premium, if any, and interest on the Series 2001-A Warrants will be paid by The Bank of New York, Birmingham, Alabama, as trustee for the Series 2001-A Warrants (the "Trustee"), to DTC or its nominee. Interest on the Series 2001-A Warrants is payable on each February 1 and August 1, beginning August 1, 2001. So long as DTC or its nominee is the registered owner of the Series 2001-A Warrants, disbursements of such payments to DTC is the responsibility of the Trustee, disbursements of such payments to DTC Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or indirect Participants as more fully described herein.

The Series 2001-A Warrants are not general obligations of the County. The Series 2001-A Warrants will be limited obligations of the County payable solely out of, and secured by a pledge and assignment of, the revenues (other than tax revenues) from the County's sanitary sewer system remaining after payment of operating expenses. The pledge thereof in favor of the Series 2001-A Warrants will be on a parity of lien with the pledge thereof for the benefit of certain sewer revenue warrants heretofore issued by the County. The Indenture provides for the issuance of additional securities secured on a parity of lien with the Series 2001-A Warrants and such outstanding sewer revenue warrants.

The payment of the principal of and interest on the Series 2001-A Warrants when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Series 2001-A Warrants.

[Add FGIC logo here]

The Series 2001-A Warrants are subject to redemption at the option of the County as described herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

SEE INSIDE FRONT COVER FOR MATURITIES, AMOUNTS, RATES & PRICES

The Series 2001-A Warrants are offered when, as and if issued by the County and received by the Underwriters and Placement Agent, subject to approval of validity by Haskell Slaughter & Young, L.L.C., Birmingham, Alabama, Bond Counsel. Certain legal matters will be passed on for the Underwriters and Placement Agent by their counsel, Balch & Bingham LLP, Birmingham, Alabama. It is expected that the Series 2001-A Warrants in definitive form will be available for delivery in New York, New York on or about March 22, 2001.

Sterne, Agee & Leach, Inc.

JPMorgan

Gardnry Michael Capital, Inc.

Compass Bank

Regions Investment Company, Inc.

The Frazer Lanier Company
Incorporated

Merchant Capital, L.L.C.

ABI Capital Management, LLC

The Bank

As Placement Agent

The date of this Official Statement is March 13, 2001.
MATURITIES, AMOUNTS, RATES & PRICES

\$14,305,000 Serial Warrants

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>		<u>CUSIP</u>
2007	\$ 795,000	4.50%	102.321%		472682 HZ
2008	830,000	4.50	102.065	9	
2009	870,000	4.50	101.784		472682 JA
2010	910,000	4.50	101.381	2	
2011	950,000	4.50	100.867		472682 JB
2012	995,000	4.50	100.000	0	
2013	1,045,000	5.00	103.383		472682 JC
2014	1,095,000	5.00	102.522	8	
2015	1,155,000	5.00	101.671		472682 JD
2016	1,215,000	5.00	100.828	6	
2019	1,410,000	5.00	99.409		472682 JE 4
2020	1,480,000	5.00	98.791		472682 JF 1
2021	1,555,000	5.00	98.142		472682 JG
				9	
					472682 JH
				7	
					472682 JJ 3
					472682 JM
				6	
					472682 JN
				4	
					472682 JP 9

\$2,615,000 5.000% Term Warrants due February 1, 2018, Price 100.000% 472682 JL 8
\$21,285,000 5.500% Term Warrants due February 1, 2031, Price 102.625% 472682 JQ 7
\$8,955,000 5.000% Term Warrants due February 1, 2034, Price 94.311% 472682 JS 3
\$90,505,000 5.500% Term Warrants due February 1, 2040, Price 101.215% 472682 JT 1
\$137,335,000 5.000% Term Warrants due February 1, 2041, Price 93.471% 472682 JR 5

(Accrued interest to be added)

JEFFERSON COUNTY, ALABAMA

JEFFERSON COUNTY COMMISSION

Gary White, President
Mary M. Buckelew, Commissioner
Betty Fine Collins, Commissioner
Jeff Germany, Commissioner
Chris McNair, Commissioner

DIRECTOR OF FINANCE

Steve Saylor

COUNTY ATTORNEY

Edwin A. Strickland

BOND COUNSEL

Haskell Slaughter & Young, L.L.C.
Birmingham, Alabama

COUNSEL FOR UNDERWRITERS AND PLACEMENT AGENT

Balch & Bingham LLP
Birmingham, Alabama

FINANCIAL ADVISOR

Morgan Keegan & Company, Inc.
Birmingham, Alabama

This Official Statement does not constitute an offering of any securities other than the Series 2001-A Warrants specifically offered hereby. No dealer, broker, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon or deemed to have been authorized by any of the foregoing named parties. Certain information contained herein has been obtained from the County and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness, and it is not to be construed to be the representation of the County or of the Underwriters. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sales of the Series 2001-A Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain statements contained in this Official Statement, including, without limitation, statements containing the words "believes", "anticipates", "expects", and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the County or the System to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: (i) the ability of the County to properly coordinate and monitor a sewer improvement program that is substantially larger and more complex than any program the County has previously undertaken; (ii) the availability of an adequate pool of qualified contractors to implement the program, (iii) the inflationary environment with respect to the costs of labor and supplies needed to implement the program, (iv) weather conditions that could adversely affect construction schedules, (v) population trends and political and economic developments in the service area in which the System operates that could adversely impact the collection of System Revenues; (vi) the willingness of the U.S. Justice Department and the Environmental Protection Agency to cooperate with respect to various issues that may arise as the County implements its remedial plan, (vii) the possibility of new environmental legislation or regulations affecting the System, (viii) unanticipated costs or potential modifications to the County's sanitary sewer capital improvement program resulting from requirements and limitations imposed by environmental laws and regulations and (ix) the inherent uncertainty involved in a capital improvement project of the magnitude undertaken by the County. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The County disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

In connection with this offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2001-A Warrants offered hereby at a level above that which might otherwise prevail in the open market, and such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

Regarding

\$275,000,000

**JEFFERSON COUNTY, ALABAMA
Sewer Revenue Capital Improvement Warrants,
Series 2001-A**

INTRODUCTION

This Official Statement is being furnished in connection with the issuance of the warrants referred to above (the "Series 2001-A Warrants") by Jefferson County, Alabama (the "County"). The County owns and operates a sanitary sewer system (the "System"), which is located in the County and certain contiguous territory in Shelby County and St. Clair County. The Series 2001-A Warrants will be issued pursuant to that certain Trust Indenture dated as of February 1, 1997 (the "Original Indenture") between the County and The Bank of New York (as successor to AmSouth Bank of Alabama) (the "Trustee"), as supplemented by (i) the First Supplemental Indenture dated as of March 1, 1997 (the "First Supplemental Indenture"), (ii) the Second Supplemental Indenture dated as of March 1, 1999 (the "Second Supplemental Indenture" and (iii) the Third Supplemental Indenture dated as of March 1, 2001 (the "Third Supplemental Indenture"). The Original Indenture, as supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture, is collectively referred to herein as the "Indenture".

The Series 2001-A Warrants are being issued for the purpose of (i) providing a portion of the funds to upgrade the System in accordance with the Consent Decree referred to herein (see "LITIGATION - The Consent Decree"), (ii) making other improvements to the System as part of the County's ongoing capital improvement program, and (iii) paying the costs of issuing the Series 2001-A Warrants.

The Series 2001-A Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the State of Alabama, the County or any other political subdivision of the State of Alabama. The Series 2001-A Warrants will be limited obligations of the County payable solely out of and secured by a pledge and assignment of the revenues from the System (other than tax revenues that are received by the County) remaining after payment of operating expenses (the "Pledged Revenues"). Under the Indenture, the pledge of the Pledged Revenues in favor of the Series 2001-A Warrants will be on a parity with the pledge thereof in favor of (a) certain outstanding obligations of the County issued in calendar year 1997 (collectively, the "Series 1997 Warrants"), which consist of (i) the Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, which are outstanding in the aggregate principal amount of \$211,040,000, (ii) the Taxable Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, which are outstanding in the aggregate principal amount of \$16,905,000, (iii) the Taxable Sewer Revenue Refunding Warrants, Series 1997-C, dated February 15, 1997, which are outstanding in the aggregate principal amount of \$44,215,000 and (iv) the Sewer Revenue Warrants, Series 1997-D, which are outstanding in the aggregate principal amount of \$296,395,000, and (b) the County's Sewer Revenue Capital Improvement Warrants, Series 1999-A, dated March 1, 1999, which are outstanding in the aggregate principal amount of \$952,695,000 (the "Series 1999-A Warrants"). See "SECURITY AND SOURCE OF PAYMENT".

Payment of the principal of and interest on the Series 2001-A Warrants when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company ("Financial Guaranty") simultaneously with the delivery of the Series 2001-A Warrants. See "THE MUNICIPAL BOND INSURANCE AND RESERVE FUND POLICIES - The Municipal Bond Insurance Policy".

The Series 2001-A Warrants are subject to optional and mandatory redemption as described in the Indenture. See "DESCRIPTION OF THE SERIES 2001-A WARRANTS - Redemption".

Following the issuance of the Series 2001-A Warrants, the County will have no outstanding sewer revenue indebtedness other than the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants. See "SECURITY AND SOURCE OF PAYMENT", "THE PLAN OF FINANCING" and "OUTSTANDING DEBT". The County has reserved the right in the Indenture to issue additional parity securities payable from and secured by a pledge of the Pledged Revenues on a parity of lien with the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants, subject to the terms and conditions of the Indenture. See "Appendix A - SUMMARY OF THE INDENTURE".

Neither the delivery of this Official Statement nor any sale made hereunder implies that there has been no change with respect to the System or the County at any time subsequent to the date hereof. The County has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

For further information contact Steve Saylor, Director of Finance, Jefferson County, Suite 810, County Courthouse, 716 Richard Arrington Jr. Boulevard North, Birmingham, Alabama 35203 (telephone (205) 325-5055).

GLOSSARY OF TERMS USED IN OFFICIAL STATEMENT

Certain capitalized terms used frequently in this Official Statement are defined in this section of the Official Statement. In addition, certain capitalized terms used in this Official Statement and not defined in this section are defined in Appendix A - "SUMMARY OF THE INDENTURE".

"Additional Parity Securities" means additional bonds, warrants or other obligations secured on a parity of lien with the Series 1997 Warrants, the Series 1999-A Warrants and the Series 2001-A Warrants.

"County" means Jefferson County, Alabama.

"Depreciation Fund" means the Jefferson County Sewer System Funded Depreciation Fund established pursuant to the Indenture.

"Enabling Law" means Title 11, Chapter 28 (Section 11-28-1 et seq.) of the Code of Alabama, 1975.

"Financial Guaranty" means Financial Guaranty Insurance Company, which will issue the Insurance Policy with respect to the Series 2001-A Warrants and the Reserve Policy.

"First Supplemental Indenture" means the First Supplemental Indenture dated as of March 1, 1997, pursuant to which the 1997-D Warrants were issued.

"General Fund" means the General Fund of the County.

"Indenture" means the Original Indenture, as amended and supplemented by the First Supplemental Indenture, the Second Supplemental Indenture and the Third Supplemental Indenture.

"Insurance Policy" means the municipal bond insurance policy issued by Financial Guaranty with respect to the Series 2001-A Warrants.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended.

"1997-A Warrants" means the County's Sewer Revenue Refunding Warrants, Series 1997-A, dated February 1, 1997, now outstanding in the aggregate principal amount of \$211,040,000.

"1997-B Warrants" means the County's Taxable Sewer Revenue Refunding Warrants, Series 1997-B, dated February 1, 1997, now outstanding in the aggregate principal amount of \$16,905,000.

"1997-C Warrants" means the County's Taxable Sewer Revenue Refunding Warrants, Series 1997-C, dated February 15, 1997, now outstanding in the aggregate principal amount of \$44,215,000.

"1997-D Warrants" means the County's Sewer Revenue Warrants, Series 1997-D, dated March 1, 1997, now outstanding in the aggregate principal amount of \$296,395,000.

"Operating Expenses" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System, including, without limitation, the costs of all items of labor, materials, supplies, equipment (other than equipment chargeable to fixed capital account), premiums on insurance policies and fidelity bonds maintained with respect to the System (including casualty, liability and any other types of insurance), fees for engineers, attorneys and accountants (except where such fees are chargeable to fixed capital account) and all other items, except depreciation, amortization, interest and payments made pursuant to Qualified Swaps, that by generally accepted accounting principles are properly chargeable to expenses of administration and operation and are not characterized as extraordinary items, (b) the expenses of maintaining the System in good repair and in good operating condition, but not including items that by generally accepted accounting principles are properly chargeable to fixed capital account, and (c) the fees and charges of the Trustee. Payments or transfers of System Revenues into the General Fund of the County shall constitute payments of Operating Expenses if and to the extent that the services or benefits for which such payments or transfers are made are such that payments to a Person other than the County for such services or benefits would constitute payments of Operating Expenses.

"Original Indenture" means the Trust Indenture dated as of February 1, 1997, pursuant to which the 1997-A Warrants, 1997-B Warrants and 1997-C Warrants were issued.

"Parity Securities" means the Series 1997 Warrants, the Series 1999-A Warrants, the Series 2001-A Warrants and any Additional Parity Securities issued pursuant to the Indenture.

"Person" means any natural person, corporation, partnership, trust, joint venture, government or governmental body, political subdivision or other legal entity as in the context may be possible or appropriate.

"Pledged Revenues" means the System Revenues (other than revenues derived from the Sewer Tax and any other tax revenues that constitute System Revenues) that remain after the payment of Operating Expenses.

"Prior Years' Surplus" means, with respect to any particular fiscal year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund at the beginning of such fiscal year.

"Rate Stabilization Fund" means the fund by such name established pursuant to the Indenture.

"Reserve Policy" means the municipal bond debt service reserve fund policy issued by Financial Guaranty simultaneously with the issuance of the Series 2001-A Warrants for deposit into the Reserve Fund established under the Indenture.

"Second Supplemental Indenture" means the Second Supplemental Indenture dated as of March 1, 1999, pursuant to which the Series 1999 Warrants were being issued.

"Series 1997 Warrants" means, collectively, the 1997-A Warrants, the 1997-B Warrants, the 1997-C Warrants and the 1997-D Warrants.

"Series 1999-A Warrants" means the County=s Sewer Revenue Capital Improvement Warrants, Series 1999-A, dated March 1, 1999, now outstanding in the aggregate principal amount of \$952,695,000.

"Series 2001-A Warrants" means the County=s \$275,000,000 Sewer Revenue Capital Improvement Warrants, Series 2001-A, dated March 1, 2001 and offered hereby.

"Sewer Tax" means that certain ad valorem tax levied by the County on an annual basis for the benefit of the System pursuant to Act No. 716 of the 1900-01 Session of the General Assembly of Alabama.

"System" means the County's sanitary sewer system.

"System Revenues" means the revenues derived from the Sewer Tax and all revenues, receipts, income and other monies received by or on behalf of the County from whatever source derived from the operation of the System, including, without limitation, the fees, deposits and charges paid by users of the System and interest earnings on the special funds established pursuant to the Indenture (other than the Rate Stabilization Fund) and any other funds held by the County or its agents that are attributable to or traceable from monies derived from the operation of the System, but excluding, however, any federal or state grants to the County in respect of the System and any income derived from such grants.

"Term Warrants" means those Series 2001-A Warrants maturing in 2018, 2031, 2034, 2040 and 2041.

"Third Supplemental Indenture" means the Third Supplemental Indenture dated as of March 1, 2001, pursuant to which the Series 2001-A Warrants are authorized to be issued.

"Trustee" means The Bank of New York, Birmingham, Alabama, in its capacity as trustee under the Indenture.

DESCRIPTION OF THE SERIES 2001-A WARRANTS

General Description

The Series 2001-A Warrants will be dated March 1, 2001, and will bear interest at the per annum rates set forth on the inside front cover hereof. Interest on the Series 2001-A Warrants will be payable on August 1, 2001, and semiannually thereafter on each February 1 and August 1 until maturity or earlier redemption as provided in the Indenture. The Series 2001-A Warrants will mature in the principal amounts and on the dates set forth on the inside front cover hereof and will be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Series 2001-A Warrants will be offered initially at the price or prices set forth on the inside front cover hereof. The principal of and the interest on the Series 2001-A Warrants will bear interest after their respective due dates until paid at the respective rates of interest borne by the Series 2001-A Warrants prior to maturity.

Method and Place of Payment

The Series 2001-A Warrants are available in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM". So long as Cede & Co. is the registered owner of the Series 2001-A Warrants, as nominee of The Depository Trust Company, New York, New York ("DTC"), references herein to the owners of the Series 2001-A Warrants mean Cede & Co. and not the Beneficial Owners (as defined hereafter) of the Series 2001-A Warrants.

The principal of the Series 2001-A Warrants will be payable by the Trustee to Cede & Co. Interest on the Series 2001-A Warrants will be computed on the basis of a 360-day year of twelve consecutive 30-day months and will be paid on each semiannual interest payment date by the Trustee to Cede & Co.

Redemption Prior to Maturity

Optional Redemption. The Series 2001-A Warrants are subject to redemption and prepayment prior to maturity, at the option of the County, as a whole or in part, from such maturity or maturities as shall be specified by the County, on February 1, 2011, and on any date thereafter, such redemption to be at and for the following respective redemption prices (expressed as a percentage of the principal amount redeemed) plus accrued interest to the date fixed for redemption:

<u>Redemption Date</u>	<u>Redemption Price</u>
February 1, 2011 through January 31, 2012	101%
February 1, 2012 and thereafter	100%

Scheduled Mandatory Redemption of Series 2001-A Warrants Maturing in 2018. The Series 2001-A Warrants having a stated maturity on February 1, 2018 (the "2018 Term Warrants") are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such 2018 Term Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amount on the following date:

<u>Redemption Date</u>	<u>Amount</u>
------------------------	---------------

February 1, 2017 \$1,275,000

\$1,340,000 of such 2018 Term Warrants are scheduled to be retired at maturity.

Scheduled Mandatory Redemption of Series 2001-A Warrants Maturing in 2031. The Series 2001-A Warrants having a stated maturity on February 1, 2031 (the "2031 Term Warrants") are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such 2031 Term Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Amount</u>
February 1, 2022	\$1,640,000
February 1, 2023	1,735,000
February 1, 2024	1,830,000
February 1, 2025	1,935,000
February 1, 2026	2,045,000
February 1, 2027	2,160,000
February 1, 2028	2,285,000
February 1, 2029	2,410,000
February 1, 2030	2,550,000

\$2,695,000 of such 2031 Term Warrants are scheduled to be retired at maturity.

Scheduled Mandatory Redemption of Series 2001-A Warrants Maturing in 2034. The Series 2001-A Warrants having a stated maturity on February 1, 2034 (the "2034 Term Warrants") are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such 2034 Term Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Amount</u>
February 1, 2032	\$2,835,000
February 1, 2033	2,985,000

\$3,135,000 of such 2034 Term Warrants are scheduled to be retired at maturity.

Scheduled Mandatory Redemption of Series 2001-A Warrants Maturing in 2040. The Series 2001-A Warrants having a stated maturity on February 1, 2040 (the "2040 Term Warrants") are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such 2040 Term Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amounts on the following dates:

<u>Redemption Date</u>	<u>Amount</u>
February 1, 2035	\$3,305,000
February 1, 2036	3,490,000
February 1, 2037	3,690,000
February 1, 2038	3,900,000
February 1, 2039	4,120,000

\$72,000,000 of such 2040 Term Warrants are scheduled to be retired at maturity.

Scheduled Mandatory Redemption of Series 2001-A Warrants Maturing in 2041. The Series 2001-A Warrants having a stated maturity on February 1, 2041 (the "2041 Term Warrants") are subject to scheduled mandatory redemption, at and for a redemption price, with respect to each such 2041 Term Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, in the following principal amount on the following date:

<u>Redemption Date</u>	<u>Amount</u>
February 1, 2040	\$ 29,960,000

\$107,375,000 of such 2041 Term Warrants are scheduled to be retired at maturity.

Not less than 45 or more than 60 days prior to each mandatory redemption date with respect to Term Warrants of a particular maturity, the Trustee shall proceed to select for redemption, by lot, Term Warrants of such maturity or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Term Warrants or portions thereof for redemption on such mandatory redemption date. The County may, not less than 60 days prior to any such mandatory redemption date, direct that any or all of the following amounts be credited against the Term Warrants of such maturity scheduled for redemption on such date: (i) the principal amount of Term Warrants of such maturity delivered by the County to the Trustee for cancellation and not previously claimed as a credit; and (ii) the principal amount of Term Warrants of such maturity previously redeemed pursuant to the optional redemption provisions of the Indenture and not previously claimed as a credit.

If less than all of the outstanding Series 2001-A Warrants of a particular maturity are to be called for redemption, the Series 2001-A Warrants (or principal portions thereof) to be redeemed shall be selected by the Trustee by lot in the principal amounts designated to the Trustee by the County or otherwise as required by the Indenture. In the event any of the Series 2001-A Warrants are called for redemption, the Trustee shall give notice, in the name of the County, of the redemption of such Series 2001-A Warrants, which notice shall state that on the redemption date such Series 2001-A Warrants to be redeemed shall cease to bear interest. Such notice shall be given by mailing a copy thereof by registered or certified mail at least thirty (30) days prior to the date fixed for redemption to the holders of the Series 2001-A Warrants to be redeemed at the addresses shown on the registration books of the Trustee; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the redemption of any of the Series 2001-A Warrants for which notice was properly given. Any Series 2001-A Warrants which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the date fixed for redemption and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture.

If a trust is established for payment of less than all Series 2001-A Warrants of a particular maturity, the Series 2001-A Warrants to be paid from the trust shall be selected by the Trustee within seven days after such trust is established and shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify holders whose Series 2001-A Warrants (or portions thereof) have been selected for payment from such trust and shall direct such holders to surrender their Series 2001-A Warrants to the Trustee in exchange for Series 2001-A Warrants with the appropriate maturity and designation.

Registration and Exchange

See "BOOK-ENTRY ONLY SYSTEM" for a description of provisions relating to the registration, transfer and exchange of the Series 2001-A Warrants.

Authority for Issuance

The Series 2001-A Warrants are being issued under the authority of the Constitution and laws of the State of Alabama, including particularly Chapter 28 of Title 11 of the Code of Alabama 1975, Section 11-28-1, et seq. (the "Enabling Law").

The Enabling Law authorizes the County to issue forty-year warrants for the purpose of paying the costs of public facilities, which include sanitary sewer systems and all necessary and desirable appurtenances with respect thereto, and to pledge in favor thereof the revenues from any revenue-producing properties owned or operated by the County, including the System.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2001-A Warrants. The Series 2001-A Warrants will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee. The Series 2001-A Warrants will be issued as a single fully-registered certificate per maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "Banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in DTC Participants' accounts, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of the DTC Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and the DTC Participants are on file with the Securities and Exchange Commission.

Purchases of beneficial ownership interests in the Series 2001-A Warrants under the DTC system must be made by or through DTC Participants, which will receive a credit for the Series 2001-A Warrants on DTC's records. The ownership interest of each beneficial owner of a Series 2001-A Warrant (a "Beneficial Owner") is in turn to be recorded on the DTC Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2001-A Warrants are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2001-A Warrants, except in the event that use of the book-entry only system for the Series 2001-A Warrants is discontinued.

To facilitate subsequent transfers, all Series 2001-A Warrants deposited by DTC Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Series 2001-A Warrants with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2001-A Warrants. DTC's records reflect only the identity of the DTC Participants to whose accounts such Series 2001-A Warrants are credited, which may or may not be the Beneficial Owners. The DTC Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Series 2001-A Warrants are being redeemed, DTC's practice is to determine by lot the amount of the interest of each DTC Participant to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Series 2001-A Warrants. Under its usual procedures, DTC mails an "Omnibus Proxy" to the County as soon as possible after the record date. The "Omnibus Proxy" assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Series 2001-A Warrants are credited on the record date identified in a listing attached to the "Omnibus Proxy."

Principal, premium and interest payments on the Series 2001-A Warrants will be made to DTC. DTC's practice is to credit DTC Participants' accounts on a payment date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on a payment date. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of DTC Participants and not of DTC, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest to DTC is the responsibility of the Trustee. Disbursement of such payments to DTC Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of the DTC Participants and Indirect Participants.

THE COUNTY AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2001-A WARRANTS (i) PAYMENTS OF PRINCIPAL OF

OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2001-A WARRANTS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTEREST IN SERIES 2001-A WARRANTS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE SERIES 2001-A WARRANTS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION, AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE COUNTY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DTC PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (i) THE SERIES 2001-A WARRANTS; (ii) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT; (iii) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE SERIES 2001-A WARRANTS; (iv) THE DELIVERY BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO SERIES 2001-A WARRANTHOLDERS; (v) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2001-A WARRANTS; OR (vi) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS SERIES 2001-A WARRANTHOLDER.

Discontinuation of Book-Entry Only System

DTC may determine to discontinue providing its service with respect to the Series 2001-A Warrants at any time by giving notice to the County and the Trustee and discharging its responsibilities with respect thereto under applicable law. Upon the giving of such notice, the book-entry only system for the Series 2001-A Warrants will be discontinued unless a successor securities depository is appointed by the County. In addition, the County may discontinue the book-entry only system for the Series 2001-A Warrants at any time by giving reasonable notice to DTC.

SECURITY AND SOURCE OF PAYMENT

General Information

The Series 2001-A Warrants are not general obligations of, and will not constitute a charge against the general credit or taxing power of, the State of Alabama, the County, or any other political subdivision of the State of Alabama.

The Series 2001-A Warrants will be limited obligations of the County payable solely out of, and secured by a pledge and assignment of, the Pledged Revenues on a parity of lien with the Series 1999-A Warrants and the Series 1997 Warrants. Information describing the revenues collected by the County is set forth in this Official Statement under the captions "RESULTS OF OPERATIONS" and "JEFFERSON COUNTY SEWER SYSTEM".

Following the issuance of the Series 2001-A Warrants, there will be no outstanding indebtedness of the County payable out of Pledged Revenues other than the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants. However, the Indenture permits the issuance of Additional Parity Securities payable out of, and secured by a pledge of, the Pledged Revenues on a parity with the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants. See Appendix A - "SUMMARY OF THE INDENTURE - Additional Parity Securities".

Pursuant to the Indenture, a debt service reserve fund (the "Reserve Fund") has been established for the benefit of the Series 2001-A Warrants, the Series 1999-A Warrants, the Series 1997-A Warrants, the Series 1997-B Warrants, and the Series 1997-D Warrants. For a description of the funds and accounts established under the Indenture for the collection and disposition of revenues from the System, see Appendix A - "SUMMARY OF THE INDENTURE - Flow of Funds". The deposit to the Reserve Fund required to be made in connection with the issuance of the Series 2001-A Warrants will be satisfied through delivery of an insurance policy in compliance with the provisions of the Indenture. See Appendix A B "SUMMARY OF THE INDENTURE B Flow of Funds B *Reserve Fund*" and A THE MUNICIPAL BOND INSURANCE AND RESERVE FUND POLICIES - The Debt Service Reserve Fund Policy@.

Pursuant to Amendment No. 73 to the Alabama Constitution, any moneys derived by the County from sewer service charges may be expended only for purposes related to the improvement, extension, maintenance and operation of the System and may not be used to pay general expenses of the County.

Remedies

The County is, under existing law, subject to suit in the event that it defaults in payment of the principal of or the interest on the Series 2001-A Warrants. However, the extent of the remedies afforded to the holders of the Series 2001-A Warrants by any such suit, and the enforceability of any judgment against the County resulting therefrom, are subject to those limitations inherent in the fact that the Series 2001-A Warrants are limited obligations of the County payable solely out of the Pledged Revenues, and may be subject, among other things, to

- (1) the provisions of the United States Bankruptcy Code, referred to below, and
- (2) the provisions of other statutes that may hereafter be enacted by the Congress of the United States or the Legislature of Alabama extending the time for payment of county, municipal or public authority indebtedness or imposing other restraints upon the enforcement of rights of warrant holders.

The United States Bankruptcy Code

The United States Bankruptcy Code permits political subdivisions of a state and certain state and local public agencies or instrumentalities that are insolvent or unable to meet their debts to file petitions for relief in the Federal Bankruptcy Courts if authorized by state law. While the matter is not entirely free from doubt, prospective purchasers of the Series 2001-A Warrants should assume that existing Alabama statutes presently authorize the County to file such petitions for relief.

A petition filed under Chapter 9 of the Bankruptcy Code, however, does not operate as a stay of application of pledged special revenues to payment of debt secured by such revenues. Thus, an automatic stay

under Chapter 9 would not be effective to prevent payment of principal and interest on the Series 2001-A Warrants from the Pledged Revenues.

THE MUNICIPAL BOND INSURANCE AND RESERVE FUND POLICIES

The Municipal Bond Insurance Policy

Concurrently with the issuance of the Series 2001-A Warrants, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Series 2001-A Warrants (the "Insurance Policy"). The Insurance Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2001-A Warrants which has become due for payment, but shall be unpaid by reason of nonpayment by the County. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 2001-A Warrants or the Trustee of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any Series 2001-A Warrant to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2001-A Warrant includes any payment of principal or interest made to an owner of a Series 2001-A Warrant which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Insurance Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2001-A Warrants. The Insurance Policy covers failure to pay principal of the Series 2001-A Warrants on their respective stated maturity dates or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Series 2001-A Warrants may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2001-A Warrants are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement.

The Debt Service Reserve Fund Policy

Concurrently with the issuance of the Series 2001-A Warrants, Financial Guaranty will issue its Municipal Bond Debt Service Reserve Fund Policy (the AReserve Policy@). The Reserve Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Parity

Securities which has become due for payment, but shall be unpaid by reason of nonpayment by the County, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy, \$13,110,822. Financial Guaranty will make such payments to the paying agent for the Parity Securities (i.e., the Trustee) on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the Trustee of the nonpayment of such amount by the County. The term Anonpayment@ in respect of a Parity Security includes any payment of principal or interest made to an owner of a Parity Security which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2001-A Warrants. The Reserve Policy covers failure to pay principal of the Parity Securities on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Parity Securities may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Series 2001-A Warrants or the date on which no Parity Securities are outstanding under the authorizing document.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Parity Securities or (B) remedies which would adversely affect holders in the event that the issuer fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty=s consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the issuer of the Parity Securities is required to provide additional or substitute credit enhancement, and related matters.

General

This Official Statement contains a section regarding the ratings assigned to the Series 2001-A Warrants and reference should be made to such section for a discussion of such ratings and the basis for their assignment to the Series 2001-A Warrants.

The Insurance Policy and the Reserve Policy are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the ACorporation@), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation (AGE Capital@). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of

December 31, 2000, the total capital and surplus of Financial Guaranty was approximately \$1.089 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 115 Broadway, New York, New York 10006, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

THE PLAN OF FINANCING

Capital Improvements Mandated by Consent Decree

The County is a party to a consent decree (the "Consent Decree") arising out of certain litigation involving alleged violations of the federal Clean Water Act in the operation of the System. See "LITIGATION - The Consent Decree". The Consent Decree calls for the development and implementation of a remedial plan which is intended to eliminate bypasses and other unlawful discharges of untreated sewage to streams in the County. The remedial plan requires, among other things, extensive rehabilitation of lateral and collector sewers throughout the County and construction of additional capacity to the treatment plants in the System.

Phase I of the remedial plan involved the preparation of planning documents used to evaluate the physical condition and hydraulic capacity of the County's sewage collection system and wastewater treatment plants. Phase II involved a detailed analysis of the conditions of the County and municipal sewage collection systems and wastewater treatment plants, including reports quantifying the amount of infiltration and inflow in each sewage collection system, describing the types of remedial or corrective work needed and quantifying the benefits expected. Both Phase I and Phase II of the remedial plan have now been completed. Phase III is the implementation phase of the Consent Decree and began in late 1996.

The total estimated cost of the remedial plan is approximately \$1.9 billion. Between fiscal year 1996 and fiscal year 2000, approximately \$560 million had been expended under this plan, leaving approximately \$1.4 billion to be expended in the current and future years. As of the beginning of the current fiscal year approximately \$540 million of these costs was under contract. See "JEFFERSON COUNTY SEWER SYSTEM -- Sanitary Sewer Capital Improvement Program" for a schedule of estimated expenditures to comply with the Consent Decree. The Series 2001-A Warrants will finance a portion of the remaining costs. See "THE PLAN OF FINANCING B Sources of Funding" below.

Ongoing Sewer Improvement Program

In addition to the capital improvement program necessitated by the Consent Decree, the County has an ongoing sewer improvement program. Approximately \$95 million was spent on non-Consent Decree projects during the three fiscal years ended September 30, 2000. The County estimates that an additional \$676 million will be spent on this portion of the capital improvement program during the current fiscal year and the following four fiscal years (ending September 30, 2005). Of this amount, \$132 million was under contract as of the beginning of the current fiscal year. See "JEFFERSON COUNTY SEWER SYSTEM -- Sanitary Sewer Capital Improvement Program" for a schedule of estimated expenditures for the County's ongoing capital improvement program. The Series 2001-A Warrants will also finance a portion of these remaining costs. See "Sources of Funding" below.

Sources of Funding

The County expects that the remaining costs of the remedial plan and the ongoing capital improvement program will be funded from (i) remaining proceeds of the Series 1999-A Warrants, (ii) proceeds of the Series 2001-A Warrants, and (iii) future borrowings. The estimated future costs and sources of funding are summarized in the following table:

Future Costs

(in millions)

Remaining costs of the remedial plan (from beginning of current fiscal year through completion)	\$ 1,400
Ongoing capital improvement program for current fiscal year and following 4 fiscal years (ending September 30, 2005)	<u>676</u>
TOTAL	<u>\$2,076</u>

Sources of Funding

Remaining proceeds of Series 1999-A Warrants (as of January 31, 2001)	\$ 303
Proceeds of Series 2001-A Warrants, including estimated investment earnings until disbursed ¹	275
Future borrowings	<u>1,498</u>
TOTAL	<u>\$2,076</u>

¹When the Series 2001-A Warrants are issued, approximately \$263 million will be deposited in the Project Construction Fund from Series 2001-A Warrant proceeds and approximately \$12 million will be earned on those proceeds based on an estimated investment rate of 5 % and the County=s projected expenditure schedule.

The County expects that available proceeds of the Series 1999-A Warrants will be sufficient to pay costs of the combined program through October, 2001 and that proceeds of the Series 2001-A Warrants will be sufficient to pay costs of the combined program through April, 2002. Based on this estimated schedule, the County expects to borrow again for the combined capital improvement program in 2002. However, the timing of any additional borrowing cannot be predicted with certainty. Numerous factors can affect the timing of any such borrowing, including changes in the work priority as a result of future performance of the System, timing requirements of the Consent Decree, the rate at which independent contractors complete their work, the availability of materials and supplies, market conditions, and the availability of cash reserves to cover expenses in excess of available Series 2001-A Warrant proceeds until an additional borrowing can be completed. The forecast of the Independent Engineer prepared with respect to the issuance of the Series 2001-A Warrants does not take into account increased debt service requirements from any additional borrowing during the forecast period (ending September 30, 2004). See "DEBT SERVICE REQUIREMENTS AND COVERAGE -- Additional Debt -- Independent Engineer's Revenue Forecast" and Appendix D. The County expects that sewer rates will have to be increased above the rates contained in the Revenue Forecast in order to pay the debt service requirements on any such additional borrowing.

SOURCES AND USES OF FUNDS

The following table sets forth the expected sources and uses of funds for the plan of financing with respect to the issuance of the Series 2001-A Warrants. Amounts in this table have been rounded to the nearest whole dollar.

Sources of Funds

Principal amount of Series 2001-A Warrants	\$275,000,000
Accrued interest	833,128
Net original issue discount	<u>(7,708,559)</u>
TOTAL SOURCES	<u>\$268,124,569</u>

Uses of Funds

Deposit to Project Construction Fund	\$263,380,539
Deposit of accrued interest to Debt Service Fund	833,128
Issuance expenses (including underwriting discount, bond insurance premiums, legal fees, printing costs, Trustee acceptance, CUSIP services and miscellaneous)	<u>3,910,902</u>
TOTAL USES	<u>\$268,124,569</u>

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DEBT SERVICE REQUIREMENTS AND COVERAGE

The following table presents the actual debt service requirements on the Series 2001-A Warrants, the Series 1999-A Warrants, and the Series 1997 Warrants, which will be the only indebtedness of the County secured by Pledged Revenues after the Series 2001-A Warrants are issued.

Fiscal Year Ending September 30	Series 2001-A Warrants		Series 1999-A Warrants Debt Service	Series 1997 Warrants Debt Service	Total Debt Service
	<u>Principal</u>	<u>Interest</u>			
2001	-0-	\$ 5,950,917	\$ 50,313,125	\$47,486,246	\$103,750,288
2002	-0-	14,282,200	50,313,125	39,620,677	104,216,002
2003	-0-	14,282,200	50,313,125	43,768,693	108,364,018
2004	-0-	14,282,200	50,313,125	32,602,435	97,197,760
2005	-0-	14,282,200	50,313,125	38,328,360	102,923,685
2006	-0-	14,282,200	50,313,125	35,886,064	100,481,389
2007	\$ 795,000	14,264,313	50,313,125	32,115,861	97,488,299
2008	830,000	14,227,750	50,313,125	32,114,564	97,485,439
2009	870,000	14,189,500	50,313,125	32,113,305	97,485,930
2010	910,000	14,149,450	50,313,125	32,111,883	97,484,458
2011	950,000	14,107,600	50,313,125	32,114,993	97,485,718
2012	995,000	14,063,838	50,313,125	32,112,433	97,484,396
2013	1,045,000	14,015,325	50,313,125	32,114,000	97,487,450
2014	1,095,000	13,961,825	50,313,125	32,114,391	97,484,341
2015	1,155,000	13,905,575	50,313,125	32,113,404	97,487,104
2016	1,215,000	13,846,325	50,313,125	27,976,290	93,350,740
2017	1,275,000	13,784,075	50,313,125	53,990,038	119,362,238
2018	1,340,000	13,718,700	50,313,125	55,363,760	120,735,585
2019	1,410,000	13,649,950	50,313,125	56,783,228	122,156,303
2020	1,480,000	13,577,700	50,313,125	58,347,283	123,718,108
2021	1,555,000	13,501,825	50,313,125	56,558,172	121,928,122
2022	1,640,000	13,417,850	50,313,125	62,018,891	127,389,866
2023	1,735,000	13,325,038	50,313,125	61,641,013	127,014,176
2024	1,830,000	13,227,000	50,313,125	63,971,825	129,341,950
2025	1,935,000	13,123,463	50,313,125	66,645,753	132,017,341
2026	2,045,000	13,014,013	50,313,125	69,467,447	134,839,585
2027	2,160,000	12,898,375	50,313,125	72,659,147	138,030,647
2028	2,285,000	12,776,138	107,625,863	-0-	122,687,001
2029	2,410,000	12,647,025	107,627,028	-0-	122,684,053
2030	2,550,000	12,510,625	107,622,331	-0-	122,682,956
2031	2,695,000	12,366,388	107,622,581	-0-	122,683,969
2032	2,835,000	12,221,400	107,626,456	-0-	122,682,856
2033	2,985,000	12,075,900	107,625,206	-0-	122,686,106
2034	3,135,000	11,922,900	107,626,384	-0-	122,684,284
2035	3,305,000	11,753,638	107,623,991	-0-	122,682,629
2036	3,490,000	11,566,775	107,623,513	-0-	122,680,288
2037	3,690,000	11,369,325	107,625,600	-0-	122,684,925
2038	3,900,000	11,160,600	107,625,381	-0-	122,685,981

2039	4,120,000	10,940,050	107,623,959	-0-	122,684,009
2040	101,960,000	8,097,750	-0-	-0-	110,057,750
2041	107,375,000	2,684,375	-0-	-0-	110,059,375

Historical Coverage

Prior to the issuance of the Series 1997 Warrants, the County Commission amended the ordinance that establishes rates and charges for the System (the "Rate Ordinance") in order to establish a procedure for periodic automatic increases in such rates and charges. See "Automatic Rate Adjustment Ordinance" herein. In December, 1997, pursuant to the amended Rate Ordinance, the County increased the sewer service charge from \$1.78 to \$1.88 per hundred cubic feet, effective January 1, 1998. In November, 1998, pursuant to the amended Rate Ordinance, the County increased the sewer service charge from \$1.88 to \$1.96 per hundred cubic feet, effective January 1, 1999. In January, 1999, after a public hearing, the County Commission, acting on a discretionary basis, increased the sewer service charge from \$1.96 to \$2.20 per hundred cubic feet, effective March 1, 1999. Two additional automatic annual increases in sewer rates under the Rate Ordinance raised the sewer service charge to \$2.48 as of January 1, 2000 and to \$2.74 as of January 1, 2001. Sewer rates will be increased to approximately \$3.01 per hundred cubic feet as of April 1, 2001.

The following table sets forth certain historical debt service coverage ratios for the County's sewer revenue debt by the County's Net Revenues Available for Debt Service for the fiscal years indicated:

Fiscal Year Ended September 30	Net Revenues Available for Debt Service (000's)	Current Year Debt Service (000's)	Current Year Debt Service Coverage Ratio	Maximum Annual Debt Service (000's)¹	Maximum Annual Debt Service Coverage Ratio
1997	\$42,815	\$ 7,294	5.87	\$47,482	0.90
1998	48,817	39,750	1.23	47,482	1.03
1999	70,592	39,958	1.77	96,027	.74
2000	87,120	43,744	1.99	96,027	.88

¹Determined in accordance with the definition of Maximum Annual Debt Service contained in the Indenture; provided that no adjustment has been made for any Qualified Swaps in effect during any portion of the related fiscal years. See Appendix A - SUMMARY OF THE INDENTURE - Definitions.

In order to comply with the requirements of the Indenture for the issuance of the Series 2001-A Warrants as Additional Parity Securities, the County has caused to be prepared a Revenue Forecast, which includes certain projections with respect to coverage ratios for fiscal years 2001 through 2004. See "DEBT SERVICE REQUIREMENTS AND COVERAGE B Additional Debt -- Independent Engineer's Revenue Forecast".

Additional Debt

Parity Debt Under Indenture. The County may from time to time issue warrants, notes or other obligations entitled to a charge, lien or claim on the Pledged Revenues on a parity with the lien or claim imposed by the Indenture for the benefit of the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants ("Additional Parity Securities"), subject to the restrictions noted below. The Series 2001-A Warrants, the Series 1999-A Warrants, the Series 1997 Warrants and the Additional Parity Securities shall be secured equally and proportionately by the Pledged Revenues.

Subordinated Debt. The County may also from time to time issue subordinated debt payable from or secured by a pledge and assignment of the Pledged Revenues that is subject and subordinate to the lien in favor of the Series 2001-A Warrants, the Series 1999-A Warrants, the Series 1997 Warrants and other outstanding Additional Parity Securities (if any) that is imposed by the Indenture, subject to the restrictions noted below.

Restrictions on Additional Debt. So long as the Indenture remains in effect, the County shall not issue any Additional Parity Securities unless (i) no Event of Default exists under the Indenture and (ii) the Trustee is provided with a Revenue Certificate or a Revenue Forecast (as hereinafter defined).

"Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Jefferson County Commission (the "Commission") or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 75% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Commission or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-

month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

"Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

(i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and

(ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 75% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an independent investment advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

Independent Engineer's Revenue Forecast. The County's consulting engineer, Paul B. Krebs & Associates, Inc., Birmingham, Alabama, has prepared a Revenue Forecast in connection with the issuance of the Series 2001-A Warrants as required by the Indenture. See "DEBT SERVICE REQUIREMENTS AND COVERAGE B Additional Debt B Restrictions on Additional Debt" above. The Revenue Forecast is attached in its entirety as Appendix D to this Official Statement. The Revenue Forecast covers fiscal years 2001 through 2004, and projects that the County's Net Revenues Available for Debt Service (as defined in the Indenture) for such years will cover Maximum Annual Debt Service following the issuance of the Series 2001-A Warrants as follows:

<u>Fiscal Year Ended September 30</u>	<u>Maximum Annual Debt Service¹</u>	<u>Net Revenues Available for Debt Service</u>	<u>Coverage Ratio</u>	<u>Net Revenues Available for Debt Service Plus Prior Year Surplus</u>	<u>Coverage Ratio</u>
2001	\$112,700	\$89,346	.79	\$155,351	1.38
2002	112,700	73,873	.66	161,951	1.44
2003	112,700	79,216	.70	170,724	1.51
2004*	112,700	90,178	.80	157,183	1.39

(all figures in thousands)

*Test Year

¹ The definition of Maximum Annual Debt Service in the Indenture permits certain assumptions to be made which cause the amount shown in this table to vary from any amount shown in the table on p. 15. For the definition of "Maximum Annual Debt Service", see Appendix A.

The Revenue Forecast contains important assumptions and estimates underlying the projected coverage during the Forecast Period, including, without limitation: the anticipated rate increases to be adopted during such periods; the anticipated demand for sewer services; the expenses of operating and maintaining the System; the cost and timing of required capital improvements; the annual debt service requirements on the Series 2001-A Warrants, the Series 1999-A Warrants and Series 1997 Warrants resulting from available interest rates and principal maturities; and the interest earnings on funds held under the Indenture.

The Revenue Forecast also does not take into account any additional indebtedness that may be incurred by the County during the Forecast Period. The County presently anticipates that Additional Parity Securities will be issued in calendar 2002 to finance a continuation of the County's sewer improvement program. The County expects that sewer rates will have to be increased above the rates contained in the Revenue Forecast as a result of the issuance of any such Additional Parity Securities under the terms of the Indenture.

Net Revenues Available for Debt Service, as projected in the Revenue Forecast, are calculated on a basis consistent with the definition of such term contained in the Indenture. The excess of revenues over expenses does not include as an expense interest expense on debt, depreciation or amortization, but does include as revenues interest income on all funds held under the Indenture, other than the Rate Stabilization Fund.

The Indenture permits the Revenue Forecast to assume that all or any portion of the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants will be redeemed in one or more installments that are consistent with the optional redemption provisions and to adjust the debt service schedule to reflect such assumed redemptions. Thus, in calculating Maximum Annual Debt Service, the Revenue Forecast effectively assumes level annual debt service for fiscal years beginning in fiscal year 2007, the year in which Series 1997 Warrants are first subject to optional redemption. See Appendix A -- Definitions -- "Maximum Annual Debt Service".

The Revenue Forecast must be read in its entirety for an explanation of the assumptions and estimates that form the basis for the projections contained in the Forecast. There can be no assurance that actual results of operations, rates for sewer service charges and debt service requirements will be as projected in the Forecast.

Rate Covenant

The County has sole jurisdiction to set the rates for sewer services. The County's rates are not subject to review by any federal, state or similar regulatory authority, but are subject to judicial review as to reasonableness.

The County has covenanted in the Indenture to make and maintain such rates and charges for the services supplied from the System and make collections from the users thereof in such manner as shall provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) the Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than 110% of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than 80% (or, in the case of any Fiscal Year beginning on or after October 1, 2007, 100%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps, and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps. The County has covenanted to make such increases and other changes in such rates and charges as may be necessary to comply with the Rate Covenant.

The Indenture provides that the County's Director of Finance shall, within 60 days after the end of each Fiscal Year, (i) determine whether or not the Net Revenues Available for Debt Service and Prior Years' Surplus for the then most recently completed Fiscal Year were sufficient to result in compliance with the Rate Covenant for such Fiscal Year (the "Historical Evaluation"), (ii) determine whether or not the combination of the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) and the Prior Years' Surplus as of the beginning of the then current Fiscal Year would be sufficient to result in compliance with the Rate Covenant for the then current Fiscal Year (the "Immediate Prospective Evaluation") and (iii) determine whether or not the Net Revenues Available for Debt Service for the then most recently completed Fiscal Year (subject to adjustment in the manner hereinafter described) were equal to or greater than 100% of Maximum Annual Debt Service (the "Extended Prospective Evaluation"). For purposes of the Immediate Prospective Evaluation and the Extended Prospective Evaluation, the Net Revenues Available for Debt Service for the preceding Fiscal Year may be adjusted to give effect to any increase in the rates and charges for services furnished by the System that was put into effect after the beginning of such Fiscal Year.

If at the beginning of any Fiscal Year the County's Director of Finance makes the aforesaid determinations and concludes that the County has failed to satisfy the Historical Evaluation, the Immediate

Prospective Evaluation or the Extended Prospective Evaluation, then a written notice setting forth such determinations and the conclusions reached (a "Rate Adjustment Notice") shall be delivered, no later than December 10 in such Fiscal Year, to the Trustee and to each member of the Commission. The County has covenanted that, in the event of delivery of notice of the County's failure to satisfy the Historical Evaluation or Immediate Prospective Evaluation (or both), the County will increase rates and charges for services furnished by the System in order to comply with the Rate Covenant.

Automatic Rate Adjustment Ordinance

On February 12, 1997, the Commission amended the ordinance that establishes the rates and charges for services furnished by the System (the "Rate Ordinance") in a manner that has resulted in continual compliance with the Rate Covenant. Under the provisions of the Rate Ordinance, the preparation and delivery of a Rate Adjustment Notice in accordance with the provisions of the Indenture results in an automatic increase in the rates for the standard charges imposed upon and collected from the users of the System, with such increase to be effective as of January 1 in the Fiscal Year in which such Rate Adjustment Notice is delivered. The amount of any such rate increase is determined by formulas contained in the Rate Ordinance, which formulas produce periodic rate increases that are consistent with the requirements of the Rate Covenant.

The Rate Ordinance specifically provides that the provisions thereof shall not limit or restrict the power and authority of the Commission to modify the rates and charges for services furnished by the System in addition to the automatic rate increases resulting from the application of the Rate Ordinance. The Rate Ordinance shall not constitute a contract between the County and the Series 2001-A Warrantholders and may be modified at any time by the Commission at its sole discretion.

The automatic rate increases under the Rate Ordinance have been implemented four times, resulting in rate increases effective January 1 in the years 1998, 1999, 2000 and 2001. The County Commission also has implemented a discretionary rate increase in addition to the increases resulting from the Rate Ordinance, which became effective March 1, 1999 and has approved an additional discretionary rate increase to be effective April 1, 2001. See "Historical Coverage", herein.

Related Obligations

The County may obtain or cause to be obtained letters of credit, lines of credit, bond insurance or similar instruments (collectively, "Credit Facilities") to secure or provide for the payment or purchase of all or a portion of the Parity Securities of any particular series. In connection therewith, the County may enter into agreements with the issuer of or obligor on any such Credit Facility providing for, among other things, the payment of fees and expenses to such issuer or obligor for the issuance of such Credit Facility, the terms and conditions of such Credit Facility and the series of Parity Securities affected thereby, and the security, if any, to be provided for the issuance of such Credit Facility and the payment of such fees and expenses or the obligations of the County with respect thereto. The County may also, to the extent permitted by law, enter into an interest rate swap agreement, an interest rate cap agreement, an interest rate floor agreement, an interest rate collar agreement or any similar agreement with respect to any series of Parity Securities or portion thereof.

The County may, if it elects to do so, secure all or any portion of its contractual obligations with respect to any Credit Facility or any Qualified Swap (any such contractual obligations being herein called "Related Obligations") by a pledge of the Pledged Revenues which may be on a parity with the pledge made in the Indenture (except to the extent that any such pledge secures the payment of any amount payable by the

County as a consequence of an early termination of a Qualified Swap) so long as no default exists on the part of the entity providing such Credit Facility or on the part of the related Qualified Swap Provider, as the case may be. Any Related Obligation that is secured by a pledge of the Pledged Revenues that is on a parity with the pledge made in the Indenture is referred to herein as a "Secured Related Obligation". Notwithstanding any pledge that may be made as described in the preceding sentence, Secured Related Obligations shall not constitute or be treated as Parity Securities for any purpose in applying the provisions of the Indenture (including, without limitation, the conditions precedent to the issuance of Additional Parity Securities and the Rate Covenant).

The County has entered into certain interest rate swap transactions pursuant to its rights described in the preceding paragraphs. See AOUTSTANDING DEBT - Outstanding Swap Transactions.®

JEFFERSON COUNTY SEWER SYSTEM

General Information

Act No. 714 of the Alabama Legislature, enacted February 28, 1901 authorized the construction, maintenance and operation of a sewage disposal system (the "System") in Jefferson County by the Jefferson County Sanitary Commission, which Act No. 714 created. Act No. 716, also enacted February 28, 1901, provided for the issuance of bonds for sewer purposes and for the levy of a special ad valorem tax (the "Sewer Tax") for sewer purposes. On August 19, 1909, Act No. 48 was enacted into law to transfer the rights, duties and powers with respect to the System from the Jefferson County Sanitary Commission to the Board of Revenue of the County. Pursuant to these acts, municipalities in the County may construct their own sewage collection systems which connect to trunk or branch lines of the System. Private sewer systems, if any, can also be connected to the System with the permission of the governing body of the County, the County Commission. In addition to building trunk and branch lines, the Commission is also authorized to locate and build wastewater treatment plants to carry out its legislative charge to protect the sources of drinking water supply from pollution.

Amendment No. 73 to the Alabama Constitution (the "County Sewer Amendment") grants to the governing body of the County the right to levy and collect sewer service charges from the users of the System. The County Sewer Amendment provides that the County Commission shall have a lien against any property served by the System to secure the payment of any related sewer service charges. Any such lien may be enforced by foreclosure in the same manner as municipal assessments for public improvements. Under the County Sewer Amendment, any moneys derived by the County from sewer service charges may be expended only for purposes related to the improvement, extension, maintenance and operation of the System.

Through the end of World War II, the System serviced four areas in the County, and total cumulative construction expenditures were under \$2 million. Subsequent to World War II, two major forces contributed to the geographical expansion of the System and the upgrading of treatment provided by the System's wastewater treatment plants ("WWTPs"). The suburban migration that began in the 1950's, together with the rapid residential and industrial growth in the County at that time, was one factor. The other factor was the Federal Government's passage of the first Water Pollution Control Act of 1948, which set up policies, rules and grant procedures for water pollution control and was the first in a series of acts and amendments designed to protect the streams and watercourses in the United States.

The Federal Water Pollution Control Act amendments of 1972 and 1977 (the "Clean Water Acts") provide for the restoration and maintenance of the chemical, physical and biological integrity of the nation's waters. Toward the furtherance of that goal, the Clean Water Acts established the National Pollutant Discharge Elimination System ("NPDES"), a permit system administered by the United States Environmental Protection Agency ("EPA") in conjunction with the various states. EPA has delegated the NPDES program in Alabama to the Alabama Department of Environmental Management ("ADEM"). The System is subject to the requirements of the Clean Water Acts and the conditions set forth in the NPDES permit applicable to each of the WWTPs. In addition, the System is subject to regulation by ADEM.

All of the County's WWTPs achieve levels of secondary and tertiary treatment consistent with the standards set forth in the Clean Water Acts. However, due to the treatment capacities for wet weather flows to certain plants coupled with the loading restrictions associated with low volume of water flow of the stream into which the plants discharge, problems related to peak treatment capabilities remain. Additionally, the EPA and the ADEM have established high stream quality standards for the County. For example, the Cahaba River WWTP discharges into the Cahaba River, which has very low stream flow due to its upstream diversion and use as drinking water. Therefore, continued improvements to facilities where stringent effluent limits are imposed will be necessary in the future.

In 1998, as the result of a United States District Court's decision pursuant to a lawsuit claiming that Jefferson County was violating EPA regulations of the Clean Water Acts, the operations and maintenance of the sewage collection systems of twenty-one municipalities connected to the System were unified under the control of the County Commission. The unification of the respective sewage collection systems added over 11 million linear feet of sewer lines and approximately 100 pumping stations, thereby expanding the County Commission responsibility for the System with a total of more than 2600 miles of sewer lines, 140 pumping stations, and nine WWTPs. Upon the acquisition of the municipal systems, the County Commission determined that the municipal systems failed to meet the standards required to comply with the Clean Water Acts. The County Commission is currently implementing comprehensive rehabilitation to the infrastructure to comply with federal requirements and prepare the System to meet the demands of Jefferson County's growing population.

County Growth Patterns

The most significant aspect of the County's growth since 1950 is its low density when compared to the older central area. For instance, new suburban growth in the areas of the County on the southern side of Red Mountain from Birmingham have taken place at a density of less than two dwelling units per net residential acre as compared to densities in the West End section of Birmingham of approximately six dwelling units per net residential acre. Beginning in the 1950's, a mass outward migration of people from the central valley area began, following the national trend of movement from the city out to the suburbs. This led to pressure for sewer service in outlying areas at the same time that regulatory requirements were mandating secondary treatment of wastewater.

Although the period from 1970 to 1980 saw only a slight increase in the County's population, the number of housing units in the County increased by 22%. This may be attributable to an increase in multifamily construction during this time, which added to the County's housing units. The trend towards smaller families and declining birthrate, generally, also contributed to the slow population growth. Subsequent moratoria on sanitary sewer facilities and the impact of the recession slowed growth in the late 1970's.

Between 1980 and 1990, the County's population declined by nearly 20,000 people. Household size decreased rapidly during this decade, as well. In part, the shrinking population may be attributed to smaller households and the declining birthrate. In addition, migration from the County contributed to the population decline. Construction on Interstate 459 was completed during this decade which enabled those working in Birmingham to move to outlying counties and commute into the city. Despite the population decline during this time, the number of housing units in the County rose by 5.1%. This increase is likely the result of the construction of multi-unit dwellings.

Between 1990 and 2000, the population of the County increased slightly, reversing the trend of the prior decade. While out-migration from the County has occurred, this trend has been somewhat offset by a high birth to death ratio. The number of housing units increased during this time, as well, but not as rapidly as it did during the 1970's and 1980's. Nearly one-half of the new housing units in Jefferson County were located south of Birmingham along Interstate 65 and Highway 31 in the Hoover and Vestavia Hills areas and northeast of Birmingham along Interstate 59 in the Trussville area.

Generally, areas of future growth are expected to concentrate along the major transportation corridors radiating outward from the center of the Birmingham area. Growth characteristics and potentials of the area major corridors are summarized in the following paragraphs.

Interstate 65 and U. S. Highway 31 South C One of the strongest growth corridors in the urban area is formed by Interstate 65 and U. S. Highway 31 South. The combination of a limited access facility with a roughly parallel highway providing access to adjoining property greatly strengthens the development of this corridor. Where this corridor passes south from Red Mountain, it is further strengthened by other parallel routes including the Green Springs Highway and the Elton B. Stephens Expressway, which passes through the centers of Homewood, Vestavia Hills and Hoover. While the relatively rugged terrain in this corridor forces development into low density patterns, it also hinders the development of minor arterial routes that could relieve traffic on major arteries. This has forced most commercial development to locations along U. S. Highway 31.

Interstate 459 C This southern beltway connecting Interstate 20 and Interstate 59 has attracted substantial commercial and residential development. With the construction of sewers, major development has occurred where I-459 interchanges with I-59 North, U. S. Highway 280 East, Acton Road, U. S. Highway 31 South, Highway 150, Morgan Road and I-59 South. It is expected that further development along this corridor should continue to increase based on sewer availability.

Interstate 59 and U. S. Highway 11 South C Extending southwest from Bessemer, this corridor is strengthened by a mainline of the Norfolk Southern Railroad and U. S. Highway 11. Relatively level land along this corridor offers potential for a development pattern which includes housing, commercial and public services. The Jefferson County Economic and Industrial Development Authority has recently developed an industrial park in this area. The location of the Mercedes Benz assembly plant in nearby Vance in Tuscaloosa County has greatly increased demand for sewer services in the area.

U. S. Highway 78 West C This corridor runs northwest from the central Birmingham area through Forestdale, Westwood, Adamsville and Graysville. It passes through the rugged terrain of the Warrior River Basin. The completion in 1990 of the Prudes Creek Treatment Plant in the Graysville/Adamsville area has contributed to the growth of this corridor. Recent growth in this area is projected to continue with the

extension of Corridor X from Memphis to Birmingham. Corridor X is a project intended to replace existing U.S. Highway 78 with a limited access expressway from Memphis to Birmingham.

Interstate 65 and U. S. Highway 31 North C This corridor passes north from the central Birmingham area through Fultondale and Gardendale. The completion of I-65 north from downtown Birmingham through Gardendale has greatly strengthened the development potential of this corridor by permitting U. S. Highway 31 to function as a high capacity service road while through traffic uses the interstate. Recent construction of sewers located at the Fieldstown Road Interchange has provided for major development.

State Highways 75 and 79 C These two highways form a broad corridor beginning in the northeastern section of Birmingham and following a wide path to the northeast through Tarrant City, Center Point and Pinson. Highway 79 connects Tarrant City to Pinson through the Pinson Valley north to Bradford. Highway 75 follows a somewhat parallel course to the east, connecting the Woodlawn area, through Center Point and Pinson, to Palmyra. Only small portions of this corridor are held in large tracts for mineral reserves, and significant amounts of buildable land remain available. The industrial potential of the Pinson Valley portion of this corridor is enhanced by a main line of the CSX Railroad which parallels Highway 79 leaving sufficient width for good industrial sites. Recent development has occurred due to the construction of a sanitary sewer trunk in the Pinson area.

Interstate 59 and U. S. Highway 11 East C This corridor begins in Huffman and extends east through a gap in Red Mountain, then northeast through Trussville and Argo. Recent completion of the Deerfoot Parkway has further stimulated large residential development in this area. East of Red Mountain land bordering the corridor is generally characterized by rough terrain and low lying flood plains. The construction of the Trussville Industrial Park Collection System and Pinchgut Creek Trunk Sewer has spurred interest for continued development along U. S. Highway 11 in the Trussville area.

Interstate 20 and U. S. Highway 78 East C This corridor will have the transportation facilities essential for strong corridor development, but such development will be severely limited by rugged terrain and large mineral land holdings. The corridor extends east from Irondale to Leeds, crossing the Cahaba River. It is paralleled by a main line of the Norfolk Southern Railway which provides some industrial potential. Most urban development will be limited to portions of the corridor lying west of the Cahaba River and in the immediate Leeds area. Significant commercial and residential developments are currently underway in Leeds.

U. S. Highway 280 East C This corridor experienced limited development pressure during the 1970's. However, major changes have taken place in recent years. With the completion of Interstate 459, which now provides access to this area from north and south, the corridor has attracted major office and retail development. Further growth in the corridor appears likely to continue.

Lakeshore Extension C This corridor begins in Homewood near Interstate 65, extends southwesterly through the Oxmoor Valley toward Highway 150 near Morgan Road and will connect to Interstate 459. Significant residential, office, research, and retail development is underway in this area. Additional sewers are planned at the Interstate 459 interchange.

System Management

The Jefferson County Commission is comprised of five commissioners elected by district. The President of the Commission is responsible for the financial management of the System, as well as the financial

management of the rest of the County's operations. One commissioner has been given the responsibility of Environmental Services which includes, in part, the overall operational management of the System. The System is managed by the County Environmental Services Department under the daily direction of the County's Environmental Services Director.

Environmental Services Department

The Environmental Services Department is organized into five divisions: Administration, Maintenance and Construction, Wastewater Treatment Plants, Barton Lab/Industrial Pretreatment and Solid Waste. The Environmental Services Department has a total of 756 employees, all of whom are civil service employees.

The Administration Division has the responsibility of providing direction to all phases of the Department's operations. The Administration Division has 73 employees, including the engineering staff. The duties include management of wastewater treatment plants, management of the capital construction programs, issuance of impact connection permits, sewer service inspections, sewer availability information, assessment sewers and review and approval of all proposed sewer construction plans.

The Maintenance and Construction Division has the responsibility for performing sewer maintenance activities, sewer construction inspection, and miscellaneous construction to support the maintenance crews. The maintenance operations are staffed 24 hours per day, seven days per week. This division has a total of 197 employees.

The Wastewater Treatment Plant Division has the responsibility for the operation and maintenance of the wastewater treatment facilities of the County. This division has a total of 374 employees.

Barton Lab/Industrial Pretreatment Division has the responsibility for miscellaneous laboratory analyses required by the Department, water quality monitoring activities, plant laboratory quality control and industrial pretreatment sampling and surcharge activities. This division has a total of 33 employees.

Solid Waste Division is responsible for operating and maintaining the Department's two public landfills, solid waste transfer facility and two wood waste facilities. This division is funded entirely from tipping fees, which revenues do not constitute System Revenues. This division has a total of 79 employees.

Jefferson County Wastewater Treatment Plants and Sewer Lines

Village Creek Wastewater Treatment Plant. The Village Creek Plant is located in Pratt City. The plant receives sewage flow from most of the downtown Birmingham area, including Southside, West End, Avondale, Woodlawn, East Lake, Huffman, North Birmingham, Ensley, Pratt City, Forestdale and Hooper City. The Village Creek Plant has an average design capacity of 60 million gallons per day ("MGD"). The unit processes for treatment consist of screening removal with mechanical bar screens, pre-aeration and grit removal, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, partial sand filtration, chlorination, dechlorination and final effluent discharge into Village Creek. Sludge handling consists of thickeners, anaerobic and aerobic digestion, mechanical dewatering by centrifuges. The dried solids are handled by the biosolids operations described later. There are 80 employees at this plant which is staffed 24 hours per day, seven days a week. The plant is

currently under design to expand the average capacity from 60 MGD to 120 MGD and provide peak flow treatment to all wet weather flows.

Valley Creek Wastewater Treatment Plant. The Valley Creek Plant is located in West Bessemer near the intersection of Johns Road and Powder Plant Road. The plant receives sewage flow from the Central Park C Fairgrounds area, Fairfield, Midfield, Powderly, Roosevelt City, Brighton, Lipscomb, Bessemer, Hueytown, Pleasant Grove, Dolomite, Garywood, Wylam and McCalla areas. The Valley Creek Plant also receives all the flow from the Shades Valley basin including Irondale, Mountain Brook, Homewood and portions of Birmingham south of Red Mountain. The Valley Creek Plant has an average design capacity of 65 MGD. The unit processes for treatment consist of mechanical bar screens, comminutors, pre-aeration and grit removal, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, chlorination, dechlorination and final effluent discharge to Valley Creek. Sludge handling consists of thickeners, anaerobic digestors and sludge dewatering by belt filter presses. Dried solids are handled by the biosolids operations. There are 71 employees at this plant, which is also staffed 24 hours per day, seven days a week. The plant is currently under design to expand the average capacity to 85 MGD and provide peak flow treatment to all wet weather flows.

Five Mile Creek Wastewater Treatment Plant. The Five Mile Creek Plant is located in Lower Coalburg. The plant receives sewage flow from Tarrant City, Inglenook, Lewisburg, Roebuck, Center Point, Grayson Valley, the southern end of Pinson Valley, Fultondale and southern Gardendale. The Five Mile Creek Plant has an average design capacity of 20 MGD. The unit processes for treatment consist of mechanical screens, flow equalization, pre-aeration and grit removal, primary clarification, step-aeration activated sludge aeration, secondary clarification, chlorination and dechlorination, and final effluent discharge to Five Mile Creek. Sludge handling consists of aerobic digestion, thickeners and sludge drying beds. Dried solids are handled by the biosolids operations. There are 38 employees who operate the Five Mile Creek Plant 24 hours per day, seven days a week.

Cahaba River Wastewater Treatment Plant. The Cahaba River Plant is located in Hoover just downstream of the I-65 bridge over the Cahaba River. The plant receives sewage flow from Hoover, Bluff Park, Vestavia, Rocky Ridge, Acton Valley, Cahaba Heights and that portion of Riverchase which is within Jefferson County. This plant has an average design capacity of 12 MGD. The unit process consists of mechanical fine screens, pre-aeration and grit removal, peak flow holding basin, primary clarification, first stage activated sludge aeration, intermediate clarification, second stage aeration for nitrification, final clarification, filtration, chlorination, dechlorination and final effluent discharge to the Cahaba River. Sludge handling consists of aerobic digestion and sludge dewatering by belt filter presses. Dried solids are handled by the biosolids operations. There are 40 employees at the Cahaba River Plant, which is staffed 24 hours per day, seven days a week. The plant is currently under design to add additional tertiary treatment components to meet new regulatory discharge requirements.

Turkey Creek Wastewater Treatment Plant. The Turkey Creek Plant is located in Pinson just off The Narrows Road. The plant receives sewage flow from Pinson, the Sweeney Hollow Road area, and northern Center Point. The Turkey Creek Plant has a design capacity of 4 MGD. The unit processes for treatment consist of bar screens, comminutors, pre-aeration and grit removal, equalization holding basin, oxidation ditch extended aeration, secondary clarification, ultraviolet light radiation and final effluent discharge cascade to Turkey Creek. Sludge handling consists of thickeners and sludge drying beds. Dried solids are handled by the biosolids operations. There are 10 employees at this plant which is staffed eight

hours per day, seven days a week. The plant is currently under design for expansion to accommodate growth within the service area of this plant.

Norman R. Skinner (Leeds) Wastewater Treatment Plant. The Leeds Plant is located in the City of Leeds off Montevallo/Cahaba Valley Road. The plant receives sewage flow only from the City of Leeds, including small parts of St. Clair and Shelby Counties. The Leeds Wastewater Treatment Plant has a design capacity of 5 MGD. The unit processes for treatment consists of headworks grinders, grit removal, peak flow holding facilities, oxidation ditch extended aeration, secondary clarification, sand filtration, ultra-violet light radiation (disinfection) and final effluent discharge to the Little Cahaba River. Sludge handling consists of aerobic digestion, thickening and sludge drying beds. Dried solids are handled by the biosolids operations. There are 13 employees at this plant which is staffed 8 hours per day, seven days a week.

Trussville Wastewater Treatment Plant. The Trussville Plant is located in the City of Trussville behind City Hall. The plant currently receives flow from the City of Trussville and an area along U. S. Highway 11 between Trussville and I-459. The Trussville Plant, completed in July 1998, has a design capacity of 4.5 MGD. The unit processes for treatment consist of grit removal, oxidation ditch extended aeration, secondary clarification, sandfiltration, ultra-violet light radiation (disinfection) and final effluent discharge to the Cahaba River. Sludge handling consists of sludge drying beds. Dried solids are handled by the biosolids operations. There are 13 employees at this plant which is staffed eight hours per day, seven days a week.

Warrior Wastewater Treatment Plant. The Warrior Plant is located to the west of Warrior on Blackburn Drive and serves the City of Warrior. The plant has an average design capacity of 100,000 gallons per day. The unit processes for treatment consist of headworks grinders, extended aeration, final clarification, ultra-violet light radiation and final discharge into Cane Creek. The Warrior Plant is staffed for eight hours per day, five days per week with 2 employees. The plant is currently under design for expansion to accommodate growth in the service area.

Prudes Creek Wastewater Treatment Plant. The Prudes Creek Plant serves the Cities of Graysville and Adamsville. The Plant has an average design capacity of 600,000 gallons per day. The unit processes for treatment consist of headworks grinders, extended aeration, final clarifiers, ultra-violet light radiation and final effluent discharge into Fivemile Creek. The Prudes Creek Plant is staffed eight hours per day, five days per week with 2 employees. The plant is currently under design to provide additional peak flow treatment to all wet weather flows.

Pump Stations. The County Commission currently operates numerous pumping stations throughout the County. These stations operate automatically for the most part and they are not permanently staffed. This operation is staffed with 53 employees which comprise several crews who monitor and maintain these pumping stations on a daily basis.

Sewer Plant Maintenance Shops. The County Commission has electrical, electronic and mechanical maintenance shops at the Village Creek, Valley Creek and Five Mile Creek Plants and at the Shades Valley site with a total of 33 employees. The shops perform maintenance activities at all of the WWTPs.

Biosolids (Sludge) Beneficial Reuse Operations. This operation provides the staffing (19 employees) and trucking operations to haul and apply all dried sludge (biosolids) onto land which has been stripped for coal in the past as part of a beneficial reuse and land reclamation effort by the County Commission. This program has received regional and national recognition by the EPA.

Billing, Collection and Rate Making Authority

The majority of the sewer customers in the County are served by the Birmingham Water Works Board system or another city-owned water system. Sewer customers served by the Birmingham Water Works Board and Bessemer are billed for sewer service on their monthly water bills. The remaining sewer customers are billed by and pay directly to the County. Some industrial and/or commercial users are subject to a surcharge based on the strength of their waste. This surcharge is administered by the County.

Pursuant to the County Sewer Amendment, the governing body of the County has sole authority to set sewer rates and charges in the County and to provide for the collection, payment and enforcement thereof. In 1984, the Alabama Supreme Court confirmed the County's authority to set rates for sewer service, and held unconstitutional an attempt by the Alabama Legislature to limit that authority. Since the County rate making authority is constitutionally granted, it can only be changed by further constitutional amendment.

The Commission has adopted an amended ordinance that provides for an automatic adjustment in the rates and charges for services furnished by the System, effective each January 1, in order to comply with the Rate Covenant. See "DEBT SERVICE REQUIREMENTS AND COVERAGE B Automatic Rate Adjustment Ordinance". The provisions of such ordinance do not limit or restrict the power and authority of the Commission to modify rates and charges in addition to the automatic rate increases resulting from the application of such ordinance.

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Rates and Charges

On January 1, 2001, the effective charge for sewer service in the County became \$2.74 per 100 cubic feet of water consumed, an increase from the rate of \$2.48 which became effective on January 1, 2000. An additional increase to \$3.01 per 100 cubic feet will become effective on April 1, 2001. A 15% consumption allowance is permitted for residential customers (other than customers who also have private meters) for water not returned to the System. In addition, the County charges a system development charge of \$100.00 for each new plumbing fixture added to the System.

Shown below is a chart reflecting the rates and charges for sewer service in effect since January 1, 1994:

<u>Rate Increase Date</u>	<u>Per 100 Cubic Feet</u>	<u>Average Residential Bill¹</u>	<u>Average Comparative Rates²</u>
January 1, 2001	\$2.74	\$23.29	NA
January 1, 2000	2.48	21.08	NA
March 1, 1999	2.20	18.70	\$18.70
January 1, 1999	1.96	16.66	18.70
January 1, 1998	1.88	15.98	17.88
February 1, 1997	1.78	15.13	17.57
January 1, 1996	1.73	14.71	17.27
June 1, 1995	1.58	13.43	16.97
January 1, 1994	1.44	12.24	16.60

¹The typical monthly residential consumption is 1000 cubic feet. The typical residential customer does not have a special sewer meter. These typical customers receive a 15% consumption discount for water used that does not enter the sewer system.

²Sources: Raftelis Environmental Consulting Group, Inc., *Raftelis Environmental Consulting Group 1996, 1998 and 2000 Water and Wastewater Rate Survey*, Charlotte, N.C.; and Ernst & Young, 1994 Rate Survey.

Listed below is a comparison of residential sewer service charges per 1,000 cubic feet in other Southeastern cities. The charges listed in this chart are based on rates in effect at various points during calendar year 1999. Other than the charges referable to the County, the following charges have been extracted from a rate study conducted by Raftelis Environmental Consulting Group.

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**Residential Sewer Charge Comparisons
Per 1000 Cubic Feet of Water Metered**

Charleston SC	\$39.11
Asheville, NC	30.50
Richmond, VA	29.95
Kingsport, TN	28.50
Tallahassee, FL	28.45
Austin, TX	28.14
Tampa, FL	27.80
Greenville, SC	25.96
Chattanooga, TN	25.66
Dallas, TX	24.12
Orlando, FL	23.71
Miami, FL	22.12
Mobile, AL	20.85
Spartanburg, SC	20.50
High Point, NC	20.44
Cleveland, OH	19.60
Charlotte, NC	18.95
Jefferson Co., AL	18.70
Tulsa, OK	18.63
Augusta, GA	16.50
Little Rock, AR	15.67
Baton Rouge, LA	15.54
Greensboro, NC	12.60
Raleigh, NC	11.48
Anniston, AL	9.80
Memphis, TN	4.39

Note: The information shown is for calendar year 1999. Jefferson County=s average residential sewer charge for calendar year 2000 was \$21.08.

Source: Raftelis Environmental Consulting Group, Inc., *Raftelis Environmental Consulting Group 2000 Water and Wastewater Rate Survey*, Charlotte, N.C.

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Major Customers

Listed below are the top ten customers of the System during fiscal year ended September 30, 2000 and the related sewer service charges paid:

<u>Major Sewer User</u>	<u>Business</u>	<u>Annual Sewer Service Revenues</u>
University of Alabama at Birmingham	University	\$1,768,999
Birmingham Housing Authority	Government	1,749,754
USX	Steel manufacturer	1,266,550
Barbers Dairies	Dairy	828,239*
Golden Flake	Snack Foods	492,675*
Baptist Medical Center	Hospital	431,577
Buffalo Rock	Soft drinks	424,205*
Birmingham Board of Education	Government	370,192
Brookwood Medical Center	Hospital	349,326
Pemco	Manufacturer	332,648

*Includes surcharge on same consumption.

Source: Jefferson County.

Sanitary Sewer Capital Improvement Program

The purposes of the County's Sanitary Sewer Capital Improvement Program are:

1. To upgrade and expand the large-scale wastewater treatment plants in order to permit projected and predictable economic and residential growth over the next 10 to 15 years.
2. To comply with current stringent stream standards sufficiently to prevent future moratoriums.
3. To accommodate some areas of the County which have been without sewer systems and that show an imminent need.
4. To achieve compliance with the Consent Decree. See "LITIGATION - Consent Decree".

Financing for the County's capital improvement program has been and will be accomplished through the issuance of sewer revenue warrants by the County and the use of retained sewer service charges not required for operation.

Between October 1, 1997 and September 30, 2000, the County spent approximately \$591 million on various consent decree and ongoing capital sewer improvement projects. The County expects that it will spend in excess of \$1.9 billion on capital expenditures for sewer purposes between October 1, 2000 and September 30, 2005. The following table sets forth the amount expected to be spent on projects necessary to comply with the Consent Decree as well as non-Consent Decree projects for the periods shown, beginning October 1, 1997. The table below rounds the following estimates to the nearest million dollars.

**JEFFERSON COUNTY ENVIRONMENTAL SERVICES
SANITARY SEWER CAPITAL IMPROVEMENT PROGRAM
Actual and Estimated Expenditures for Period beginning October 1, 1997**

<u>Period</u>	<u>Consent Decree Projects</u> (millions)	<u>Ongoing Capital Improvements</u> (millions)	<u>Total Expenditures</u> (millions)
10/1/97 through 9/30/00	\$496	\$95	\$591
10/1/00 through 9/30/01	307	98	405
10/1/01 through 9/30/02	350	138	488
10/1/02 through 9/30/03	233	221	454
10/1/03 through 9/30/04	186	168	354
10/1/04 through 9/30/05	151	51	202
10/1/05 and thereafter	<u>173¹</u>	<u>16²</u>	<u>189</u>
TOTALS	<u>\$1,896</u>	<u>\$787</u>	<u>\$2,683</u>

¹ Includes projected expenditures for fiscal years 2006 and 2007 plus anticipated but not yet identified rehabilitation projects required to comply with Consent Decree.

² Includes projected expenditures for fiscal years 2006 and 2007.

Although the foregoing table reflects the County's best estimates based on current plans of the Environmental Services Department for constructing improvements to the System, the County may modify its plans by eliminating or delaying certain projects or by altering the order in which the foregoing projects are undertaken. No assurance can be given that the amounts shown will be spent at all nor that such amounts will be spent according to the schedule indicated.

Sewer Tax

The Sewer Tax is levied and collected by the County as a .7 mill ad valorem tax for the purpose of paying a portion of the costs of improving, maintaining and operating the System and debt service on County obligations issued for sewer purposes. For the fiscal year that ended September 30, 2000, the revenues derived from the Sewer Tax were approximately \$4,486,818 and it is expected that the annual revenues from such tax will continue to approximate that amount.

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RESULTS OF OPERATIONS

This section of the Official Statement presents certain historical operating data and financial information concerning the System. This information in this section will be updated annually and such annual report will be filed with appropriate information repositories in accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE".

System Utilization

The following table sets forth certain essential utilization data with respect to the System for the past five fiscal years.

	<u>Fiscal Year Ending September 30</u>				
	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
Active Accounts	142,277	142,042	141,606	140,324	140,146
Avg. daily treatment volume (millions of gallons treated)	114	119	132	127	130
Sewer Rate Charges (in thousands)	\$68,268	\$60,705	\$49,532	\$46,951	\$44,387
% Revenues - Largest Customer	2.57%	2.93%	2.91%	2.92%	3.19%
% Revenues - Top 10 Customers	11.99%	11.62%	12.35%	10.37%	13.10%

Source: Jefferson County

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Summary of Revenues and Expenditures

The following table sets forth the consolidated revenues, expenditures and changes in fund balance with respect to the System for each of the past five years:

	<u>Fiscal Year Ended September 30</u>				
	<u>2000¹</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>Revenues</u>					
Sewer Rate Charges	\$68,267,995	\$60,705,297	\$49,531,824	\$46,950,835	\$44,387,013
Other Operating Revenue	6,776,612	5,552,947	5,837,746	5,430,480	4,948,202
Ad Valorem Taxes	4,486,818	3,151,127	3,009,938	2,861,888	2,718,657
Interest income	46,564,365	34,367,637	21,504,762	15,083,657	6,006,195
Miscellaneous Revenue	<u>35,360</u>	<u>53,655</u>	<u>244,054</u>	<u>10,953</u>	<u>228,457</u>
TOTAL REVENUES	\$126,131,150	\$103,830,663	\$80,128,324	\$70,337,813	\$58,288,524
<u>Expenses</u>					
Salaries and Wages	\$22,456,966	\$19,610,265	\$17,100,926	\$14,904,481	\$13,706,321
Contract Services	2,938,299	3,538,821	3,495,947	3,494,131	5,159,247
Other <u>16,016,016</u>	<u>10,089,599</u>	<u>10,714,865</u>	<u>9,123,806</u>	<u>6,692,367</u>	
TOTAL EXPENSES	41,411,281	33,238,685	31,311,738	27,522,418	25,557,935
Excess of Revenues Over Expenditures	<u>\$84,719,869</u>	<u>\$70,591,978</u>	<u>\$48,816,586</u>	<u>\$42,815,395</u>	<u>\$32,730,589</u>
<u>Other Financing Sources (Uses)</u>					
Depreciation	(31,503,295)	(24,920,608)	(22,525,436)	(21,585,426)	(18,524,294)
Interest Expense	<u>(82,912,979)</u>	<u>(62,504,352)</u>	<u>(33,546,331)</u>	<u>(25,575,078)</u>	<u>(12,702,798)</u>
TOTAL OTHER FINANCING SOURCES (USES)	(114,416,274)	(87,424,960)	(56,071,767)	(47,160,504)	(31,227,092)
Net Income (Loss)	(29,696,405)	(16,832,982)	(7,255,181)	(4,345,109)	1,503,497
Retained Earnings, Beginning of Year	172,452,053	189,285,035	196,540,505	199,302,426	197,798,929
Adjustments for Prior Periods	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,583,188</u>	<u>0</u>
Adjusted Retained Earnings Beginning of Year			196,540,505	200,885,614	197,798,929
Retained Earnings, End of Year	<u>\$142,755,648</u>	<u>\$172,452,053</u>	<u>\$189,285,324</u>	<u>\$196,540,505</u>	<u>\$199,302,426</u>

¹Data are unaudited.

Summary of Balance Sheet

The following table sets forth a summary of the assets and liabilities of the System for each of the past five years:

	<u>Fiscal Year Ended September 30</u>				
	<u>2000</u> ¹	<u>1999</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>
<u>ASSETS</u>					
Cash and Investments	\$688,401,395	\$972,410,540	\$217,577,359	\$319,635,220	\$78,202,219
Accounts Receivable, Net	12,008,266	11,063,769	7,576,355	6,366,917	4,697,509
Interest Receivable	0	0	0	0	0
Due From Other Governmental Units	489,659	465,039	325,510	607,695	30,975
Inventories	546,885	534,599	514,939	439,652	454,043
Prepaid Items	0	0	0	0	6,322
Warrant Issue Costs	22,941,539	23,821,583	16,615,610	17,295,590	4,383,822
Fixed Assets, Net	1,005,511,451	755,595,701	576,175,647	482,652,283	408,399,300
Deferred Loss on Early Debt Retirement	<u>3,229,759</u>	<u>3,683,648</u>	<u>4,137,537</u>	<u>4,591,426</u>	<u>0</u>
TOTAL ASSETS	<u>\$1,733,128,954</u>	<u>\$1,767,574,879</u>	<u>\$822,922,957</u>	<u>\$831,588,783</u>	<u>\$496,174,190</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES</u>					
Accounts Payable	\$26,936,815	\$25,478,133	\$19,860,553	\$14,049,894	\$12,428,864
Interest Payable	13,695,115	13,799,841	5,472,833	5,523,737	1,063,341
Accrued Payroll and Taxes	393,570	978,339	796,949	103,540	46,287
Retainage Payable	6,114,521	3,684,049	3,044,758	5,147,180	4,201,597
Accrued Vacation and Sick Leave	2,562,982	2,340,363	2,137,551	1,737,927	1,574,675
Accrued Compensatory Leave	324,028	263,741	224,989	151,000	142,000
Arbitrage Rebate Payable	3,461,275	603,360			
Warrants Payable	<u>1,536,885,000</u>	<u>1,547,975,000</u>	<u>602,100,000</u>	<u>608,335,000</u>	<u>277,415,000</u>
TOTAL LIABILITIES	1,590,373,306	1,595,122,826	633,637,633	635,048,278	296,871,764
<u>FUND EQUITY</u>					
Retained Earnings	<u>142,755,648</u>	<u>172,452,053</u>	<u>189,285,324</u>	<u>196,540,505</u>	<u>199,302,426</u>
TOTAL FUND EQUITY	<u>142,755,648</u>	<u>172,452,053</u>	<u>189,285,324</u>	<u>196,540,505</u>	<u>199,302,426</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$1,733,128,954</u>	<u>\$1,767,574,879</u>	<u>\$822,922,957</u>	<u>\$831,588,783</u>	<u>\$496,174,190</u>

¹Data are unaudited.

OUTSTANDING DEBT

General

The principal forms of indebtedness that the County is authorized to incur include general obligation bonds, general obligation warrants, general obligation bond anticipation notes, special or limited obligation warrants and various revenue anticipation bonds and warrants relating to enterprises. In addition, the County has the power to enter into certain leases which constitute a charge upon the general credit of the County. Under existing law, the County may issue general obligation bonds only after a favorable vote of the electorate of the County. General and special obligation warrants issued for certain specified purposes may be issued without voter approval.

The County Financial Control Act generally prohibits the issuance of warrants by counties unless at the time of such issuance funds are available for their payment. Act No. 83-75 enacted at the 1983 First Special Session of the Legislature of Alabama, as amended by Act No. 83-921 of the 1983 Fourth Special Session of the Legislature of Alabama (such acts being codified as ' ' 11-28-1 through 11-28-7, inclusive, of Code of Alabama 1975), pursuant to which the Series 2001-A Warrants are being issued, as well as certain other statutes authorizing Alabama counties to issue general and special obligation warrants for certain specified capital and other similar purposes, expressly negate the application of the County Financial Control Act to such warrants. With certain minor and narrow exceptions, however, Alabama counties may not incur long-term debt for payment of current operating expenses, and the County Financial Control Act has the practical effect of prohibiting deficit financing for current operations.

Outstanding Long-Term Sewer Revenue Debt

After the issuance of the Series 2001-A Warrants, the County's only outstanding long-term sewer revenue debt will consist of the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants. For a schedule of debt service requirements on the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants, see "DEBT SERVICE REQUIREMENTS AND COVERAGE".

Outstanding Short-Term Sewer Revenue Debt

The County does not have any short-term debt outstanding payable out of Pledged Revenues and does not have a line of credit for short-term borrowing purposes payable out of such revenues.

Outstanding Swap Transactions

Acting in accordance with rights reserved in the Indenture, the County has entered into various interest rate swap transactions with respect to the Parity Securities. The County is now obligated with respect to three of those transactions (the AOutstanding Swaps@). Under each of the Outstanding Swaps, the County (a) is obligated to make monthly payments calculated by reference to the applicable notional amount and the BMA Municipal Swap Index and (b) is entitled to receive semiannual payments calculated by reference to the applicable notional amount and the applicable fixed interest rate.

Two of the Outstanding Swaps are between the County and Morgan Guaranty Trust Company of New York (AMorgan@). Those transactions (the AMorgan Transactions@) have notional amounts of \$200,000,000 and \$175,000,000, respectively. The Morgan Transaction with a notional amount of \$200,000,000 had an

effective date of February 1, 2001, a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.069%. The Morgan Transaction with a notional amount of \$175,000,000 has an effective date of February 1, 2002, a termination date of January 1, 2016, and a fixed rate (for determining payments to be made by Morgan) of 5.2251%. For each Morgan Transaction, Morgan has the option to cancel such transaction on the first calendar day of any month occurring after January 31, 2004. In addition, if Morgan exercises such cancellation option with respect to a transaction, Morgan will then have the option to reinstate such transaction (in accordance with its original terms) on the first calendar day of any month occurring after January 31, 2009.

The third Outstanding Swap is between the County and The Chase Manhattan Bank (AChase@). That transaction (the AChase Transaction@) has a notional amount of \$70,000,000, an effective date of February 1, 2002, a termination date of February 1, 2031, and a fixed rate (for determining payments to be made by Chase) of 5.17%. Chase has the option to cancel the Chase Transaction on the first calendar day of any month occurring after January 31, 2007.

The Outstanding Swaps are Qualified Swaps and Secured Related Obligations for purposes of the Indenture. See ADEBT SERVICE REQUIREMENTS AND COVERAGE - Related Obligations.@"

Anticipated Debt

In order to comply with the Consent Decree governing the System (see "LITIGATION - The Consent Decree") and to meet the System's ongoing capital improvement requirements, the County expects to issue substantial additional indebtedness over the next two years. The Series 2001-A Warrants are being issued in order to finance the County's sewer improvement program through April, 2002. The County anticipates that, as of April, 2002, there will remain additional projects included in the remedial plan and ongoing sewer improvement program that will cost approximately \$1.412 billion. The County expects to finance these and other discretionary capital improvements by periodically issuing additional debt secured by the Pledged Revenues on a parity of lien with the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants. The next phase of such additional financing is expected to occur in calendar year 2002. See "THE PLAN OF FINANCING -- Sources of Funding".

Outstanding General Obligation Debt

The County's outstanding general obligation indebtedness (apart from (i) current liabilities incurred in the regular and ordinary operations of the County and (ii) certain conduit financings for which the County has no payment obligation or other liability) consists of the following outstanding warrants of the County:

General Obligation Warrants, Series 1990, maturing April 1, 2001	\$ 2,015,000
General Obligation Warrants, Series 1992, maturing annually April 1, 2001 through April 1, 2007	32,925,000
General Obligation Warrants, Series 1993, maturing annually April 1, 2001 through April 1, 2010	64,145,000
General Obligation Warrants, Series 1996, maturing	

annually April 1, 2001 through April 1, 2006	22,000,000
General Obligation Warrants, Series 1999, maturing October 1, 2004	100,000,000
General Obligation Warrants, Series 2000, maturing April 1, 2004	<u>7,125,000</u>
TOTAL	<u>\$228,210,000</u>

Civic Center Financing

The Birmingham-Jefferson Civic Center Authority (the "Authority") is a public corporation that owns and operates a civic center complex (the "Civic Center") located in the County. In order to finance the costs of certain improvements and additions to the Civic Center, the Authority issued and sold \$132,380,000 principal amount of tax-exempt bonds in 1989. In order to assist the Authority in this undertaking, the City of Birmingham and the County entered into separate agreements with the Authority in which they pledged and appropriated certain tax revenues to the Authority for the purpose of paying a portion of the debt service on the aforesaid bonds of the Authority. The agreement between the County and the Authority provides for the pledge and appropriation by the County to the Authority of certain proceeds of a special privilege or license tax (the "Special County License Tax") that the County levies and collects at the rate of 1/2% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. No other County revenues are subject to such financial commitment. Under the provisions of said agreement, the County is required to make payments to the Authority out of such proceeds in the amount of \$10,000,000 per year for each calendar year until and including 2008.

On November 12, 1998, the Jefferson County Circuit Court held that certain provisions of the statute and ordinance levying the Special County License Tax are unconstitutional because certain exemptions to such tax violate the Equal Protection Clause of the U.S. Constitution. An appeal of that judgment is now pending before the Alabama Supreme Court. See "LITIGATION - Special County License Tax Litigation".

Jefferson County Economic and Industrial Development Authority Financing

The Jefferson County Economic and Industrial Development Authority (the AJCEIDA@) is a public corporation that owns an industrial park in the western portion of the County. In 1998, the JCEIDA issued \$15,280,000 principal amount of bonds (the AJCEIDA Bonds@) to finance the cost of acquiring, constructing and developing the industrial park. The County entered into a Funding Agreement (the AFunding Agreement@) pursuant to which the County agreed to pay amounts sufficient to provide for the payment of principal of and interest on the JCEIDA Bonds due in any fiscal year of the County, to the extent that the JCEIDA does not have sufficient funds to pay such principal and interest. The Funding Agreement has a one-year term and is subject to automatic renewal in each successive fiscal year unless the County provides written notice by August 1 of the prior fiscal year that it elects not to renew the Funding Agreement.

The County=s obligation to make the payments provided for in the Funding Agreement during each one-year term constitutes a general obligation of the County, and the County has pledged its full faith and credit for such payments; however, all obligations of the County under the Funding Agreement are payable solely out of the current revenues of the County for the fiscal year during which the County becomes obligated

to pay or otherwise discharge such obligations. The maximum amount of principal and interest due on the JCEIDA Bonds in any year does not exceed approximately \$2 million.

GENERAL INFORMATION RESPECTING JEFFERSON COUNTY, ALABAMA

COUNTY GOVERNMENT AND ADMINISTRATION

The County Commission

The governing body of the County is the Commission. The five commissioners are elected from five districts within the County for four-year terms. The current term of office for the present commissioners, President Gary White and Commissioners Mary M. Buckelew, Bettye Fine Collins, Jeff Germany and Chris McNair, began on November 10, 1998, and will end in November, 2002.

The major responsibilities of the Commission are to administer the County's finances, serve as custodians of all of the County's property, collect taxes as set by state law, allocate resources for the construction of buildings, roads and other public facilities, provide for the delivery of services that by law are the County's responsibility (such as sewer service, medical care, care for the indigent and law enforcement) and make appointments to various governmental boards and agencies.

In the 2000 fiscal year, the County employed 4,717 individuals. The County's employees perform tasks in five areas of County government. These areas are the Department of Finance and General Services, the Department of Roads and Transportation, the Department of Environmental Services, the Department of Health and Human Services and the Department of Community and Economic Development. A description of these areas follows:

The Department of Finance and General Services

The Department of Finance and General Services is responsible for the administration of the financial affairs of the County, the management of the public buildings of the County and the maintenance of the accounting records of the County. The department supervises the operations of the County Revenue Department, which collects a number of state and local taxes (such as sales and use taxes and other excise taxes), as well as the Finance Department. See "COUNTY FINANCIAL SYSTEM". For the most part, the activities of the department are supported with moneys from the General Fund of the County. The President of the Commission, Gary White, has been assigned the responsibility of the Department of Finance and General Services.

The Department of Community and Economic Development

The Department of Community and Economic Development is responsible for the activities of the County in a number of different areas related to the growth and development of the County. Commissioner Bettye Fine Collins has been assigned the responsibility for this department, which includes the County's offices for land development and inspection services. The department also supervises the Office of Community Development, which administers federal community development funds for capital improvements

in the County, and the Office of Senior Citizens' Activities, which is responsible for the development and implementation of programs to provide services for the elderly residents of the County.

The Department of Health and Human Services

The Department of Health and Human Services, which is the responsibility of Commissioner Jeff Germany, supervises certain health care institutions and agencies of the County. Two of the institutions subject to the supervision of the department are the County nursing home in Ketona, Alabama (the "County Home") and Cooper Green Hospital, which provides medical care for indigent residents of the County. Cooper Green Hospital is supported from the Indigent Care Fund of the County and the County Home is supported by the General Fund.

The Department of Environmental Services

The Department of Environmental Services is responsible for the construction, operation and maintenance within the County of wastewater treatment plants and sanitary sewer lines and solid waste facilities. Commissioner Chris McNair has been assigned the responsibility for this department.

The Department of Roads and Transportation

The Department of Roads and Transportation is responsible for the construction and maintenance within the unincorporated area of the County of public highways, streets and bridges. Commissioner Mary M. Buckelew has been assigned the responsibility of this department. The various divisions which constitute the department, including the Administrative Division, the Design Division, the Right-of-Way Division, the Highway Engineering Division, the Highway Maintenance Division, the Traffic Division and the Equipment Division, are supported with moneys from the Road Fund.

COUNTY FINANCIAL SYSTEM

The Department of Finance and General Services is responsible for the administration of the financial affairs of the County and the maintenance of its accounting records. The Finance Department, a division of the Department of Finance and General Services, directs the County's financial program by assembling, maintaining and preparing the County's financial records and statements and by assisting in budget hearings. The Director of Finance of the County is Steve Saylor.

Pursuant to Alabama law, the County is audited annually by the State Department of Examiners of Public Accounts. Historically, the emphasis of the state audit has been on compliance with applicable state law. Such audits are generally completed within one year after the end of the audit period. The most recent available state audit is for the fiscal year ended September 30, 1999. In addition to the state audit, the Director of Finance of the County prepares internal financial statements which conform to the format of the state audit. **A copy of the latest audit for the County is included in Appendix B for general information purposes only. The Series 2001-A Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County but instead are limited obligations of the County payable solely out of the Pledged Revenues.**

Budget System

The budget for the County consists of an operating budget for each of the funds maintained by the County. Together, these separate operating budgets constitute a complete financial plan for the County and reflect the projection of the receipts, disbursements and transfers from all sources.

All of the operating budgets are developed by the Finance Department under the direction of the members of the Commission respectively responsible for the operation of the individual County departments. The budgets are based on estimates of the amount and cost of work to be performed together with historical costs of operations as submitted by the head of each office and department. Estimated revenues are detailed according to source, and estimated expenditures are detailed according to function and type.

Upon submission of the proposed budgets by the Finance Department, the Commission holds public hearings at which the requests of the individual County departments and the recommendations of the Finance Department are fully reviewed. After conclusion of the hearings, the Commission may add new expenditures or increase, decrease or delete expenditures in the proposed budgets, provided that expenditures for debt service or any other expenditures required by law to be included may not be deleted from the budgets. The Commission is prohibited by law from adopting budgets in which the total of expenditures exceeds the estimated total receipts and available surplus.

The Commission is required to adopt the annual budgets on or before the first Tuesday in October of the fiscal year in which the budgets are to take effect. Upon adoption by the Commission, the budgets are printed for distribution to all departments of the County, as well as financial institutions and the general public. Appropriations in addition to those in the original budgets may be made by the Commission if unencumbered and unappropriated moneys sufficient to meet such appropriations are available.

Accounting System

The County maintains a number of separate funds, some of which should be categorized as governmental funds and the remainder of which are more appropriately considered to be proprietary or fiduciary funds. For at least the last five fiscal years, these funds have been maintained and reported by the County in accordance with the standards of the Government Finance Officers Association. The following paragraphs contain brief descriptions of certain of the funds maintained by the County.

General Fund. The General Fund is the primary operating fund of the County. Its revenues are not earmarked and may be utilized for any purpose authorized by state or local law. Primary sources of revenue for the General Fund are occupational taxes, property taxes, county sales taxes and commissions and revenues collected by the State and shared with the County. For the most part, the General Fund supports the operation of the County's basic governmental functions, including management, personnel, accounting, taxation, purchasing, data processing, law enforcement, the judiciary and land utilization.

Special Revenue Funds. The County maintains a number of special revenue funds in order to account for revenues from specific sources which are regulated and restricted to expenditures for specific purposes. The following are brief descriptions of the special revenue funds of the County.

The Indigent Care Fund is used to support the operation of Cooper Green Hospital. Revenue sources for the Indigent Care Fund include alcoholic beverage taxes and sales taxes.

The Road Fund is used to support County road and street construction and maintenance. Revenue sources for the fund include County ad valorem taxes and a County gasoline tax, together with the County's portion of the state gasoline taxes and drivers' license and motor vehicle tag fees.

The Bridge and Public Building Fund is used to account for expenditures of ad valorem taxes designated for the maintenance and repair of County bridges and public buildings. Expenditures from this fund include transfers of moneys to the Road Fund to support the County road maintenance program and payments of debt service on County obligations incurred for road and public building purposes.

The Community Development Fund is used to account for the receipt and disbursement of certain federal grant funds received by the County. Typical grants received are Community Development Block Grants, Farmers' Home Administration Grants and Housing and Urban Development Grants. Moneys from such fund are used for housing development and community revitalization projects, including related road and sewer developments.

The Senior Citizens Activities Fund is used in connection with a federally-sponsored program to help senior citizens obtain prepared meals, medical care and transportation.

Debt Service Funds. The debt service funds are a group of accounts into which the proceeds of pledged taxes and interest income are deposited for the payment of the County's long-term debt.

Capital Project Funds. The capital project funds are used to receive transfers from other funds and interest income and proceeds from the sale of certain bonds, warrants or other securities of the County and to make capital outlay expenditures. Brief illustrative descriptions of such funds are presented below.

The Capital Improvements Fund is used to support a variety of capital projects undertaken by the County, including construction of new buildings, renovation of existing buildings and major equipment purchases.

The Road Construction Fund is used to account for the expenditures related to a number of road construction and improvement projects. Moneys in this fund consist primarily of warrant proceeds, contributions from other governmental entities and proceeds of grants.

Enterprise Funds. The enterprise funds are used to account for activities where the intent of the County is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the County has decided that periodic income determination is appropriate for capital maintenance, public policy, management control accountability or other purposes. A major County enterprise fund is the Sanitary Operations Fund, which is used to support the operation and maintenance of sewage disposal facilities in the County. Sewer service charges constitute the primary revenue source for such fund. Other major enterprise funds are maintained with respect to Cooper Green Hospital, the County Home, the County solid waste disposal facilities and the County Parking Deck.

Trust and Agency Funds. The County maintains trust and agency funds to account for expendable trust funds and agency funds which the County is charged with maintaining.

Pension and Retirement Plan

The General Retirement System for Employees of Jefferson County (the "Pension System") is established under Act No. 497 of the 1965 Regular Session of the Legislature, as amended (the "Pension Act"). With certain limited exceptions, all employees of the County who are subject to the Civil Service System are members of the Pension System. County officers and those County employees who are not subject to the Civil Service System may elect to be members of the Pension System. As of September 30, 1999, there were 4,811 members of the Pension System (including both present and retired employees).

Benefits payable under the Pension System are funded through a trust to which both the County and the members of the Pension System (the "Members") are required to contribute. With certain exceptions, each Member is required to make contributions to the Pension System, by means of regular payroll deductions, at a rate equal to 6% of the Member's compensation. The County is required to make a monthly contribution to the Pension System in an amount equal to the contributions made by Members for the month.

The Pension Act requires periodic review of the Pension System by a reputable actuary. The most recent actuarial valuation of the Pension System was prepared as of September 30, 1999, by Bucks Consultants (the "Actuary"). According to that valuation, the Pension System had as of September 30, 1999, actuarial accrued liabilities of \$445,237,363. The assets of the Pension System as of September 30, 1999, consisted of actuarial value of assets valued at \$534,063,368. On the basis of that valuation and certain actuarial assumptions, the Actuary concluded that the Pension System is actuarially sound.

LITIGATION

General

There is no litigation pending or, to the knowledge of the County, threatened, attacking or questioning the validity of the Series 2001-A Warrants or the issuance and sale thereof; and there is no litigation pending or, to the knowledge of the County, threatened, relating to the organization or boundaries of the County or the incumbency of any of its officers. Simultaneously with the delivery of the Series 2001-A Warrants, the County will deliver a certificate to the effect that no such litigation is pending or, to the knowledge of the County, threatened.

The County is a defendant in numerous suits and has been notified of numerous claims against it arising from alleged negligence relating to motor vehicles and other matters relating to the normal operation of a county, as well as suits and claims arising from alleged denial of civil rights. Some of such suits and claims demand damages in large amounts. The County believes that any liability resulting from such suits and claims will be covered adequately by the liability insurance and funds of the County which will be available to discharge such liability without impairing its ability to perform any of its other obligations.

The immunity from tort liability formerly enjoyed by local governmental units in Alabama has been largely eroded by recent court decisions. The Code of Alabama 1975, Title 11, Chapter 93, as amended, prescribes certain maximum limits on the liability of Alabama local governmental units (such as the County)

for bodily injury, sickness, disease or death sustained by a person and for damage to or destruction of tangible property. Although the general constitutional validity of Chapter 93 has been upheld by the Supreme Court of Alabama, its applicability to causes of action under Section 1983 of Title 42 of the United States Code has not been determined. The County, along with other local governmental units throughout the country, has been increasingly subjected to lawsuits C many of which claim damages in large amounts C for alleged denial of civil rights under the provisions of Section 1983.

The Consent Decree

The County has been a defendant in certain civil actions (collectively referred to as the "Clean Water Act litigation") in which the County allegedly violated various provisions of the federal Clean Water Act, 33 U.S.C. ' 1251 et seq. (the "Clean Water Act") in the operation of the System. The plaintiffs in the Clean Water Act litigation included private citizens, an environmental group, and the United States Justice Department, acting at the request and on behalf of the Environmental Protection Agency ("EPA"). The actions were filed and consolidated in the United States District Court, Northern District of Alabama, Southern Division (United States of America v. Jefferson County, Alabama, et al., Civil Action No. 94-G-2947-S, and R. Allen Kipp, Jr. et al. and Cahaba River Society, Inc. v. Jefferson County, Alabama, et al., Civil Action No. 93-G-2492-S).

The thrust of the claims by the plaintiffs in the Clean Water Act litigation was that the System has discharged untreated water containing raw sewage into the Cahaba River and the Black Warrior River and that these discharges violate the standards and limitations of the Clean Water Act as well as the System's various permits issued under the National Pollution Discharge Elimination System (NPDES) of the Clean Water Act. The plaintiffs claimed that the discharges occur during periods of heavy rainfall when the rainwater infiltrates or flows into the lateral and collector lines for the System; that this infiltration and inflow increases the volume of water in the System beyond capacity limits of the System's treatment plants; and that untreated or partially treated waste water above treatment plant capacity limits bypasses the treatment plants and is diverted during these periods directly into rivers in violation of the Clean Water Act and the System's NPDES permits.

On January 20, 1995 the District Court granted partial summary judgment in favor of the plaintiffs, finding that the County and the System were in violation of the Clean Water Act, and directed the parties to engage in settlement discussions with respect to the appropriate remedy. On July 31, 1995 the County announced that it had reached an agreement with the plaintiffs on the essential terms of a settlement; the terms of such settlement are now embodied in a Consent Decree (the "Consent Decree") that was approved and entered by the District Court on December 9, 1996.

The principal component of the Consent Decree is a remedial plan to eliminate bypasses and unpermitted discharges of untreated sewage and sewer system overflows. The action requirements of the decree consist of three phases -- essentially, a planning phase and an investigative phase (both of which have been completed) and an implementation phase -- all of which must occur over a twelve-year period. The Consent Decree provides for stipulated penalties if the County fails to meet submittal dates for plans, reports and schedules under the remedial plans, deadlines for completing remedial work and deadlines relating to the Supplemental Environmental Project referred to below. Such stipulated penalties apply on a per-day basis and are potentially substantial. If EPA makes a written demand for stipulated penalties, the County has the right to contest EPA's position, both directly with EPA and the Court pursuant to dispute resolution provisions in the decree. Moreover, if delays result from causes outside the County's control (force majeure), stipulated penalties may not be assessed. The County does not expect to incur substantial penalties under the decree.

The County has not failed to meet any deadline imposed by the Consent Decree and has not been assessed any penalties by EPA.

A significant feature of the Consent Decree is a mechanism to provide for the establishment of a unified County-wide system for collection and treatment of sewage under the authority of the County. Such unification has now been achieved, resulting in the conveyance to the County of all municipal systems in the County. This unification provides the County with the means to address the problems of infiltration and inflow in lateral and collector lines which is the principal objective of the Consent Decree.

Pursuant to the Consent Decree, the County has paid \$750,000 to the United States Government as a penalty for past violations of the Clean Water Act. In addition, the County has agreed to undertake a supplemental environmental project ("SEP") at a cost of \$30 million that will be financed out of the funds raised to carry out the total remedial project. As of December, 2000, the County has paid \$20 million into a trust fund for use in developing the SEP. The County is obligated to pay an additional \$10 million for the SEP in annual installments of \$5 million at the end of 2001 and 2002.

The economic impact of the Consent Decree on the County and the System is likely to be substantial. The County estimates that the cost of bringing the System into consistent compliance with the Clean Water Act, as required by the Consent Decree, will likely exceed \$1.9 billion, not including any stipulated penalties that may be imposed. The financing of costs of this magnitude will require significant increases in the charges payable by the users of the System. However, there can be no assurance that the actual cost of compliance will be within the range of this estimate.

Special County License Tax Litigation

The Richards action. The County levies and collects the Special County License Tax at the rate of 2 of 1% of the gross receipts of each person following a vocation, occupation, calling or profession within the County. On April 12, 1992, a class action was filed in Jefferson County Circuit Court by two sets of plaintiffs, one of which consists of federal employees who are subject to the Special County License Tax and the other of which consists of all employees who are subject to the Special County License Tax. The gravamen of the case, styled *Richards v. Jefferson County*, CV-92-3191 (the *ARichards action*), is that the Special County License Tax violates the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution with respect to all plaintiffs because of exemptions required by the authorizing statute to be given to persons who engage in a regulated profession and pay a license tax to the State of Alabama. In addition, those plaintiffs who are federal employees claim that the Special County License Tax violates their rights under that provision of the Public Safety Tax Act (4 U.S.C. ' 111) which allows state and local taxation of compensation of federal officers and employees if such taxation does not discriminate against such federal officers and employees because of the source of compensation. The plaintiffs seek damages in the amount of occupational taxes collected since January 1, 1988, costs, interest and attorneys= fees and an injunction against the collection of the Special County License Tax in its current form with respect to all taxpayers.

The County moved for summary judgment on the grounds that (i) the plaintiffs= claims were barred by the doctrine of res judicata because the validity of the Special County License Tax had been previously litigated in the 1998 case of *Bedingfield v. Jefferson County* and (ii) the exemptions from the tax did not violate the equal protection and due process clauses of the Fourteenth Amendment to the United States Constitution. After various appeals, the United States Supreme Court held that the plaintiffs= claims were not barred by the doctrine of res judicata and remanded the case for further proceedings with respect to whether the license tax violated the equal protection guarantees of the Fourteenth Amendment. The case was tried on

October 21-23, 1997, before Judge John E. Rochester, Circuit Judge of Clay County, Alabama, sitting by special designation in this Jefferson County case.

On November 12, 1998, Judge Rochester entered a judgment holding the Special County License Tax to be in violation of the equal protection clause of the Fourteenth Amendment of the United States Constitution. An appeal of that judgment is now pending before the Alabama Supreme Court. That appeal has been consolidated with the appeal of a judgment, rendered in a separate action, that held invalid a 1999 act of the Alabama Legislature (the A1999 Act@) that provided for the levy of a tax to replace the Special County License Tax.

The *Employees Association* action. In late November 1999, the Alabama Legislature passed an act which purported to repeal the enabling act for the Special County License Tax, effective April 1, 2000. The Jefferson County Employees= Association filed a lawsuit claiming that the Legislature=s repeal of the tax was unconstitutional. The trial court agreed with the Employees= Association and entered an order declaring the repealing act to be invalid.

The *Parker* action. On June 23, 1999, another class action (the AParker action@) was filed by Carnesa T. Parker in Jefferson County Circuit Court seeking to have the Special County License Tax declared invalid under the Alabama Constitution on the ground that it constitutes an impermissible income tax imposed by a county. The plaintiffs in the *Parker* action seek damages in the amount of all occupational taxes collected since January 1, 1988, plus costs, interest and attorneys= fees and an injunction against the collection of the Special County License Tax. The County filed a motion to dismiss the *Parker* action for failure to state a claim upon which relief can be granted.

By order dated January 24, 2000, Judge Rochester denied plaintiff Parker=s motion for class certification, denied plaintiff Parker=s motion for summary judgment, held that the County was entitled to judgment as a matter of law and dismissed the *Parker* action. Plaintiff Parker appealed the January 24, 2000, judgment to the Alabama Supreme Court. The Supreme Court upheld the trial court=s decision, but the plaintiff has filed an application for rehearing, which motion is currently pending.

The *Izzi* action. On March 29, 2000, the Legislature passed Alabama Act 2000-215 (the A2000 Act@) which, like the 1999 Act, attempted to address the Equal Protection concerns by levying a replacement tax that would not include the exemptions granted to certain professions by the Special County License Tax. The 2000 Act also distributed a large portion of the tax proceeds to various non-governmental entities. On April 19, 2000, Richard Izzi and Robert B. Sanford, Jr., filed a lawsuit claiming that the 2000 Act was also unconstitutional. On September 7, 2000, Judge Thomas A. Woodall granted the plaintiffs= motion for summary judgment and held the 2000 Act to be invalid. An appeal of that judgment is pending before the Alabama Supreme Court.

At this time, it is impossible to predict with certainty the final outcome of the litigation referred to herein. If plaintiffs are ultimately successful in having the Special County License Tax declared unconstitutional, and if the Alabama Legislature fails to enact a replacement tax which is deemed to cure the constitutional defects of the existing tax and which is not otherwise constitutionally defective itself, the County would suffer a significant decrease in revenues. Under the worst conceivable circumstances, it is possible that the County could suffer a monetary judgment equal to the amount of the Special County License Tax revenues collected since January 1, 1988 (over \$511 million), plus interest.

LEGAL MATTERS

The legality and validity of the Series 2001-A Warrants will be approved by Haskell Slaughter & Young, L.L.C., Birmingham, Alabama, Bond Counsel. Bond Counsel has been employed primarily for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2001-A Warrants have been authorized to be issued, and rendering an opinion in conventional form as to the validity and legality of the Series 2001-A Warrants and the exemption of interest thereon from Federal and State of Alabama income taxes. Although Bond Counsel assisted in the preparation of certain portions of this Official Statement and is of the opinion that the statements made herein under the captions "DESCRIPTION OF THE SERIES 2001-A WARRANTS", "SECURITY AND SOURCE OF PAYMENT", and "TAX STATUS" fairly summarize the matters therein referred to, Bond Counsel has not been requested to check or verify, has not checked or verified, and will express no opinion with respect to the adequacy, accuracy, completeness or fairness of any other information contained in this Official Statement. It is anticipated that the approving opinion of Bond Counsel will be in substantially the form attached hereto as Appendix C.

Certain legal matters will be passed upon for the Underwriters and Placement Agent by their counsel, Balch & Bingham LLP, Birmingham, Alabama.

The various legal opinions to be delivered concurrently with the delivery of the Series 2001-A Warrants express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX STATUS

In the opinion of Bond Counsel, under existing law interest on the Series 2001-A Warrants will be excluded from gross income for federal income tax purposes if the County complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), that must be satisfied subsequent to the issuance of the Series 2001-A Warrants in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2001-A Warrants to be included in gross income, retroactive to the date of issuance of the Series 2001-A Warrants. The County has covenanted to comply with all such requirements.

Bond Counsel is also of the opinion that under existing law interest on the Series 2001-A Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2001-A Warrants other than the opinions expressed in the two preceding paragraphs. The form of Bond Counsel's opinion with respect to the Series 2001-A Warrants is expected to be substantially as set forth in Appendix C to this Official Statement.

Prospective purchasers of the Series 2001-A Warrants should be aware that (i) Section 265 of the Internal Revenue Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2001-A Warrants, (ii) with respect to insurance companies subject to the tax imposed by Section 831 of the Internal Revenue Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Series 2001-A Warrants, (iii) interest on the Series 2001-A Warrants earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Internal Revenue Code, (iv) passive investment income, including interest on the Series 2001-A Warrants, may be subject to federal income taxation under Section 1375 of the Internal Revenue Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, and (v) Section 86 of the Internal Revenue Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2001-A Warrants. Any purchaser of the Series 2001-A Warrants who might be affected by any of these provisions of the Internal Revenue Code should consult his own tax advisor about the effect of such provisions as applied to the purchaser.

Bond Counsel is also of the opinion that under existing law interest on the Series 2001-A Warrants will be exempt from State of Alabama income taxation.

Accounting Treatment of Original Issue Discount on Series 2001-A Warrants

Certain of the Series 2001-A Warrants are being offered to the public at prices that are less than the amounts payable on such Series 2001-A Warrants at maturity. Under present federal income tax law, the difference between the Issue Price (defined below) and the stated amount to be paid at the maturity of a warrant is original issue discount ("OID"). OID is treated as interest on the Series 2001-A Warrants and is not includable in gross income for federal income tax purposes in the case of holders who (i) purchase Series 2001-A Warrants at the initial offering price in the initial public offering at which a substantial amount of the Series 2001-A Warrants are sold to the public (the "Issue Price") and (ii) hold such Series 2001-A Warrants to maturity.

Generally, a holder who acquires a Series 2001-A Warrant in the initial public offering at the Issue Price will be treated as having received, in each taxable year from the date of issuance of that Series 2001-A Warrant, an amount of interest on that Series 2001-A Warrant equal to the OID accrued daily and compounded semiannually on each February 1 and August 1. The amount of interest representing OID that is treated as having been received is excluded from gross income and is added to the holder's adjusted basis in the Series 2001-A Warrant for the purpose of determining gain or loss upon a sale or redemption of such Series 2001-A Warrant.

OID on the Series 2001-A Warrants will be deemed to have been received in the year of accrual and will be taken into account in determining the respective amounts of the collateral federal taxes referred to herein and, in some cases, state and local income, excise and franchise taxes, even though the holders of the Series 2001-A Warrants will not have received corresponding cash payments.

Holders of the Series 2001-A Warrants should consult their own tax advisors as to the tax consequences of the purchase of Series 2001-A Warrants other than at the Issue Price, and as to the consequences of a sale, transfer, redemption or other disposition of the Series 2001-A Warrants prior to their stated maturity, other applications of federal tax law and the application of state, local or foreign laws.

Accounting Treatment of Original Issue Premium on Series 2001-A Warrants

An amount equal to the excess of the purchase price of a Series 2001-A Warrant over its stated redemption price at maturity constitutes premium on such Series 2001-A Warrant. A purchaser of a Series 2001-A Warrant must amortize any premium over such Series 2001-A Warrant's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2001-A Warrant is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2001-A Warrant prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2001-A Warrants at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2001-A Warrants.

RISK FACTORS

Limited Source of Payment

The Series 2001-A Warrants will be limited obligations of the County payable solely from the Pledged Revenues. See "SECURITY AND SOURCE OF PAYMENT". The Series 2001-A Warrants do not constitute or give rise to a personal or pecuniary liability or a charge against the general credit of the County.

The sufficiency of revenues to pay debt service on the Series 2001-A Warrants may be affected by events and conditions relating to, among other things, population trends, weather conditions and political and economic developments in the service area in which the System operates, the nature and extent of which are not presently determinable. No representation can be made and no assurance can be given that Pledged Revenues will be sufficient to permit the County to pay debt service on the Series 2001-A Warrants.

Each prospective investor should carefully examine his own financial condition in order to make a judgment as to his ability to bear the risk of an investment in the Series 2001-A Warrants. The following discussion of risk factors is intended only as a summary and does not purport to identify all the risk factors that may affect the County's ability to pay debt service on the Series 2001-A Warrants.

Consent Decree

The County is bound by the terms of a Consent Decree that requires the County to implement a remedial plan to eliminate bypasses and unpermitted discharges of untreated sewage and sewer system overflows. See "LITIGATION - Consent Decree". The Consent Decree requires that such remedial plan be implemented over a twelve-year period beginning in mid-1995, and provides for stipulated penalties if the County fails to meet certain deadlines specified therein. The economic impact of the Consent Decree on the County and the System will be significant. The County estimates that the total cost of compliance with the Consent Decree will be approximately \$1.9 billion, of which the County had spent approximately \$496 million between October 1, 1997 and September 30, 2000. The actual cost of compliance with the Consent Decree may vary substantially depending on, among other things, (i) the ability of the County to properly coordinate and monitor a sewer improvement program that is substantially larger and more complex than any program the County has previously undertaken; (ii) the availability of an adequate pool of qualified contractors to implement the program, (iii) the inflationary environment with respect to the costs of labor and supplies needed to implement the program, (iv) weather conditions that could adversely affect construction schedules, (v) population trends and political and economic developments in the service area in which the System operates that could adversely impact the collection of System Revenues; (vi) the willingness of the U.S. Justice Department and the Environmental Protection Agency to cooperate with respect to various issues that may arise as the County implements its remedial plan, (vii) the possibility of new environmental legislation or regulations affecting the System, (viii) unanticipated costs or potential modifications to the County's sanitary sewer capital improvement program resulting from requirements and limitations imposed by environmental laws and regulations and (ix) the inherent uncertainty involved in a capital improvement project of the magnitude undertaken by the County. There can be no assurance that the actual cost of compliance will be within the range of the County's preliminary estimate. Nor can any assurances be given that the County will be able to comply fully with the terms of the Consent Decree.

Additional Indebtedness

In order to comply with the Consent Decree and to implement the County's ongoing sewer improvement program, the County expects to issue substantial additional indebtedness secured by the Pledged Revenues on a parity with the lien thereon imposed by the Indenture for the benefit of the Series 2001-A

Warrants, Series 1999-A Warrants, and the Series 1997 Warrants. The burden of such additional debt will require substantial increases in rates currently being charged to sewer customers in the County. No assurances can be given that such rate increases will be sufficient on a timely basis to generate the revenues required to pay debt service or to satisfy the debt service coverage covenant contained in the Indenture.

CONTINUING DISCLOSURE

The County has covenanted for the benefit of the holders of the Series 2001-A Warrants to provide certain information repositories with (i) certain financial information and operating data relating to the County on an annual basis (the "Annual Financial Information") within 180 days after the end of its fiscal year and (ii) notices ("Material Event Notices") of the occurrence of the following events, if it deems them to be material:

1. A delinquency in payment of principal of or interest on the Series 2001-A Warrants.
2. Non-payment related defaults under the proceedings of the County authorizing the Series 2001-A Warrants, whether or not such defaults constitute an event of default thereunder.
3. Unscheduled draws on the debt service reserve fund reflecting financial difficulties of the County.
4. Unscheduled draws on any credit enhancement or liquidity facility with respect to the Series 2001-A Warrants reflecting financial difficulties of the County.
5. Substitution of a credit enhancer for the one originally described in the Official Statement, or the failure of any credit enhancer respecting the Series 2001-A Warrants to perform its obligations under the agreement between the County and such credit enhancer.
6. The existence of any adverse tax opinion with respect to the Series 2001-A Warrants or events affecting the tax-exempt status of interest on the Series 2001-A Warrants.
7. Any modification of the rights of the registered owners of the Series 2001-A Warrants.
8. Redemption of any of the Series 2001-A Warrants prior to the stated maturity or mandatory redemption date thereof.
9. Defeasance of the lien of any of the Series 2001-A Warrants or the occurrence of circumstances which, pursuant to such authorizing proceedings, would cause the Series 2001-A Warrants, or any of them, to be no longer regarded as outstanding thereunder.
10. The release, substitution or sale of the property securing repayment of the Series 2001-A Warrants.
11. Any changes in published ratings affecting the Series 2001-A Warrants.
12. Failure of any person obligated to provide financial information or operating data pursuant to the provisions hereof to do so on or prior to the date such financial information or operating data is required herein to be furnished.

The Annual Financial Information will include financial information and operating data relating to the County of the type found in the section of this Official Statement called "RESULTS OF OPERATIONS". In addition, the County will provide to such repositories, when and if available, audited financial statements prepared in accordance with accounting principles described in the audited financial statements included in this Official Statement as an appendix.

The Annual Financial Information is required to be filed with each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") as designated by the Securities and Exchange Commission and with any Alabama state information depository. Material Event Notices are required to be filed with each NRMSIR and any Alabama state information depository or the Municipal Securities Rulemaking Board and any Alabama state information repository.

The County shall not be in default of any of its obligations to furnish the required information until 10 days after it has received notice from a holder of any of the Series 2001-A Warrants that such default has occurred; provided, that such period shall be extended to 30 days if, upon receipt of such notice, the County has begun to comply with the provisions hereof and has taken all steps then available to it to assure compliance but, because of circumstances beyond the County's control, it is not able to accomplish such compliance within such 10-day period.

The County shall never be subject to money damages for its failure to comply with its obligations to provide the required information. The only remedy available to the holders of the Series 2001-A Warrants for breach by the County of its obligations to provide the required information shall be the remedy of specific performance or mandamus against appropriate officials of the County. The failure by the County to provide the required information shall not be an event of default with respect to the Series 2001-A Warrants under the Indenture.

No person other than the County shall have any liability or responsibility for compliance by the County with its obligations to provide information. The Trustee has not undertaken any responsibility with respect to any required reports, notices or disclosures. The County retains the right at any time in the future to designate one or more dissemination agents to assist the County in complying with its continuing disclosure obligations.

The County retains the right to modify its obligations described above as long as such modification is done in a manner consistent with Rule 15c2-12 of the Securities and Exchange Commission.

Compliance with Prior Undertakings

The County has complied with the terms of the Continuing Disclosure Agreement executed by the County in connection with the issuance of the Series 1997 Warrants and Series 1999-A Warrants, including the timely filing of Annual Financial Information following the end of fiscal year 2000.

UNDERWRITING

The Series 2001-A Warrants are being purchased from the County by Sterne, Agee & Leach, Inc., as representative of the underwriters for the Series 2001-A Warrants (the "Underwriters"). The Underwriters have agreed to purchase the Series 2001-A Warrants for an aggregate purchase price of \$265,587,503 (which represents the amount of the Series 2001-A Warrants less underwriters' discount of \$1,703,938, and less

original issue discount of \$7,708,559) plus accrued interest. The initial public offering prices set forth on the inside cover page may be changed by the Underwriters, and the Underwriters may offer and sell the Series 2001-A Warrants to certain dealers (including dealers depositing the Series 2001-A Warrants into investment trusts) and others at prices lower than the offering price set forth on the inside cover page. The Underwriters will purchase all the Series 2001-A Warrants if any are purchased.

The Bank, Birmingham, Alabama, will serve as placement agent (the "Placement Agent") in connection with the issuance of the Series 2001-A Warrants. The Placement Agent will assist in the sale of the Series 2001-A Warrants and for its services will receive a portion of the compensation payable to the Underwriters. The Placement Agent shall not be required to purchase the Series 2001-A Warrants for its own account or for distribution.

FINANCIAL ADVISOR

Morgan Keegan & Company, Inc., Birmingham, Alabama ("Morgan Keegan"), is serving as Financial Advisor to the County with respect to the Series 2001-A Warrants. The Financial Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2001-A Warrants and provided other advice to the County. Morgan Keegan is regularly engaged in the business of providing financial services. In December, 2000, Regions Financial Corporation (ARegions Financial@) and Morgan Keegan announced the signing of a definitive agreement under which Regions Financial will acquire Morgan Keegan. The acquisition is expected to close during the first quarter of 2001, pending Morgan Keegan stockholder approval, and other conditions of closing.

After the acquisition, Morgan Keegan will operate as a separate subsidiary of Regions Financial. Regions Investment Company, Inc. (ARegions Investment@), which is serving as an underwriter in connection with the issuance of the Series 2001-A Warrants, is currently a subsidiary of Regions Financial, and after completion of the acquisition, Regions Investment will be merged into Morgan Keegan.

RATINGS

The Series 2001-A Warrants have been rated Aaa by Moody's Investors Service, Inc. and AAA by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc.

The ratings on the Series 2001-A Warrants reflect the respective rating agency=s current assessment of the creditworthiness of Financial Guaranty and its ability to pay claims on its policies of insurance. Any further explanation of the significance of such ratings may be obtained only from the appropriate rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2001-A Warrants, and any such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price of the affected Series 2001-A Warrants.

FINANCIAL STATEMENTS

The audited financial statements of the County contained in Appendix B have been included for general information purposes only. The Series 2001-A Warrants will not constitute general obligations of or a charge against the general credit or taxing power of the County. The Series 2001-A Warrants are limited obligations of the County, payable solely out of and secured by an assignment and pledge of the Pledged Revenues.

MISCELLANEOUS

For further information during the initial offering period with respect to the Series 2001-A Warrants, contact Steve Saylor, Director of Finance, Jefferson County, Suite 810, 716 Richard Arrington Jr. Boulevard North, Birmingham, Alabama 35203, telephone: (205) 325-5055.

This Official Statement has been approved by the Commissioners of the County.

JEFFERSON COUNTY, ALABAMA

By: /s/ Gary White
President of the Commission

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APPENDIX A

Summary of the Indenture

APPENDIX A

SUMMARY OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture pursuant to which the Series 1997 Warrants and the Series 1999-A Warrants have been issued and the Series 2001-A Warrants and any Additional Parity Securities will be issued. This summary should be qualified by reference to other provisions of the Indenture referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Indenture in this Official Statement are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Trustee. Various amendments to the Original Indenture are being made in the Third Supplemental Indenture pursuant to which the Series 2001-A Warrants will be issued and the following summary reflects these amendments.

Definitions

Capitalized terms used in this Appendix A without being defined herein shall have the meanings assigned to such terms elsewhere in this Official Statement.

"Eligible Bank Obligations" means demand and time deposits (whether or not interest-bearing and whether or not evidenced by certificates of deposit) in banks and acceptances by banks, provided that the banks obligated with respect to such deposits or acceptances, as the case may be, are organized under the laws of the United States of America or any state thereof and have, at the time any moneys are invested in such deposits or acceptances pursuant to the provisions of the Indenture, combined capital, surplus and undivided profits of not less than \$50,000,000; provided that the bank obligated with respect to any such deposit or acceptance shall continuously secure such deposit or acceptance, to the extent not insured by the Federal Deposit Insurance Corporation (or any department, agency or instrumentality of the United States of America that may succeed to the functions of such corporation), by depositing with an independent third party, as collateral security therefor, Federal Obligations having a market value (exclusive of accrued interest) not less than the amount of the deposit or acceptance being secured.

"Eligible Investments" means any of the following: (i) Federal Obligations; (ii) Eligible Bank Obligations; (iii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P and Aaa by Moody's; (iv) any share or other investment unit representing a beneficial interest in an investment company or investment trust which is registered under the Investment Company Act of 1940, as from time to time amended (or successor provision of federal law), provided that the investment portfolio of such investment company or investment trust consists exclusively of obligations or securities that would independently qualify as Eligible Investments if directly acquired by the County; (v) to the extent at the time permitted by applicable law, either of the following: (A) any repurchase agreement or collateralized investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least A- by S&P or A3 by Moody's, provided that (1) the obligations or securities subject to any such agreement shall be of the kind described in clauses (i), (ii) and (iii) of this definition, (2) no transfer of moneys shall be made by the County to invest in any such agreement unless the County obtains a security interest in all obligations and securities covered by such agreement that shall be perfected, prior to or simultaneously with the transfer of such moneys, through the physical delivery of such obligations and

securities to the County or to an independent third party, and (3) such obligations and securities shall be supplemented by additional collateral from time to time to the extent required to continuously maintain collateral having an aggregate market value (exclusive of accrued interest) that is not less than the amount invested pursuant to such agreement; or (B) any investment agreement issued or guaranteed by any financial institution which has a long-term rating of at least AA- by S&P or AA3 by Moody's; and (vi) any other investments at the time permitted by applicable law.

"Federal Obligations" means (i) any direct general obligations of the United States of America, (ii) obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

"Fiscal Year" means any twelve-month period ending on September 30 or any other period of twelve consecutive calendar months that may hereafter be adopted as the fiscal year of the County.

"Fitch" means Fitch Investors Service, L.P., and any successor thereto.

"Maximum Annual Debt Service" means the maximum amount payable in a Fiscal Year as principal of and interest on the Parity Securities then outstanding and, if applicable, any Additional Parity Securities with respect to which a Revenue Certificate or Revenue Forecast (as these terms are defined and in this Appendix A under AAdditional Parity Securities@) is prepared and delivered, subject to the following assumptions and adjustments:

(1) the principal amount of any such securities required by the terms thereof to be redeemed or prepaid during any Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(2) for purposes of determining the amounts of principal and interest due in any Fiscal Year on any Parity Securities that constitute Tender Indebtedness, the options or obligations of the owners of such Parity Securities to tender the same for purchase or payment prior to their stated maturity or maturities shall be treated as a principal maturity occurring on the first date on which owners of such Parity Securities may or are required to tender such Parity Securities for purchase or payment, except that any such option or obligation to tender Parity Securities shall be ignored and not treated as a principal maturity, and such Parity Securities shall be deemed to mature in accordance with their stated maturity schedule, if (i) such Parity Securities are rated in one of the two highest long-term rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies or such Parity Securities are rated in the highest short-term, note or commercial paper rating categories (without reference to gradations such as "plus" or "minus") by at least two Rating Agencies, and (ii) the obligation, if any, the County may have to the issuer of a letter of credit that secures such Parity Securities shall either be subordinated to the obligation of the County on the Parity Securities or be incurred under the conditions and satisfy the tests for the issuance of Additional Parity Securities set forth in the Indenture;

(3) the interest rate on any Variable Rate Securities subsequent to the date of calculation shall be assumed to be the lowest of (A) the maximum rate of interest that may be

applicable to such Parity Securities, under the provisions thereof, (B) for so long as any hedging agreement that establishes a cap rate for such Parity Securities is in effect, such cap rate, and (C) the highest of (i) the actual interest rate on the date of calculation, or if the Variable Rate Securities in question are not yet outstanding, the initial rate (if established and binding), (ii) if the Variable Rate Securities in question have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Variable Rate Securities in question is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Variable Rate Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(4) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to a fixed rate of interest shall be calculated as if the Parity Securities bore interest at such fixed rate during the term of such Qualified Swap;

(5) the debt service payable with respect to any Parity Securities for which the County has entered into a Qualified Swap pursuant to which the County has agreed to make payments calculated by reference to variable interest rates shall be calculated as if the Parity Securities in question bore interest, during the term of such Qualified Swap, at a rate equal to the lowest of (A) for so long as any hedging agreement that establishes a cap rate with respect to such Qualified Swap remains in effect, such cap rate, or (B) the highest of (i) the actual rate of such Qualified Swap on the date of calculation, or if such Qualified Swap is not yet in effect, the initial rate (if established and binding), (ii) if the Qualified Swap has been in effect for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Securities to which such Qualified Swap is referable is excludable from gross income under the applicable provisions of the Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest on such Parity Securities is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points;

(6) there shall be excluded any principal of or interest on any Parity Securities to the extent there are available and held in escrow or under a trust agreement (i) moneys sufficient to pay such principal or interest, (ii) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal or interest, or (iii) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest; and

(7) the County may assume that all or any portion of outstanding Parity Securities that are subject to optional redemption provisions will be redeemed in one or more installments that are consistent with such provisions and may adjust the expected payment schedule with respect to such Parity Securities to reflect such assumed redemptions.

In any case where, for purposes of determining Maximum Annual Debt Service, a portion of the principal of any Parity Securities is to be excluded, there shall also be excluded interest on the principal so excluded.

"Moody's" means Moody's Investors Service and any successor thereto.

"Net Revenues Available for Debt Service" means, for any period, the difference between (A) the sum of (i) the total amount of System Revenues accrued during such period, and (ii) the amount of interest earned during such period on moneys held in those of the Indenture Funds other than the Rate Stabilization Fund (to the extent that such interest is not taken into account pursuant to the preceding clause (i)) and (B) the total amount of Operating Expenses incurred during such period (determined in accordance with generally accepted accounting principles).

"Permitted Defeasance Obligations" means any combination of (i) Federal Obligations and (ii) obligations issued by any state of the United States of America or political subdivision or instrumentality thereof that bear interest exempt from federal income taxation, that are fully payable, as to principal, premium (if any) and interest, from payments of principal of or interest on any Federal Obligations held in an irrevocable trust, and that are rated not less favorably than AAA by S&P or Aaa by Moody's.

"Prior Years' Surplus" means, with respect to any particular Fiscal Year, the aggregate amount on deposit in the Rate Stabilization Fund and the Depreciation Fund at the beginning of such Fiscal Year.

"Qualified Swap" means, with respect to a series of Parity Securities or any portion thereof, any financial arrangement (i) that is entered into by the County with an entity that is a Qualified Swap Provider at the time of the execution and delivery of the documents governing such arrangement; (ii) that provides (a) that the County shall pay to such entity an amount based on the interest accruing at a fixed rate on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series, and that such entity shall pay to the County an amount based on the interest accruing on the same notional amount, at either a variable rate of interest or a fixed rate of interest computed according to a formula set forth in such arrangement (which need not be the same as the actual rate of interest borne by the Parity Securities), or that one shall pay to the other any net amount due under such arrangement, or (b) that the County shall pay to such entity an amount based on the interest accruing on a notional amount equal to all or a portion of the principal amount of the outstanding Parity Securities of such series at a variable rate of interest as set forth in the arrangement and that such entity shall pay to the County an amount based on interest accruing on the same notional amount at an agreed fixed rate, or that one shall pay to the other any net amount due under such arrangement; and (iii) which has been designated in writing to the Trustee by the County as a Qualified Swap with respect to any of the Parity Securities.

"Qualified Swap Provider" means an entity whose senior long term debt obligations, other senior unsecured long-term obligations or claims paying ability, or whose payment obligations under a Qualified Swap are guaranteed by an entity whose senior long-term debt obligations, other senior unsecured long-term obligations or claims paying ability, are rated (at the time the subject Qualified Swap is entered into) at least A- by S&P and A3 by Moody's.

"Rate Stabilization Fund Requirement" means, as of the date of any determination thereof, 75% of the Maximum Annual Debt Service on the then outstanding Parity Securities.

"Rating Agency" means Moody's, S&P, Fitch or any other nationally recognized securities rating agency.

"Reserve Fund Requirement" means, as of the date of any determination thereof, the lesser of (a) 125% of the average annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, (b) the maximum annual debt service on all Parity Securities at the time outstanding and secured by the Reserve Fund, or (c) an amount equal to the aggregate of 10% of the original principal amount (or, in the case of any series of Parity Securities sold with original issue discount in an amount greater than 2% of its original principal amount, the issue price) of each series of Parity Securities at the time outstanding and secured by the Reserve Fund. Any calculation of average annual debt service or maximum annual debt service for the purpose of determining the applicable Reserve Fund Requirement shall be made in accordance with the requirements and limitations imposed by the provisions of the Internal Revenue Code and the regulations promulgated thereunder that pertain to reasonably required reserve or replacement funds.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and any successor thereto.

"Tender Indebtedness" means any Parity Securities that are payable, at the option of the holder thereof, prior to their stated maturity or due date, or that the County (or an agent thereof) is required, at the option of such holder, to purchase prior to their stated maturity or due date.

"Treasury Receipts" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership interests in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of \$100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to Bond Counsel.

"Variable Rate Security" means any Parity Security that bears interest at a rate that is subject to change prior to the maturity of such security to one or more other interest rates that cannot be determined in advance.

Flow of Funds

General. The Indenture provides for the creation and maintenance of a number of special funds, namely the 2001 Construction Fund, the Revenue Account, the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund, the Depreciation Fund and the Redemption Fund. The Commission has the right to designate from time to time the depository or depositories for the Revenue Account, the Rate Stabilization Fund and the Depreciation Fund. The Trustee is the depository, custodian and disbursing agent for all of the other special funds created in the Indenture.

2001 Construction Fund. On the date of delivery of the Series 2001-A Warrants, the County will transfer into the 2001 Construction Fund the approximate amount of \$263,380,538 from proceeds of the Series 2001-A Warrants. Moneys on deposit in the 2001 Construction Fund are required to be held and disbursed by the Trustee for the purpose of paying the costs of capital improvements to the System and the expenses of issuing the Series 2001-A Warrants. The Indenture provides that no moneys may be withdrawn for any such purpose from the 2001 Construction Fund unless there is furnished to the Trustee, among other things, an appropriate certificate indicating that the requested expenditure is one for which 2001 Construction Fund moneys are authorized to be expended.

Revenue Account. The County is required to deposit in the Revenue Account, as received by it, all of the System Revenues and all amounts received by the County pursuant to the Qualified Swaps. Moneys in the Revenue Account are applied first for the payment of Operating Expenses. From the moneys that remain after payment of Operating Expenses, the County is required to make periodic transfers to the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund in accordance with the provisions of the Indenture and as hereinafter summarized. Any moneys that remain in the Revenue Account on any February 15 or August 15 after all required transfers therefrom have been made shall be deemed "surplus revenues" and may be withdrawn from the Revenue Account and used by the County for any lawful purpose related to the County's ownership and operation of the System.

Debt Service Fund. On or before each February 1 and each August 1, the County will be required to transfer from the Revenue Account to the Debt Service Fund an amount equal to the sum of the debt service on the Series 2001-A Warrants, the Series 1999-A Warrants and the Series 1997 Warrants (other than the 1997-C Warrants) becoming due and payable on each such date; provided that there shall be credited against such deposits any original proceeds of the Series 2001-A Warrants that represent accrued interest and that are to be used to pay interest on the Series 2001-A Warrants. On or before each February 15 and each August 15, the County will be required to transfer from the Revenue Account to the Debt Service Fund an amount equal to the amount of debt service on the 1997-C Warrants becoming due and payable on each such date. The County will also be required to transfer into the Debt Service Fund certain payments in the event of the issuance of any Additional Parity Securities or the incurrence of any Secured Related Obligations. Until the Parity Securities have been paid in full, moneys on deposit in the Debt Service Fund are to be used only for the payment of the principal of and the interest and premium (if any) on the Parity Securities or for the payment of Secured Related Obligations.

Reserve Fund. Simultaneously with the issuance of the Series 2001-A Warrants, the Reserve Policy will be delivered to the Trustee for deposit into the Reserve Fund. The maximum amount available to be paid pursuant to the Reserve Policy will equal the difference between (a) the Reserve Fund Requirement on the Series 2001-A Warrants, the Series 1999-A Warrants, and the Series 1997 Warrants (other than the 1997-C Warrants) and (b) the applicable Reserve Fund Requirement immediately prior to the issuance of the Series 2001-A Warrants.

Upon the issuance of any Additional Parity Securities that are to be secured by the Reserve Fund, moneys in an aggregate amount equal to the increase in the Reserve Fund Requirement resulting from the issuance of such Additional Parity Securities must be added to the Reserve Fund. The moneys to be so added to the Reserve Fund may be proceeds of such Additional Parity Securities or System Revenues. Any such addition of moneys to the Reserve Fund may be effected through (i) a single deposit to the Reserve Fund made at the time of the issuance of such Additional Parity Securities, (ii) a series of equal deposits to the Reserve Fund over a period that shall not exceed five years, or (iii) any other series of deposits that will result in a faster

accumulation of moneys than described in clause (ii). If, upon the issuance of any Additional Parity Securities, the required addition of moneys to the Reserve Fund is not effected through the method described in clause (i), a separate account shall be established within the Reserve Fund for such Additional Parity Securities.

Moneys forming a part of the Reserve Fund are held as a reserve for the payment of the principal of and the interest on the Parity Securities secured thereby, but shall be used for such purpose only when moneys are not otherwise available. In the event that moneys are withdrawn from the Reserve Fund to provide for the payment of the principal of or the interest on any of the Parity Securities, the County will restore the moneys so withdrawn within six months of the date of such withdrawal by making transfers from the Revenue Account into the Reserve Fund.

In lieu of all or any portion of the required amount to be on deposit in the Reserve Fund, the County may deposit with the Trustee to the credit of such fund (i) a surety bond or insurance policy issued by a municipal bond insurer whose claims-paying ability is rated "AAA" by S&P or "Aaa" by Moody's, (ii) a surety bond or insurance policy issued by an entity other than a municipal bond insurer if such entity and the form and substance of such instrument are approved by the Bond Insurer, or (iii) an irrevocable letter of credit issued by a bank that is rated at least "AA" by S&P or "Aa" by Moody's.

The 1997-C Warrants are not secured by moneys in the Reserve Fund.

Rate Stabilization Fund. At any time when the total amount held in the Rate Stabilization Fund is less than the Rate Stabilization Fund Requirement, the County shall pay into the Rate Stabilization Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund and the Reserve Fund, an amount equal to 10% of the then effective Rate Stabilization Fund Requirement (or such lesser amount as shall result in the amount held in the Rate Stabilization Fund being equal to the Rate Stabilization Fund Requirement). In addition, the County may from time to time deposit into the Rate Stabilization Fund other moneys that do not constitute System Revenues.

The County may, from time to time at the election of the County's Director of Finance, transfer moneys from the Rate Stabilization Fund into the Revenue Account.

Depreciation Fund. At any time when the total amount held in the Depreciation Fund is less than the amount of accumulated depreciation referable to the System (as shown in the then most recent audited financial statements of the County), the County shall pay into the Depreciation Fund from the Revenue Account, on or before each February 15 and each August 15 and after there shall have been made from the Revenue Account all payments required to be made on or before such date into the Debt Service Fund, the Reserve Fund and the Rate Stabilization Fund, the sum of \$5,000,000. If on any such date the moneys available in the Revenue Account are not sufficient to permit a deposit of said sum into the Depreciation Fund, such shortfall shall not increase the required amount of any subsequent deposit to the Depreciation Fund. Moneys held in the Depreciation Fund may be withdrawn from time to time by the County, but only to pay the costs of capital improvements to the System or to purchase or redeem Parity Securities.

Redemption Fund. The Indenture establishes a Redemption Fund into which the Trustee is required to deposit certain insurance proceeds and certain proceeds derived from the disposition of portions of the System. Moneys in the Redemption Fund may be used only for the redemption of Parity Securities prior to maturity, for the purchase of Parity Securities for retirement at a price not greater than par plus accrued interest or, if the

amounts in the Debt Service Fund and the Reserve Fund are not sufficient to pay any debt service coming due with respect to any of the Parity Securities, for the payment of such debt service in order to prevent a default. The Indenture provides that if there are at any time on deposit in the Redemption Fund moneys sufficient to redeem at least \$5,000 principal amount of Parity Securities then subject to redemption, the County will thereupon take such action as may be necessary, under the provisions of the Indenture, to exhaust the moneys on deposit in the Redemption Fund by redeeming or purchasing Parity Securities for retirement as aforesaid (or both) as soon as practicable thereafter.

Investment of Funds. The County may at its option from time to time cause any or all of the moneys on deposit in the Debt Service Fund to be invested in Federal Obligations having a specified maturity, or being redeemable at the option of the holder, prior to the date when such moneys will be needed to pay principal of or interest on the Parity Securities. Similarly, the County may at its option from time to time cause any or all of the moneys on deposit in any of the other special funds established under the Indenture to be invested in any Eligible Investments which have a specified maturity, or which are redeemable at the option of the holder thereof, prior to the date on which it is anticipated by the County that such moneys will be needed. Any investment acquired with moneys from one of the funds established under the Indenture, together with all income therefrom, shall become a part of the fund from which moneys were used to make such investment, and shall be held by the depository for such fund to the same extent as if it constituted moneys on deposit therein. So long as the amount on deposit in the Reserve Fund is not reduced to an amount less than the then applicable Reserve Fund Requirement, any income derived from the investment of moneys on deposit in the Reserve Fund shall be transferred to the Debt Service Fund.

Additional Parity Securities

Upon the satisfaction of certain conditions, the County may issue Additional Parity Securities under the Indenture. Such conditions include the adoption by the Commission of a resolution approving the issuance of the proposed Additional Parity Securities, the execution and delivery of a supplemental indenture setting forth the terms of such Additional Parity Securities, the delivery of appropriate approving legal opinions and the delivery of a Revenue Certificate or a Revenue Forecast (as hereinafter defined).

"Revenue Certificate" means a certificate signed by an Independent Accountant, the President of the Commission or the County's Director of Finance that satisfies whichever of the following is applicable:

(I) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued prior to October 1, 2007, such certificate shall state the following:

(i) the sum of (A) the Prior Years' Surplus as of the beginning of the Fiscal Year that immediately preceded the Fiscal Year in which such certificate is delivered and (B) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; and

(ii) the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-

month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 75% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made; or

(II) If such Revenue Certificate is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, such certificate shall state that the Net Revenues Available for Debt Service during the then most recently completed Fiscal Year or during any period of twelve consecutive months in the eighteen-month period next preceding the date of issuance of the proposed Additional Parity Securities was not less than 105% of the Maximum Annual Debt Service payable during the then current or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such certificate is made.

If rates and charges for services furnished by the System were increased and put into effect by the County after the beginning of the Fiscal Year or other twelve-month period to which a Revenue Certificate refers and not thereafter reduced, an Independent Engineer may certify the amount of gross revenues from the System that would have been received by the County had such increased rates and charges been in effect during the entire Fiscal Year or other twelve-month period, and the Independent Accountant, the President of the Commission or the County's Director of Finance, as the case may be, preparing and signing the Revenue Certificate, may compute Net Revenues Available for Debt Service during such Fiscal Year or other twelve-month period based on the amount of revenues that would have been derived from the System during such period with such increased rates and charges, as so certified by such Independent Engineer.

"Revenue Forecast" means a report prepared by an Independent Engineer with respect to a period that shall begin on the first day of the Fiscal Year that succeeds the Fiscal Year in which the proposed Additional Parity Securities are issued and that shall not be longer than five Fiscal Years (such period being herein called the "Forecast Period"), which report shall make the following projections with respect to the last Fiscal Year in the Forecast Period (such year being herein called the "Test Year"):

(I) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued prior to October 1, 2007,

(i) the sum of (A) the projected Prior Years' Surplus as of the beginning of the Test Year and (B) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made; and

(ii) the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 75% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

(II) If such Revenue Forecast is delivered with respect to Additional Parity Securities issued on or after October 1, 2007, the projected Net Revenues Available for Debt Service for the Test Year shall not be less than 105% of the Maximum Annual Debt Service payable during the Test Year or any succeeding Fiscal

Year with respect to the then outstanding Parity Securities and the Additional Parity Securities with respect to which such report is made.

In preparing its Revenue Forecast, the Independent Engineer shall be entitled (a) to make projections with respect to the rates and charges to be imposed for services furnished by the System during each of the Fiscal Years in the Forecast Period (so long as such Independent Engineer certifies, with respect to any projected rates and charges that are higher than the actual rates and charges in effect as of the date of the Revenue Forecast, that such projected rates and charges would be reasonable for public sanitary sewer systems similar in size and character to the System) and (b) to rely upon estimates prepared by an independent investment advisor with respect to the aggregate amount of debt service on the Parity Securities to become due and payable during each of the Fiscal Years in the Forecast Period.

Particular Covenants of the County

The Indenture contains the following covenants of the County, among others:

Maintenance of Books and Records. The County will maintain complete and separate books and records pertaining to the System and all receipts and disbursements with respect thereto.

Annual Audits. Within 90 days following the close of each Fiscal Year, the County will provide the Trustee with financial statements respecting the System prepared by the County's financial officers. The County will also provide the Trustee with audited financial statements prepared by the State Examiner of Public Accounts of the State of Alabama or an independent certified public accountant within 180 days after the end of each Fiscal Year.

No Free Service. The County will not furnish or permit to be furnished from the System any free service of any kind to the State of Alabama, any county or incorporated municipality or to any other Person. All services furnished from the System will be charged for at the rates at the time established therefor.

Maintenance of Rates. The County will make and maintain such rates and charges for the services supplied from the System and make collections from the users thereof in such manner as shall provide, in each Fiscal Year, Net Revenues Available for Debt Service in an amount that shall result in compliance with each of the following two requirements (such requirements being referred to herein collectively as the "Rate Covenant"):

(i) the sum of (A) Net Revenues Available for Debt Service for a given Fiscal Year and (B) the Prior Years' Surplus as of the beginning of such Fiscal Year shall not be less than 110% of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities; and

(ii) the Net Revenues Available for Debt Service for a given Fiscal Year shall not be less than 80% (or, in the case of any Fiscal Year beginning on or after October 1, 2007, 100%) of the aggregate amount payable during such Fiscal Year as debt service on all outstanding Parity Securities.

For purposes of the Rate Covenant, (a) debt service on the Parity Securities shall not include any interest (i.e., accrued interest or capitalized interest) paid with proceeds of Parity Securities, (b) debt service shall be reduced

by any amounts received by the County during the Fiscal Year in question pursuant to Qualified Swaps, and (c) debt service shall be increased by any amounts paid by the County during such Fiscal Year pursuant to Qualified Swaps. The County will from time to time make such increases and other changes in such rates and charges as may be necessary to comply with the Rate Covenant.

Priority of Pledge. The pledge of the Pledged Revenues for the benefit of the Series 2001-A Warrants, the Series 1999-A Warrants, and the Series 1997 Warrants shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued or any contract hereafter made by the County, other than any of the Additional Parity Securities or any Secured Related Obligation.

Continued Operation of System. The County will not sell or lease the whole or any part of the System, will continuously operate the System in an economical and efficient manner, and will keep the System in good repair and efficient operating condition. The County may, however, sell or otherwise dispose of portions of the System which, in its opinion, are no longer necessary for the continued efficient and economical operation of the System. The County may transfer the System as an entirety to a public corporation if the property and income of such public corporation are not subject to taxation and, upon any such transfer, the due and punctual payment of the principal of and interest on the Parity Securities and the observance of the agreements contained in the Indenture are expressly assumed in writing by the corporation to which the System shall be transferred as an entirety, provided that a condition to any such transfer shall be the delivery to the Trustee of an opinion of nationally recognized bond counsel to the effect that such transfer will not result in the interest on the Parity Securities becoming subject to federal income taxation.

Insurance Required

The County will keep all portions of the System that are of the character and type customarily insured by governmental entities operating utility systems similar to the System insured against loss by fire or other casualty to the extent of the full insurable value thereof. The County will also carry workmen's compensation insurance and public liability insurance in such amounts as are customarily carried with respect to utility systems similar in size and character to the System, provided that the County may, at its election, be self-insured for such risks to the extent customary at the time for such utility systems.

Damage and Destruction Provisions

If the System is damaged or partially destroyed to such extent that the loss thereto is not greater than \$25,000,000, the County is required by the Indenture promptly to repair, replace or restore the property damaged or destroyed, applying for such purposes the insurance proceeds referable thereto, as well as providing any other funds required therefor. The County is required to pay into the Revenue Account established under the Indenture any of such insurance proceeds not needed for such repair, replacement or restoration. The Indenture further provides that if the System is damaged or destroyed to such extent that the loss thereto is greater than \$25,000,000, the insurance proceeds shall be paid to the Trustee and the Trustee will, in accordance with the directions of the Commission, cause such insurance proceeds to be applied either for the repair, replacement or restoration of the property damaged or destroyed, or for the retirement of Parity Securities prior to maturity through the redemption thereof, or for any combination of such applications. Any insurance proceeds to be applied for the redemption of Parity Securities prior to maturity shall be deposited in the Redemption Fund established under the Indenture. The Indenture obligates the County to pay any costs of repairing, replacing or restoring any property damaged or destroyed that are in excess of the insurance proceeds

available therefor, and any insurance proceeds intended to be used for the payment of the costs of such repair, replacement or restoration but not needed therefor shall be deposited in the Revenue Account.

Events of Default and Remedies

Events of Default. The following constitute events of default under the Indenture:

(a) failure by the County to pay the principal of or the interest or premium (if any) on any of the Parity Securities when such principal, interest and premium respectively become due and payable, whether at maturity or otherwise;

(b) failure by the County to satisfy the Rate Covenant, provided that any such failure shall not constitute an Event of Default if (i) the Trustee receives evidence satisfactory to it that an increase in the rates charged for services furnished by the System has occurred pursuant to the provisions of the ordinance of the County that governs such rates, or (ii) the County employs a utility system consultant to review the System and its existing rates and fees and makes a good faith effort to comply with the recommendations of such consultant;

(c) failure by the County to perform or observe any agreement, covenant or condition required by the Indenture to be performed or observed by it [other than the Rate Covenant and its agreement to pay the principal of and the interest and premium (if any) on the Parity Securities] after thirty (30) days' written notice to it of such failure given by the Trustee or by the holders of not less than twenty-five percent (25%) in aggregate principal amount of any series of the Parity Securities then outstanding under the Indenture, unless during such period or any extension thereof the County has commenced and is diligently pursuing appropriate corrective action;

(d) any material warranty, representation or other statement by or on behalf of the County contained in the Indenture, or in any document furnished by the County in connection with the issuance and sale of any of the Parity Securities, being false or misleading in any material respect at the time made; or

(e) an order, judgment or decree shall be entered by any court of competent jurisdiction (i) appointing a receiver, trustee or liquidator for the System, (ii) approving a petition filed against the County under the federal or any state bankruptcy laws, (iii) granting relief to the County under federal or state bankruptcy laws or relief substantially similar to that afforded under the said laws or (iv) assuming the custody or control of the System (or any part thereof) under the provisions of any other law for the relief or aid of debtors, and such order, judgment or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof, or the County shall file a petition in bankruptcy or make an assignment for the benefit of its creditors or consent to the appointment of a receiver of the whole or any substantial part of its properties or shall file a petition or answer seeking relief under the federal or any state bankruptcy laws.

Remedies on Default. Upon the occurrence of an event of default under the Indenture, the Trustee shall have the following rights and remedies:

(a) Acceleration. In the event of a failure by the County to pay the principal of or the interest or premium (if any) on the Parity Securities, as and when the same shall become due and payable, the Trustee shall, and upon the occurrence and continuation of any other event of default under the Indenture, the Trustee may, declare the principal of and the interest accrued on all the Parity Securities forthwith due and payable, and thereupon they shall so be, anything in the Indenture or in the Parity Securities to the contrary notwithstanding. If, however, the County shall thereafter make good that default and every other default under the Indenture (except for those installments of principal and interest so declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of principal and interest, and cover the compensation and reimbursement of all reasonable expenses of the Trustee, then such event of default shall be deemed waived and such declaration and its consequences rescinded and annulled, but no such waiver, rescission and annulment shall affect any subsequent default or right relative thereto.

(b) Suits at Law or in Equity. The Trustee may, by civil action, mandamus or other proceedings, protect, enforce and compel performance of all duties of the officials of the County, including the fixing of sufficient rates, the collection of revenues, the proper segregation of the revenues of the System and the proper application thereof.

(c) Receivership. The Trustee shall be entitled upon or at any time after the commencement of any proceedings instituted with respect to an event of default, as a matter of strict right, upon the order of any court of competent jurisdiction, to the appointment of a receiver to administer and operate the System, with power to fix and charge rates and collect revenues sufficient to provide for the payment of the Parity Securities and any other obligations outstanding against the System or the revenues thereof and for the payment of expenses of operating and maintaining the System and with power to apply the income and revenues of the System in conformity with the Act and the Indenture.

Application of Moneys Collected. All moneys collected by the Trustee pursuant to any of the aforesaid remedies, together with all other moneys derived from the System and held by the County or the Trustee, shall, after payment of all charges and expenses of the Trustee under the Indenture, be applied to the payment of the following items in the following order:

(a) Unless the principal of all the Parity Securities shall have become or shall have been declared due and payable, such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Parity Securities, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full all such installments plus said interest thereon, then to the proportionate payment of all such installments and the interest thereon, according to the amounts thereof, without preference or priority of any installment of interest over any other installment or any discrimination or privilege among the persons entitled thereto;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Parity Securities which shall have become due (other than

Parity Securities matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest on overdue installments of principal and premium, if any, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, together with such interest, then to the proportionate payment of such principal, premium, if any, and interest, according to the amounts thereof, without preference or priority of any installment of principal over any other installment or any discrimination or privilege among the persons entitled thereto;

THIRD: the surplus, if any, to the Revenue Account.

(b) If the principal of all the Parity Securities shall have become or been declared due and payable, all such moneys shall be applied as follows:

FIRST: to the payment of the principal and interest then due and payable upon the Parity Securities (with interest on overdue principal and interest), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Parity Security over any other Parity Security, in proportion to the amounts for both principal and interest due respectively to the persons entitled thereto, without any discrimination or privilege among such persons; and

SECOND: the surplus, if any, to the County or to whomsoever may be entitled thereto.

Remedies Vested in Trustee for Benefit of Parity Securityholders. All remedies under the Indenture are vested exclusively in the Trustee for the equal and pro rata benefit of all holders of the Parity Securities, unless the Trustee refuses or neglects to act within thirty days after written request so to act addressed to the Trustee by the holders of not less than 25% in principal amount of the Parity Securities of any series then outstanding, accompanied by indemnity satisfactory to the Trustee, in which event the holder of any of the Parity Securities may thereupon so act in the name and behalf of the Trustee or may so act in his own name and behalf in lieu of action by or in the name and behalf of the Trustee. Except as provided in the preceding sentence, no holder of any of the Parity Securities shall have the right to enforce any remedy under the Indenture. Any action taken by any Parity Securityholder to enforce any provision of the Indenture shall be for the equal and pro rata benefit of the holders of all the Parity Securities.

Concerning the Trustee

Limitation of Liability. The Trustee shall not be liable under the Indenture except for its noncompliance with the provisions thereof, its willful misconduct or its gross negligence.

Institution of Suit. The Trustee may, in its own name and at any time, institute or intervene in any suit for the enforcement of all rights under the Indenture without the necessity of joining as parties to such suit or proceedings any holders of the Parity Securities. The holders of the Parity Securities, by their acceptance of the provisions of the Indenture, will appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all such rights of action, but such appointment will not include the power to agree to accept new securities of any nature in lieu of the Parity Securities or to alter or amend the terms of the Indenture except as therein provided.

Resignation and Discharge. The Trustee may resign at any time by giving written notice to the County. The Trustee may at any time be removed by a written instrument signed by the holders of a majority in principal amount of the Parity Securities or, if no Event of Default exists, by the County. No resignation or removal of the Trustee shall become effective until the acceptance of appointment by a successor Trustee.

Appointment of Successor Trustee. If the Trustee resigns, is removed or is otherwise incapable of acting, a successor may be appointed by the holders of a majority in principal amount of the Parity Securities and, in the interim, by the County.

Modification of the Indenture

Without the consent of the holders of any Parity Securities, the County and the Trustee may amend the Indenture for any of the following purposes: (a) to add to the covenants and agreements of the County; (b) to provide for the surrender by the County of any right or power conferred upon the County in the Indenture; (c) to cure any ambiguity or defect or for any other purpose if the County and the Trustee consider such provisions to be necessary or desirable and such provisions are not inconsistent with the provisions of the Indenture and do not adversely affect the interests of the holders of the Parity Securities; (d) to subject to the lien and pledge of the Indenture additional revenues, properties and collateral; (e) to amend the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939 or any similar federal statute or the qualification of the Parity Securities for sale under the securities laws of any state; (f) to authorize the issuance of Additional Parity Securities; (g) to grant to or confer upon the Trustee any additional rights, remedies, powers, liabilities or duties which are not inconsistent with the Indenture as theretofore in effect; and (h) to amend the Indenture in any other respect which is not materially adverse to the Parity Securityholders and which does not involve a change described in the succeeding paragraph.

With the written consent of the holders of not less than a majority in principal amount of the outstanding Parity Securities, the County and the Trustee may amend the Indenture for the purposes of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained therein; provided, however, that no such amendment shall, without the consent of the holder of each outstanding Parity Security adversely affected thereby,

(1) change the security for, the stated maturity or mandatory redemption date of the principal of, or any installment of interest on, any Parity Security, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, change the coin or currency in which any Parity Security or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date), or

(2) reduce the percentage in principal amount of the outstanding Parity Securities, the consent of whose holders is required for any such amendment, or

(3) eliminate or modify any provision of the Indenture, the elimination or modification of which by its terms requires the consent of the holder of each Parity Security affected thereby, or

- (4) create a lien or charge on the revenues from the System ranking prior to or on a parity of lien with the lien and pledge thereon contained in the Indenture (other than for Additional Parity Securities), or
- (5) establish any preference or priority as between the Parity Securities.

Satisfaction of the Indenture

Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee thereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture. For purposes of the Indenture (including, without limitation, the provisions pertaining to the issuance of Additional Parity Securities), any of the Parity Securities shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal and interest) due or to be due thereon until and at maturity, and, further, any Parity Security subject to redemption shall also be deemed to have been paid when the County shall have deposited with the Trustee the applicable redemption price of such Parity Security (including any applicable redemption premium), together with evidence that such Parity Security has been called for redemption in accordance with the Indenture.

In addition, the Parity Securities shall for all purposes of the Indenture be deemed fully paid if the County and the Trustee enter into a trust agreement making provision for the retirement of all the Parity Securities by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of all such Parity Securities (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (a) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient to provide for the payment and retirement of such Parity Securities, or (b) both cash and Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (c) cash sufficient for such purpose.

Miscellaneous Rights of Financial Guaranty

So long as Financial Guaranty has not failed to comply with its payment obligations under the Insurance Policy:

- (a) any acceleration of the maturity of the Parity Securities upon the occurrence of an Event of Default (or any annulment of any such acceleration) shall be subject to the prior written consent of Financial Guaranty;
- (b) any amendment or supplement to the Indenture shall be subject to the prior written consent of Financial Guaranty; and
- (c) Financial Guaranty shall be deemed to be the holder of all outstanding Parity Securities insured by Financial Guaranty for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the holder of each outstanding Parity Security).

Financial Guaranty Insurance Company has heretofore issued insurance policies that insure payment of the Series 1997 Warrants (other than the 1997-C Warrants) and the Series 1999-A Warrants.

APPENDIX B

**Financial Statements of the County
for Fiscal Year 1998-1999**

APPENDIX C

Proposed Opinion of Bond Counsel

APPENDIX C

PROPOSED OPINION OF BOND COUNSEL

Jefferson County Commission
Birmingham, Alabama

Dear Sirs:

We have examined certified copies of proceedings, certificates and other documents relating to JEFFERSON COUNTY, ALABAMA (herein called the "County"), and to the authorization, sale and issuance by the County of

\$275,000,000
JEFFERSON COUNTY, ALABAMA
Sewer Revenue Capital Improvement Warrants
Series 2001-A

(said warrants being herein called the "Series 2001-A Warrants"). The statements herein made and the opinions herein expressed are based upon our examination of the said proceedings, certificates and other documents. In our examination of all documents pertaining to the issuance of the Series 2001-A Warrants, we have assumed the genuineness of all signatures, the authenticity of documents submitted to us as originals, the conformity to the original documents of documents submitted to us as copies, the authenticity of such latter documents and the correctness of any facts stated in such documents.

The documents submitted to us show as follows:

(a) the Series 2001-A Warrants have been issued under a Trust Indenture dated as of February 1, 1997, as supplemented and amended by a First Supplemental Indenture dated as of March 1, 1997, by a Second Supplemental Indenture dated as of March 1, 1999, and by a Third Supplemental Indenture dated as of March 1, 2001 (said Trust Indenture, as so supplemented and amended, being herein called the "Indenture"), between the County and The Bank of New York (as successor to AmSouth Bank of Alabama), as trustee (herein called the "Trustee"), pursuant to which the County has pledged to the Trustee, to secure the payment of the principal of and the interest and premium (if any) on the obligations of the County issued pursuant to the Indenture, certain revenues (herein called the "Pledged Revenues") derived by the County from the operation of its sanitary sewer system (herein called the "System") that remain after payment of the expenses of operating and maintaining the System;

(b) the County has heretofore issued under the Indenture (i) \$211,040,000 aggregate principal amount of its Sewer Revenue Refunding Warrants, Series 1997-A, (ii) \$48,020,000 aggregate principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-B, (iii) \$52,880,000 aggregate principal amount of its Taxable Sewer Revenue Refunding Warrants, Series 1997-C, (iv) \$296,395,000 aggregate principal amount of its Sewer Revenue Warrants, Series 1997-D, and (v) \$952,695,000 aggregate principal amount

of its Sewer Revenue Capital Improvement Warrants, Series 1999-A (those of said warrants which are now outstanding are herein together called the "Outstanding Parity Securities");

(c) the Series 2001-A Warrants have been issued on a parity with the Outstanding Parity Securities with respect to the pledge of the Pledged Revenues contained in the Indenture; and

(d) in the Indenture the County has reserved the privilege of issuing from time to time additional warrants, bonds, notes or other forms of indebtedness (herein called "Additional Parity Securities"), in one or more series, without limitation as to principal amount and secured by the Indenture on a parity with the Outstanding Parity Securities and the Series 2001-A Warrants, but only upon compliance with the conditions set forth in the Indenture.

Based upon and subject to the foregoing, we are of the following opinion:

(1) The County is duly organized and existing as a county of the State of Alabama and has the power and authority to sell and issue the Series 2001-A Warrants and to enter into the Indenture.

(2) The Series 2001-A Warrants have been duly authorized, sold, executed, authenticated and delivered as provided by the Indenture and in accordance with the applicable provisions of the constitution and laws of the State of Alabama, are in due and legal form, and evidence valid special obligations of the County payable, as to principal, interest and premium (if any), solely from (i) the Pledged Revenues, and (ii) certain other moneys provided under the Indenture.

(3) Under the Indenture the payment of the principal of and the interest and premium (if any) on the Series 2001-A Warrants is secured, pro rata and without preference or priority of one over another or of any of the Series 2001-A Warrants over any of the Outstanding Parity Securities or any Additional Parity Securities that may be issued hereafter, by a valid pledge and assignment of the Pledged Revenues.

(4) The Indenture has been duly authorized, executed and delivered on behalf of the County and constitutes a legal, valid and binding agreement of the County which is legally enforceable in accordance with its terms, except that (i) the enforceability of any of the agreements contained in the Indenture may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights generally, and (ii) any court before which any enforcement proceeding may be brought will have discretion, in accordance with general equitable principles, to deny or limit the remedy of specific performance or other equitable relief with respect to contractual obligations other than for the payment of money.

(5) The County is authorized by the constitution and laws of the State of Alabama to levy and collect the sewer charges and rentals which are required to be levied and collected by the Indenture and which constitute part of the Pledged Revenues.

(6) Neither the registration of any security under the Securities Act of 1933, as amended, nor the qualification of any trust indenture under the Trust Indenture Act of 1939, as amended, is required in connection with the offering, sale and issuance of any of the Series 2001-A Warrants.

(7) Under existing statutes, the interest income on the Series 2001-A Warrants is exempt from income taxation in the State of Alabama.

(8) Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2001-A Warrants is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the next preceding sentence are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2001-A Warrants in order that the interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2001-A Warrants to be so included in gross income retroactive to the date of issuance of the Series 2001-A Warrants. The County has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2001-A Warrants.

The Indenture provides that, in the event the County should default in any of the provisions thereof in the manner and for the time therein provided, the Trustee may declare all obligations then outstanding under the Indenture to be forthwith due and payable, whereupon the same shall immediately become due and payable and the Trustee shall be entitled to exercise the rights specified in the Indenture. The Indenture does not, however, establish a mortgage lien on the System that will be subject to foreclosure. We have not examined the title of the County to the System as it presently exists, and we therefore express no opinion thereon.

The opinions hereinabove expressed respecting the Series 2001-A Warrants are subject to all applicable bankruptcy, insolvency, moratory and other laws respecting the enforcement of creditors' rights, including specifically, but without limitation, the provisions of Chapter 9 of the United States Bankruptcy Code, as amended, relating to the adjustment of debts of political subdivisions and public agencies and instrumentalities of the several states.

We have been employed solely for the purpose of preparing certain legal documents and supporting certificates, reviewing the transcript of proceedings by which the Series 2001-A Warrants have been authorized to be issued and rendering an opinion in conventional form relating solely to the essential validity and legality of the Series 2001-A Warrants, to the legal security for their payment, to the exclusion of the interest on the Series 2001-A Warrants from gross income for federal income tax purposes, to the exemption of the interest on the Series 2001-A Warrants from income taxation by the State of Alabama and to certain related matters. While we have participated in the preparation of the County's Official Statement respecting the Series 2001-A Warrants, we have not made or participated in any investigation or inquiry into the financial condition of the County, nor have we reviewed any documents relating thereto, and we express no opinion whatever as to the accuracy or completeness of any factual information respecting the financial condition of the County contained in such Official Statement.

Yours very truly,

HASKELL SLAUGHTER & YOUNG, L.L.C.

APPENDIX D

Revenue Forecast of Independent Engineer

APPENDIX E

Specimen Financial Guaranty Insurance Company Policies