

JEFFERSON COUNTY, ALABAMA  
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

**MATERIAL EVENT NOTICE**  
**February 1, 2013**

The following information is provided by Jefferson County, Alabama (the "County") pursuant to continuing disclosure undertakings executed and delivered by the County in connection with the issuance of certain of the warrants set forth on the attached Schedule A (the "Warrants").

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

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

**Payment Default**

Debt service payments on certain of the Warrants are due on February 1, 2013. The Trustee has disseminated the attached Notice to Holders dated February 1, 2013 (the "Trustee Notice"). Pursuant to an order of the Bankruptcy Court filed on July 2, 2012, the County has been remitting the net revenues of the County's Sewer System to the Trustee in the manner provided by Article XI of the Trust Indenture. The Trustee Notice states that the Trustee has decided to hold such net revenues remitted by the County and suspend payment of debt service on the Warrants, as well as any draws on insurance policies securing the Warrants, until further notice. In addition, the Trustee Notice describes the Trustee's intent to (i) file a complaint for declaratory judgment with the Bankruptcy Court to address disputes regarding interpretation of the Trust Indenture and (ii) file with the Bankruptcy Court a motion for relief from automatic stay in the Chapter 9 Proceeding to permit the Trustee in its discretion to accelerate certain of the Warrants effective as of February 1, 2013. The County makes no representation with respect to the accuracy or completeness of the Trustee Notice.

# SCHEDULE A

## Jefferson County, Alabama Sewer Revenue Warrants

### **Fixed Rate Warrants**

#### *Series 1997 A*

CUSIP
472682NV1
472682NW9
472682NX7
472682MC4
472682MD2

#### *Series 2001 A*

CUSIP
472682JF1
472682JG9
472682JH7
472682JJ3
472682JL8
472682JM6
472682JN4

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

CUSIP
472682MP5
472682MQ3
472682MR1
472682MS9

### **Variable Rate Demand Warrants**

#### *Series 2002 A*

CUSIP	Subseries
472682PU1	2002 A

#### *Series 2002 C*

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

#### *Series 2003 B*

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

[Continued on following page]

**Auction Rate Warrants**

*Series 2002 C*

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

*Series 2003 B*

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

*Series 2003 C*

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

**Alabama Water Pollution Control  
Authority**

**Revolving Fund Loan Refunding Bonds**

*Series 2003-B*

CUSIP
010653QX4
010653QY2
010653QZ9
010653RA3



THE BANK OF NEW YORK MELLON

**Notice to Holders of  
Suspension of Payments  
Due on  
Jefferson County, Alabama**

**\$211,040,000 Sewer Revenue Refunding Warrants Series 1997-A**  
Cusip Nos. 472682NV1, 472682NW9, 472682NX7, 472682MC4, 472682MD2

**\$275,000,000 Sewer Revenue Capital Improvement Warrants Series 2001-A**  
Cusip Nos. 472682JB0, 472682JC8, 472682JD6, 472682JE4, 472682JF1, 472682JG9, 472682JH7,  
472682JJ3, 472682JL8, 472682JM6, 472682JN4

**\$110,000,000 Sewer Revenue Capital Improvement Warrants Series 2002-A**  
Cusip Nos. 472682JW4

**\$839,500,000 Sewer Revenue Refunding Warrants Series 2002-C**  
Cusip Nos. 472682KA0, 472682KB8, 472682KC6, 472682KD4, 472682PH0, 472682PJ6, 472682PK3,  
472682KH5, 472682PL1, 472682PM9

**\$41,820,000 Sewer Revenue Refunding Warrants Series 2003-A**

**\$1,155,765,000 Sewer Revenue Refunding Warrants Series 2003-B**  
Cusip Nos. 472682LH4, 472682LJ0, 472682LK7, 472682LL5, 472682LM3, 472682PN7, 472682PP2,  
472682PQ0, 472682PR8, 472682PS6, 472682PT4, 472682MP5, 472682MQ3, 472682MR1,  
472682MS9

**and \$1,052,025,000 Sewer Revenue Refunding Warrants Series 2003-C**  
Cusip Nos. 472682NA7, 472682NB5, 472682NC3, 472682ND1, 472682NE9, 472682NF6,  
472682NG4, 472682NH2, 472682NJ8, 472682NK5

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*Note: This notice contains important information that is of interest to the registered and beneficial owners of the subject Warrants. Each registered holder of the Warrants should forward a copy of this Notice immediately to any beneficial owners(s) of the Warrants for whom the holder acts as nominee or in any other capacity.*

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The Bank of New York Mellon serves as the successor trustee (the "Trustee") under that certain Trust Indenture dated as of February 1, 1997 (as supplemented to the date hereof, the "Indenture"), executed by Jefferson County, Alabama (the "County"), in favor of the Trustee. The County has issued and has outstanding approximately \$3.1 billion in principal amount of sewer warrants (the "Sewer Warrants") pursuant to the Indenture. Terms not otherwise defined in this Notice shall have the meanings given them in the Indenture.

In accordance with and subject to the terms of the Indenture, the Sewer Warrants are special limited obligations of the County payable generally from (i) System Revenues derived from the operation of the County's sewer system (the "Sewer System") available after the payment of Operating Expenses, and (ii) other sources pledged or directed under the Indenture. The Indenture provides that the Sewer Warrants do

not constitute or give rise to any personal or general pecuniary liability or charge against the general credit or taxing powers of the County.

### **Suspension of Payments Due on Sewer Warrants**

The Trustee has been applying net System Revenues received from the County pursuant to Section 13.3(a) of the Indenture on the date of each distribution, first, to the payment of interest then due on the Sewer Warrants, without preference or priority of any installment of interest over any other installment, and, second, to the payment of principal then due by reason of maturity or sinking fund redemption, without preference or priority of any installment of principal then due or overdue over any other installment then due or overdue, except as described in the following sentence. In the past, the holders of certain sewer warrants (the “Bank Warrants”) with payments of principal overdue and owing as a result of the redemption requirements of the Indenture and/or applicable standby warrant purchase agreements have consented to the Trustee making distributions of principal with respect to other Sewer Warrants coming due at maturity or as a result of mandatory sinking fund redemptions in February and early March between 2010 and 2012, as if the existing principal payment defaults on the Bank Warrants had not occurred and as if there were no required mandatory sinking fund redemption of the Bank Warrants.

The Trustee has been informed that certain Holders of Bank Warrants are not willing, at this time, to consent to the Trustee making distributions of principal with respect to Sewer Warrants coming due at maturity or as a result of mandatory sinking fund redemptions in February and early March 2013, as if the existing principal payment defaults on the Bank Warrants had not occurred and as if there were no required mandatory sinking fund redemption of the Bank Warrants.

As of January 31, 2013, the Trustee had \$43,190,597.29 of net System Revenues on deposit in the Debt Service Fund maintained by it under the Indenture. In addition, the Trustee maintains pursuant to the Indenture a Reserve Fund composed of various municipal bond debt service reserve insurance policies (the “Reserve Policies”) issued by Financial Guaranty Insurance Company, Syncora Guarantee, Inc. (“Syncora”) and Assured Guaranty Municipal Corp. (“Assured”).

The net System Revenues currently on deposit with the Trustee in the Debt Service Fund and amounts available under the Reserve Policies for such purpose are not sufficient to make the principal payments overdue with respect to the Bank Warrants and principal payments with respect to other Sewer Warrants coming due at maturity or as a result of mandatory sinking fund redemptions in February and early March 2013.

In addition, disagreements exist over certain interpretations of the Indenture, including the Trustee’s right, power and authority to accelerate Sewer Warrants, the effect of any acceleration of Sewer Warrants on Syncora’s obligations under the Syncora Reserve Policy it has issued, and how to apply proceeds of draws under the Reserve Policies after any acceleration. Therefore, the Trustee is filing with the Bankruptcy Court (i) a complaint for declaratory judgment to determine these disputes and (ii) a motion for relief from the automatic stay (to the extent applicable, if any) to permit the Trustee in its discretion to accelerate, effective as of February 1, 2013, the Sewer Warrants.<sup>1</sup> Even if the Bankruptcy Court were to grant the Trustee’s motion for relief from the automatic stay to accelerate Sewer Warrants, the Trustee may decide to defer any

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<sup>1</sup> The Trustee’s motion for relief from the automatic stay to permit the Trustee to accelerate the Sewer Warrants does not include (i) the Series 2002-A Sewer Warrants (CUSIP No. 472682JW4), which are already due and owing, and (ii) the Series 2003-B-8 Sewer Warrants, (CUSIP Nos. 472682MP5, 472682MQ3, 472682MR1 and 472682MS9), the Series 2003-C-9 Sewer Warrants (CUSIP No. 472682NJ8) and the Series 2003-C-10 Sewer Warrants (CUSIP No. 472682NK5), unless and until their insurer, Assured consents to the acceleration of those warrants in accordance with the terms of the Indenture.

acceleration of Sewer Warrants until there is a resolution of the issues which are the subject of its complaint for declaratory judgment or otherwise in its discretion.

As a result of these developments, the Trustee is suspending any distributions of net System Revenues and any draws on insurance policies securing the Sewer Warrants until further notice.

The Trustee will notify the Holders of Sewer Warrants of further material developments. Questions concerning this notice may be directed to the Trustee at The Bank of New York Mellon, Attention: Bridget Schessler, 525 William Penn Place, 38th Floor, Pittsburgh, PA 15259, or by calling 412-234-7967 or via email at [bridget.schessler@bnymellon.com](mailto:bridget.schessler@bnymellon.com). While the Trustee will attempt to provide additional information to Holders of the Sewer Warrants, please be advised that the Trustee may conclude that a specific response to a particular inquiry from an individual Sewer Warrant Holder is not consistent with equal and full dissemination of information to all Holders of Sewer Warrants. Accordingly, the Trustee may in its discretion decline to provide specific information in response to a particular inquiry. In addition, the Trustee is not able to provide Holders of the Sewer Warrants with legal or investment advice under any circumstances. Holders of the Sewer Warrants should seek the advice of their own legal counsel and/or financial consultants regarding their individual rights under the Indenture. No representation is made as to the correctness of the CUSIP Numbers which are included solely for the convenience of the Warrantholders.

**Dated: February 1, 2013**

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