

JEFFERSON COUNTY, ALABAMA
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

MATERIAL EVENT NOTICE
January 5, 2009

The following information is provided by Jefferson County, Alabama (the "County") pursuant to certain Continuing Disclosure Agreements executed and delivered by the County in connection with the issuance of certain of the warrants set forth on the attached Schedule A (the "Warrants"), in compliance with Securities and Exchange Commission Rule 15c2-12. Certain of the Warrants were issued at fixed interest rates (the "Fixed Rate Warrants" shown on Schedule A), others were issued as variable rate demand warrants (the "Variable Rate Demand Warrants" shown on Schedule A) and others were issued as auction rate warrants (the "Auction Rate Warrants" shown on Schedule A). Although the County has no Continuing Disclosure Agreement with regard to the Series 2002-A Warrants described in Schedule A (due to their exemption from the continuing disclosure obligations of SEC Rule 15c2-12), the County has nonetheless determined to include such Warrants in this Notice in order to provide a more thorough description of the events reflected herein.

The County filed material event notices dated February 20, 2008, February 27, 2008, March 4, 2008, March 11, 2008, March 31, 2008, April 1, 2008, June 2, 2008, June 9, 2008, June 30, 2008, August 1, 2008, August 13, 2008, September 10, 2008, September 22, 2008, October 6, 2008, October 9, 2008, October 24, 2008, October 28, 2008, November 10, 2008, December 8, 2008 and December 19, 2008 with regard to the Warrants (collectively, the "Prior Notices"). This material event notice describes certain events that have occurred subsequent to the filing of the Prior Notices.

The Warrants were issued and are outstanding under a Trust Indenture dated as of February 1, 1997, as amended and supplemented from time to time (the "Trust Indenture") between the County and The Bank of New York Mellon (the "Trustee").

Notice of Default

The Trustee delivered a notice of default (the "Notice of Default") to the County by letter dated December 19, 2008, a copy of which is attached as Exhibit I. The Notice of Default states that the County is in violation of certain covenants set forth in the Indenture and that such covenant defaults will become "Events of Default", as defined in the Indenture, if not cured within thirty (30) days of the date of the Notice of Default. The Notice of Default also states that certain Events of Default have occurred.

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

Financial Guaranty Insurance Company and Syncora Guarantee Inc. (f/k/a XL Capital Assurance Inc.) v. Jefferson County, Alabama, et al., and is pending in the United States District Court, Northern District of Alabama, CV-08-H-1703-S. The Trustee has asserted, among other grounds, the existence of certain covenant defaults and Events of Default described in prior notices of default (included as attachments to Prior Notices) as the basis for the relief sought in the lawsuit. The County has in effect denied the existence of such covenant defaults and Events of Default in its answer to the complaint filed by the plaintiffs. At this time, the court has not made any determinations regarding the existence of such covenant defaults or Events of Default. The existence of the covenant defaults and Events of Default described in the attached Notice of Default may also become issues in the lawsuit for the court to decide.

Draws on Debt Service Reserve Fund

The net sewer revenues of the County have not been sufficient to meet the debt service requirements on the Warrants in recent months due to the extraordinary increases in interest cost experienced by the County on the Variable Rate Demand Warrants and Auction Rate Warrants, as described in Prior Notices. The Trustee has been required to draw on the Debt Service Reserve Fund (the "Reserve Fund") established under the Indenture, including the surety bonds held therein, to pay a portion of the debt service on the Warrants coming due in September (\$492,052.46 draw on the Reserve Fund), October (\$25,216,593.88 draw on the Reserve Fund), November (\$14,447,037.87 draw on the Reserve Fund) and December (\$762,657.99 draw on the Reserve Fund) of 2008. Net sewer revenues are expected to continue to be insufficient to meet the debt service obligations on the Warrants at this time. Accordingly, to the extent net sewer revenues are insufficient on any upcoming debt service payment date, the Trustee will be required to draw first on the Reserve Fund and then, if necessary, on the municipal bond insurance policies insuring the Warrants to cover the deficiency. Because such draws are expected to continue to occur regularly in the coming months, the County will not provide a notice following each such draw, but will instead periodically provide an update describing such draws.

EXHIBIT I



THE BANK OF NEW YORK MELLON

The Bank of New York Mellon Trust Company, N.A.

December 19, 2008

VIA OVERNIGHT COURIER

Jefferson County, Alabama
Jefferson County Courthouse
Birmingham, Alabama 35203
Attn: President of County Commission

Re: Trust Indenture dated as of October 1, 1997, between Jefferson County, Alabama, (the "County") and The Bank of New York Mellon, as successor trustee to AmSouth Bank of Alabama (the "Trustee"), as supplemented to the date hereof (the "Indenture")

Ladies and Gentlemen:

This letter is a notice of default pursuant to Section 13.1(c) of the Indenture.

Failure to comply with Section 12.5(c)

Section 12.5(c) of the Indenture requires the following:

(c) The County's Director of Finance shall, within sixty (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 shall be delivered, no later than December 10 in such Fiscal Year, to the Trustee and to each member of the Governing Body. The County hereby covenants, in the event of the delivery of any such notice of failure to satisfy the Historical Evaluation or the Immediate Prospective Evaluation (or both), to make an increase in the rates and charges for services furnished by the System, in an amount intended to result in compliance with the rate covenant contained in subsection (b), with such rate increase to be effective no later than January 1 in such Fiscal Year.

On December 10, 2008, the Trustee received a letter from your counsel describing the County's view of certain circumstances and stating that "... the County has determined that it is not practical or appropriate to provide to the trustee at this time the notice provided for in Section 12.5(c) of the Original Indenture."

The Trustee hereby gives notice that a covenant default has occurred and is continuing as a result of your failure to comply with the requirements of section 12.5(c) of the Indenture. This covenant default will become an Event of Default under Section 13.1(c) of the Indenture if not cured within 30 days of the date of this notice. Please be aware that Section 12.5(c) further requires you to increase rates and charges effective no later than January 1 in an amount intended to result in compliance with the "Rate Covenant" (as defined in Section 12.5(b)). The Trustee does not believe that the County can avoid a further default in complying with this requirement based upon the County Finance Director's failure to complete the determinations and notice that were required to be delivered on or before December 10.

Failure to comply with Sections 11.3 and 11.11

The Trustee further notifies you that a covenant default has occurred and is continuing as a result of your failure to comply with the provisions of the Indenture (i) to pay into the Reserve Fund on or before November 15, 2008, and December 15, 2008, amounts required by Section 11.3 of the Indenture for the purpose of restoring the balance of the Reserve Fund to the Reserve Fund Requirement, and (ii) to pay into the Reserve Fund monthly payments for the months of November and December, 2008, required by Section 11.11 of the Indenture as a result of the downgrade in the respective ratings of Syncora Guarantee Inc., formerly known as XL Capital Assurance Inc., and Financial Guaranty Insurance Company. These covenant defaults will become Events of Default under Section 13.1(c) of the Indenture if not cured within 30 days of the date of this notice.

Other Covenant Defaults that have become Events of Default.

On September 2, 2008 (the first Business Day of the month), the amount held by the Trustee in the Reserve Fund was less than the Reserve Fund Requirement. The Trustee has previously given notice on November 14, 2008, that covenant defaults have occurred and are continuing as a result of the failure of the County (i) to pay into the Reserve Fund on or before September 15, 2008, and October 15, 2008, amounts required by Section 11.3 of the Indenture for the purpose of restoring the balance of the Reserve Fund to the Reserve Fund Requirement, and (ii) to pay into the Reserve Fund monthly payments for the months of September and October, 2008, required by Section 11.11 of the Indenture as a result of the downgrade in the respective ratings of Syncora Guarantee Inc., formerly known as XL Capital Assurance Inc., and Financial Guaranty Insurance Company. These covenant defaults became Events of Default under Section 13.1(c) of the Indenture when they were not cured within 30 days of the date of that notice.

The Trustee has previously given notice on October 15, 2008, that covenant defaults have occurred and are continuing as a result of the failure of the County (i) to apply the moneys in the Revenue Account that remain after the payment of Operating Expenses for payment into the Debt Service Fund, the Reserve Fund, the Rate Stabilization Fund and the Depreciation Fund, in such order and in such amounts and at such times as required by the Indenture, (ii) to fix, revise and maintain such rates for services furnished by the System as shall be sufficient (a) to provide for the payment of the interest and premium (if any) on and the principal of the Parity Securities, as and when the same shall become due and payable, (b) to provide for the payment of the Operating Expenses and (c) to enable the County to perform and comply with all of its covenants contained in the Indenture, in each case as required by Section 12.5(a) of the Indenture, and (iii) to make from time to time, to the extent permitted by law, such increases and other changes in such rates and charges as may be necessary to comply with the provisions of Section 12.5(a) of the Indenture, as required by Section 12.5(b) of the Indenture. These covenant defaults became Events of Default under Section 13.1(c) of the Indenture when they were not cured within 30 days of the date of that notice.

The foregoing description of covenant defaults that have become Events of Default is not intended to be a cumulative identification of all existing defaults or Events of Default, and nothing in this letter shall constitute a waiver of any right, remedy or claim to which the Trustee, any holder of a Parity Security, or any of the Bond Insurers is or may be entitled pursuant to the Indenture or any document executed therewith or in respect thereof, at law, in equity or otherwise, all of which are expressly reserved hereunder.

Sincerely,

The Bank of New York Mellon, as Trustee

By: 
Bridget M. Schessler

SCHEDULE A

Fixed Rate Warrants	Bond Insurance
<i>Series 1997 A</i>	
CUSIP	
472682NV1	FGIC
472682NW9	FGIC
472682NX7	FGIC
472682MC4	FGIC
472682MD2	FGIC
 <i>Series 2001 A</i>	
CUSIP	
472682JB0	FGIC
472682JC8	FGIC
472682JD6	FGIC
472682JE4	FGIC
472682JF1	FGIC
472682JG9	FGIC
472682JH7	FGIC
472682JJ3	FGIC
472682JL8	FGIC
472682JM6	FGIC
472682JN4	FGIC
 <i>Series 2003-B-8</i>	
CUSIP	
472682ML4	FSA
472682MM2	FSA
472682MN0	FSA
472682MP5	FSA
472682MQ3	FSA
472682MR1	FSA
472682MS9	FSA
 Variable Rate Demand Warrants	
<i>Series 2002 A</i>	
CUSIP	Subseries
472682JW4	2002 A
	FGIC
 <i>Series 2002 C</i>	
CUSIP	Subseries
472682KE2	2002 C-2
472682KF9	2002 C-3
472682KG7	2002 C-4
472682KJ1	2002 C-6
472682KK8	2002 C-7
	Syncora
	Syncora
	Syncora
	Syncora
	Syncora
 <i>Series 2003 B</i>	
CUSIP	Subseries
472682LN1	2003 B-2
472682LP6	2003 B-3
472682LQ4	2003 B-4
472682LR2	2003 B-5
472682LS0	2003 B-6
472682LT8	2003 B-7
	Syncora
	Syncora
	Syncora
	Syncora
	Syncora
	Syncora

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

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

Syncora
Syncora
Syncora
Syncora
Syncora

Series 2003 B

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

FGIC
FGIC
FGIC
FGIC
FGIC

Series 2003 C

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

FGIC
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FSA