

JEFFERSON COUNTY, ALABAMA  
SEWER REVENUE WARRANTS

Series Designations and CUSIP Numbers on Attached Schedule A

**MATERIAL EVENT NOTICE**  
**June 9, 2008**

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. 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 and June 2, 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.

**Ratings Downgrades**

At the time of their issuance, the various series of Warrants were insured either by Financial Security Assurance Inc. ("FSA"), Financial Guaranty Insurance Company ("FGIC") or XL Capital Assurance Inc. ("XL Capital"), as reflected on Schedule A, and were assigned ratings by Standard & Poor's Ratings Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings Ltd. ("Fitch"). The ratings on the Warrants have been previously downgraded as described in the Prior Notices.

On June 6, 2008, the long-term insured ratings assigned to those Warrants insured by XL Capital were further reduced from "A-" to "BBB-" by S&P in conjunction with the corresponding reduction in such rating agency's financial strength and financial enhancement ratings of XL Capital. The current reduced ratings of the XL Capital insured Warrants are classified as "Credit Watch Negative" by S&P. In addition, the current "A3" long-term insured ratings assigned to the XL Capital insured Warrants by Moody's are listed as "Review for Possible Downgrade" and the current "BB" long-term insured ratings assigned to the XL Capital insured Warrants by Fitch are listed as "Ratings Watch Negative".

A rating reflects only the view of the agency assigning such rating and is not a recommendation to buy, sell or hold the Warrants. Such rating may be changed at any time, and no assurance can be given that it will not be subject to further revision or withdrawn entirely by the rating agency if, in its judgment, the circumstances so warrant. Any further reduction or withdrawal of the ratings on the Warrants may have an adverse effect on the market price of the affected Warrants.

## **Reserve Fund Surety Requirements**

The Trust Indenture requires the County to establish and maintain a debt service reserve fund (the "Reserve Fund") at a level (the "Reserve Fund Requirement") generally equal to the lesser of (a) 125% of the average annual debt service on all parity securities outstanding under the Indenture and secured by the Reserve Fund, (b) the maximum annual debt service on all parity securities outstanding under the Indenture and secured by the Reserve Fund, or (c) 10% of the original principal amount (or in some cases, the issue price) of each series of parity securities outstanding under the Trust Indenture and secured by the Reserve Fund. The Trust Indenture permits the County to satisfy the Reserve Fund Requirement through cash deposits or by delivery of a surety bond, insurance policy or letter of credit that satisfies the requirements of the Trust Indenture. One such requirement is that any surety bond or insurance policy used to satisfy the Reserve Fund Requirement must be rated "AAA" by S&P or "Aaa" by Moody's. As of April 1, 2005, the Reserve Fund was funded, at the Reserve Fund Requirement, by a combination of cash (and eligible federal securities) and surety bonds in the amount of \$19,884,478 provided by FGIC.

As permitted by the Trust Indenture, in April, 2005, the County caused XL Capital to deliver to the Trustee a Debt Service Reserve Insurance Policy pursuant to which up to \$164,863,746 may be paid, and caused FSA to deliver to the Trustee a Municipal Bond Debt Service Reserve Insurance Policy pursuant to which up to \$26,421,902 may be paid. Upon the delivery of the foregoing policies to the Trustee, the County withdrew \$181,415,268.15 of cash and investments from the Reserve Fund and directed that the said cash and investments be deposited to a new "2005 Construction Fund" to be held by the Trustee under a Deposit Agreement dated April 1, 2005 between the County and the Trustee (the "Deposit Agreement"). Further discussion of the 2005 Construction Fund and the Deposit Agreement can be found in the Prior Notice dated February 27, 2008.

If the S&P or Moody's rating of a Reserve Fund surety bond or insurance policy issuer falls below "A", the Trust Indenture requires the County (i) to substitute a surety bond, insurance policy or letter of credit that satisfies the requirements of the Trust Indenture within six (6) months, or (ii) to restore the Reserve Fund to a level equal to the Reserve Fund Requirement by making cash deposits to the Reserve Fund over a period of one year in equal monthly installments. As a result of earlier downgrades to FGIC described in the Prior Notices dated February 20, 2008 and March 31, 2008, the County began making monthly cash deposits (in the amount of \$1.657 million) to the Reserve Fund. The County has not yet determined its response to the most recent downgrade of XL Capital and the resulting disqualification of the XL Capital surety bond in the amount of \$164,863,746.

## SCHEDULE A

<b>Fixed Rate Warrants</b>	<b>Bond Insurance</b>	
<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	
 <b>Variable Rate Demand Warrants</b>		
<i>Series 2002 A</i>		
CUSIP	Subseries	
472682JW4	2002 A	FGIC
 <i>Series 2002 C</i>		
CUSIP	Subseries	
472682KE2	2002 C-2	XLCA
472682KF9	2002 C-3	XLCA
472682KG7	2002 C-4	XLCA
472682KJ1	2002 C-6	XLCA
472682KK8	2002 C-7	XLCA
 <i>Series 2003 B</i>		
CUSIP	Subseries	
472682LN1	2003 B-2	XLCA
472682LP6	2003 B-3	XLCA
472682LQ4	2003 B-4	XLCA
472682LR2	2003 B-5	XLCA
472682LS0	2003 B-6	XLCA
472682LT8	2003 B-7	XLCA

[Continued on following page]

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

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

*Series 2003 B*

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

*Series 2003 C*

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