

J.P.Morgan

June 30, 2009

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

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

Ladies and Gentlemen:

Reference is made to (a) the Standby Warrant Purchase Agreement, dated as of February 1, 2002 (the "2002-A Standby Agreement"), among Jefferson County, Alabama (the "County"), The Bank of New York Mellon, formerly The Bank of New York, as Trustee (the "Trustee"), and JPMorgan Chase Bank (the "Bank"), as liquidity provider, relating to \$110,000,000 Jefferson County, Alabama Sewer Revenue Capital Improvement Warrants Series 2002-A (the "Series 2002-A Bank Warrants"); (b) the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "2002-C-2 Standby Agreement"); collectively with the 2002-A Standby Agreement, the "Standby Agreements"), among the County, the Trustee, JPMorgan Chase Bank, as Liquidity Agent (the "Liquidity Agent"), and the Bank, as liquidity provider, relating to \$73,700,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-2 (the "Series 2002-C-2 Bank Warrants"); collectively with the Series 2002-A Bank Warrants, the "Bank Warrants"); (c)(i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, Financial Guaranty Insurance Company ("FGIC"), Syncora Guarantee Inc (formerly XL Capital Assurance Inc., "Syncora") and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2002-A Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008, October 7, 2008, October 30, 2008, December 5, 2008, February 19, 2009, April 20, 2009, May 29, 2009 and June 15, 2009 regarding the 2002-A Standby Agreement and the 2002-A Original Forbearance Agreement (the documents described in this clause (c) are referred to collectively as the "2002-A Forbearance Agreement"); and

(d)(i) the Forbearance Agreement and Reservation of Rights, dated as of March 31, 2008, among the County, the Trustee, FGIC, Syncora, the Liquidity Agent and the Bank (as amended by that certain First Amendment to Forbearance Agreement and Reservation of Rights, dated as of April 15, 2008, the "2002-C-2 Original Forbearance Agreement") and (ii) the forbearance letters from the Bank to the County dated May 13, 2008, May 30, 2008, July 31, 2008, August 27, 2008, September 30, 2008, October 7, 2008, October 30, 2008, December 5, 2008, February 19, 2009, April 20, 2009, May 29, 2009 and June 15, 2009 regarding the 2002-C-2 Standby Agreement and the 2002-C-2 Original Forbearance Agreement (the documents described in this clause (d) are referred to collectively as the "2002-C-2 Forbearance Agreement"; collectively with the 2002-A Forbearance Agreement, the "Forbearance Agreements"). Unless otherwise defined, capitalized terms are used herein as defined in the Forbearance Agreements or the Standby Agreements, as applicable.

As you know, pursuant to the Forbearance Agreements, the County has acknowledged that Events of Default have occurred and are continuing under the Standby Agreements, that interest has accrued and continues to accrue at the Default Rate on the Bank Warrants, and that all interest accrued at the Default Rate on the Bank Warrants in excess of the amount paid by the County to the Bank on April 1, 2008, May 1, 2008, June 2, 2008, July 1, 2008, August 4, 2008, September 2, 2008, October 1, 2008, November 3, 2008, December 1, 2008, January 2, 2009, February 2, 2009, March 2, 2009, April 1, 2009, May 1, 2009 and June 1, 2009 ("Default Interest") shall be due and payable in full by the County on the earlier of (i) June 30, 2009, or such later date as the Bank in its sole discretion (and without execution of any writing by the County or any other Party) selects for Default Interest to be due and payable or (ii) immediately upon written notice from the Bank to the County demanding payment of such Default Interest. Additionally, pursuant to the Forbearance Agreements, and without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, the Bank stated its intent not to exercise any of its rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on June 30, 2009.

In recognition of the continued direct involvement of the Governor of the State of Alabama to further the ongoing efforts to reach a consensual restructuring of the County's sewer related indebtedness, and as a further expression of the Bank's willingness to fully explore that mutual goal, the Bank will proceed as follows: Notwithstanding the termination of the Forbearance Period, but without prejudice to the Bank's right to exercise any of its rights and remedies at any time in the exercise of its sole discretion, it is not the Bank's current intent to exercise any such rights and remedies in respect of the above referenced Events of Default prior to 5:00 p.m. (prevailing Birmingham, Alabama time) on July 31, 2009, or, if the Bank provides written notice to the County on or before July 31, 2009, such later date as the Bank in its sole discretion may agree by written notice to the County (and without execution of any writing or other acknowledgment by the County or any other Party). In addition, and notwithstanding anything to the contrary contained in the Forbearance Agreements, the Bank agrees that Default Interest shall be due and payable in full by the County on the earlier of (i) July

31, 2009, or, if the Bank provides written notice to the County on or before July 31, 2009, such later date as the Bank in its sole discretion (and without execution of any writing by the County or any other Party) selects for Default Interest to be due and payable or (ii) immediately upon written notice from the Bank to the County demanding payment of such Default Interest.

On July 1, 2009, in partial payment of the amount of interest accrued on the Bank Warrants, the County shall pay or cause to be paid to the Bank interest on the Bank Warrants that has accrued at the applicable Bank Rate. The acceptance of such partial payment of interest calculated at the Bank Rate, rather than at the Default Rate that became applicable to the Bank Warrants upon the occurrence of the above referenced Events of Default under the Standby Agreements, shall not constitute a waiver of the Bank's rights under the Standby Agreements, the Bank Warrants, the Related Documents, and applicable law to the accrual and payment of interest at the Default Rate in accordance with the terms of the Standby Agreements, the Bank Warrants, and the Related Documents.

Please note that nothing contained in this letter is intended as or shall constitute an alteration (except in respect of the change to the date of payment of the Default Interest), waiver or release of any rights, remedies, claims, causes of action, or defenses by the Bank or the Liquidity Agent in relation to the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, the other Related Documents, any and all documents related thereto, or at law or in equity, and all such rights, remedies, claims, causes of action, and defenses of the Bank and the Liquidity Agent are hereby reserved. Nothing contained in this letter shall be deemed to waive any existing Events of Defaults, or relieve or release the County or the Bond Insurers from any of their respective obligations, as applicable, under the Standby Agreements, the Forbearance Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, or from the consequences of the existing Events of Default or any other Event of Default. Except as set forth in the third paragraph of this letter, this letter does not constitute an amendment or modification of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, or any Related Documents, and the terms and conditions of the Standby Agreements, the Bank Warrants, the Bond Insurance Policies, and all Related Documents shall remain in full force and effect. No failure to exercise or delay in exercising any right or power shall preclude any other or further exercise thereof, and nothing contained herein shall be deemed to constitute an election of remedies.

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

Sincerely,

JPMORGAN CHASE BANK

By: William A. Austin
Title: EXECUTIVE DIRECTOR