

FORBEARANCE AGREEMENT AND RESERVATION OF RIGHTS
(ISDA Master Agreement – JPMorgan Chase Bank)

This Forbearance Agreement and Reservation of Rights (the "Forbearance Agreement") is made as of the 31st day of March, 2008, by and between JPMorgan Chase Bank, formerly doing business as The Chase Manhattan Bank ("Party A"), and Jefferson County, Alabama, a political subdivision of the State of Alabama ("Party B"). Party A and Party B are each herein referred to sometimes as a "Party" and, collectively, as the "Parties."

W I T N E S S E T H:

A. Party A and Party B are parties to that certain ISDA Master Agreement dated as of January 1, 2001 (the "ISDA Master"), between the Parties, as further amended and supplemented through the date hereof, including by the Schedule thereto dated as of January 1, 2001 (the "Schedule"), and Confirmations dated January 10, 2001, January 10, 2001, September 18, 2001, October 23, 2002, March 28, 2003, and July 14, 2003, respectively, bearing reference numbers 470385, 470392, A444782, 8958034, 700157 and 7001880, respectively (said Confirmations, together with the ISDA Master and the Schedule, the "Swap Agreement") relating to certain of Party B's sewer revenue warrants. Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Swap Agreement.

B. Party A and Party B have commenced and are continuing negotiations regarding the obligations of each Party under and with respect to the Swap Agreement and related agreements and undertakings.

C. Party A and Party B are also parties to the Forbearance Agreement and Reservation of Rights (Standby Warrant Purchase Agreement –JPMorgan Chase Bank.) dated as of March 31, 2008 (the "Standby Forbearance Agreement").

D. Termination Events and Additional Termination Events with respect to Party B, and Events of Default, have occurred and are continuing under the Schedule.

E. In addition to the interest rate swap transactions between Party A and Party B pursuant to the Swap Agreement, Party B has also entered into interest rate swap transactions listed on Schedule 1 (the "Other Swap Agreements") with the counterparties listed on such schedule (the "Other Swap Providers").

F. Party B also has obtained liquidity from the banks and financial institutions listed on Schedule 2 attached hereto (the "Liquidity Providers") pursuant to the applicable Standby Warrant Purchase Agreements described on Schedule 2 (the "Standby Agreements").

G. The Liquidity Providers and the Other Swap Providers also have claims against Party B under the Standby Agreements and the Other Swap Agreements, as the case may be, and Party B has commenced negotiations with Party A, the Liquidity Providers, and the Other Swap Providers, among others.

H. Party B has asked Party A to forbear from exercising certain rights, including without limitation, under the Schedule, during the Forbearance Period (as such term is defined below) to afford Party B the opportunity to explore possible workout solutions to propose to, among others, Party A.

I. Notwithstanding that no understanding or agreement with respect thereto has been reached among the Parties, Party A and Party B have agreed to enter into this Forbearance Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the agreements and undertakings contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto hereby agree as follows:

1. **Forbearance.** Subject to the terms and conditions hereof, during the period (the "Forbearance Period") from the execution hereof by the Parties until the occurrence of a Forbearance Period Termination Event (as such term is defined below), the Swap Agreement shall continue to be in full force and effect, but Party A shall forbear from exercising any rights or remedies that it has or may have now or that may hereafter arise during the Forbearance Period, under the Swap Agreement or applicable law, as a result of any and all Events of Default, Termination Events and Additional Termination Events existing under the Swap Agreement. Each of the following shall constitute a "Forbearance Period Termination Event": (a) April 15, 2008 at 5:00 p.m. prevailing Birmingham, Alabama time, (b) the occurrence of an Event of Default in respect of Party B under Section 5(a)(vii) of the Swap Agreement (as amended by Part 1(j)(i) of the Schedule), (c) the termination of the applicable forbearance period of any of the Other Forbearance Agreements (as such term is defined below), (d) the amendment of any of the Other Forbearance Agreements without the prior written consent of Party A, (e) the commencement by Party B of any action against Party A challenging Party A's rights under the Swap Agreement or Party A's actions or omissions in connection therewith, (f) the commencement by Party B of a case under Chapter 9 of the United States Bankruptcy Code, (g) Trustee's declaration pursuant to the Indenture that the Parity Securities are all immediately due and payable, or (h) Party B's breach of any of its representations or covenants under this Forbearance Agreement (each, a "Forbearance Period Termination Event"). Party B hereby covenants to provide Party A with written notice of the occurrence of any Forbearance Period Termination Event described in (c), (d), (e), (g) or (h) above within one (1) business day following the occurrence thereof. Upon the occurrence of a Forbearance Period Termination Event, the Parties shall be restored to their original rights and positions as they existed under the Swap Agreement and applicable law immediately prior to the execution of this Forbearance Agreement and, subject to Section 3 hereof, Party A shall immediately be entitled to exercise any rights and remedies in respect of any Event of Default, Termination Event, or Additional Termination Event that has occurred and is continuing under the Swap Agreement.

2. **Conditions Precedent.** The obligations of the Parties hereunder and the enforceability of the terms and conditions of this Forbearance Agreement against the Parties are conditioned expressly upon the execution and delivery (a) by the Parties of this Forbearance Agreement and (b) of forbearance agreements (collectively, and together with the Standby Forbearance Agreement, the "Other Forbearance Agreements"), (i) in substantially the same

form and substance as this Forbearance Agreement (with no substantive differences in terms unless the same have been approved by Party A), by and among Party B and each of the Other Swap Providers, and (ii) in a form approved by Party A that is substantially the same form and substance as this Forbearance Agreement (with no substantive differences in terms unless the same have been approved by Party A), by and among Party B, JP Morgan Chase Bank as liquidity agent, The Bank of New York as trustee, and each of the Liquidity Providers. Party B represents that, as of the date of this Agreement, none of the Other Swap Providers has exercised any of its rights to terminate the Other Swap Agreements to which it is a party, and none of the Liquidity Providers has exercised any of its rights to terminate the Standby Agreement to which it is a party. Copies of all Other Forbearance Agreements shall be provided to Party A immediately upon their execution.

3. **Reservation of Rights.** This Forbearance Agreement shall constitute a forbearance only from the exercise of rights and remedies as set forth herein, and nothing contained in this Forbearance Agreement is intended as or shall constitute a waiver or release or, except as expressly set forth in Section 4 hereof, alteration, of any rights, remedies, claims, causes of action, or defenses by either Party A or Party B under or in relation to the Swap Agreement, any and all documents related thereto, or at law or in equity, and subject to the terms of this Forbearance Agreement, the Parties each hereby expressly reserve all such rights, remedies, claims, causes of action, and defenses that they have or may have against the other Party and against any other Person. Nothing contained in this Forbearance Agreement is intended as or shall constitute an admission of liability on the part of Party A or Party B, nor shall anything contained herein or the forbearance provided for herein enhance, prejudice, or otherwise alter in any manner any Party's rights, remedies, claims, causes of action, or defenses against any other Party or Person. Nothing contained in this Forbearance Agreement shall be deemed to waive any existing Events of Default, Termination Events or Additional Termination Events. No failure to exercise or delay in exercising any right or power by any Party shall preclude any other or further exercise thereof or the exercise of any other right or power by such Party. Each Party acknowledges that the other Party has made no representations (other than those set forth in the Schedule and any and all documents related thereto) as to what actions, if any, the other Party will take after the Forbearance Period. Nothing contained herein, nor in any negotiations or any other actions undertaken pursuant to this Forbearance Agreement, shall be deemed to constitute an election of remedies.

4. **Payments and Transfers during Forbearance Period.** Notwithstanding anything to the contrary contained in the Swap Agreement and any and all documents related thereto, during the Forbearance Period neither Party A nor Party B shall make any payments or other transfers of property to the other that, but for this Forbearance Agreement, would otherwise be due to be paid or made during the Forbearance Period. Any such payments or transfers shall become due and payable in accordance with the terms of the Swap Agreement on the second Business Day after the occurrence of a Forbearance Period Termination Event.

5. **No Third Parties Benefited.** This Forbearance Agreement is made and entered into for the sole protection and benefit of the Parties hereto and their successors and assigns, and no other Person shall be a direct or indirect beneficiary of, or have any direct or indirect cause of

action, claim, right, remedy, or defense arising from, this Forbearance Agreement or any of the matters described herein.

6. **Scope of Agreement.** This Forbearance Agreement does not constitute a waiver, or except as expressly set forth in Section 4 of this Forbearance Agreement, an amendment or modification, of the Swap Agreement and the terms and conditions of the Swap Agreement and all related documents and agreements shall remain in full force and effect. This Forbearance Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and assigns. The terms of this Forbearance Agreement may not be changed, modified, waived, discharged or terminated orally, but only by an instrument or instruments in writing, signed by the Party against whom the enforcement of the change, modification, waiver, discharge or termination is asserted.

7. **Representations and Undertakings of Party B.** (a) Party B has not (i) directly or indirectly offered or provided any consideration or inducement of any kind or nature to any Other Swap Providers or Liquidity Providers in order to induce such party to agree to or enter into any agreement with respect to a forbearance period which was not provided to Party A under this Forbearance Agreement or (ii) delivered any collateral or termination payment to any Other Swap Providers or Liquidity Providers during the period from January 24, 2008 to the date hereof.

(b) The execution, delivery and performance of this Forbearance Agreement by Party B has been duly authorized by all applicable procedures, and does not contravene or constitute a default under any statute, regulation or rule of any governmental authority or under any provision of Party B's organizational documents or any contractual restriction binding on Party B or require any authorization, consent, approval, exemption or license from, or any filing of registration with any governmental authority that has not been obtained.

(c) During the Forbearance Period, (i) in respect of any workout proposal, Party B shall promptly provide to Party A all information that is provided to any Other Swap Providers and/or to any Liquidity Provider and (ii) Party B's professional advisors will make reasonable efforts to arrange and conduct weekly conference calls with Party A and its professional advisors at mutually convenient times to provide Party A with updates of Party B's progress toward developing a workout proposal to submit to, among others, Party A.

(d) Party B represents that the Swap Agreement, together with the Other Swap Agreements, are all the hedge agreements entered into by Party B related to the Warrants.

8. **Governing Law.** This Forbearance Agreement shall be deemed to be a contract under, and shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York and applicable federal law without regard to choice of law rules.

9. **Counterparts.** This Forbearance Agreement may be executed in multiple counterparts, each of which shall be an original and all of which, taken together, shall constitute

but one and the same agreement among the Parties. Delivery of a counterpart hereof, or an executed signature hereto, by facsimile or by e-mail (in pdf or similar format) shall be effective a delivery of a manually-executed counterpart hereof.

10. **Due Authorization; Integration.** Each Party hereto represents and warrants that it has taken all necessary corporate or other applicable action to duly authorize its execution and delivery of this Forbearance Agreement. This Forbearance Agreement (and any documents referred to herein) contains the whole agreement among the Parties relating to the subject matter of this Forbearance Agreement and supersedes all previous understandings and agreements among the Parties relating thereto. Each Party acknowledges that, in agreeing to enter into this Forbearance Agreement, it has not relied on any representation or warranty (except those set forth in this Forbearance Agreement) made by or on behalf of the other Party or any other Person whatsoever before the execution of this Forbearance Agreement; provided, however, that the Parties have relied on, and nothing in this Section 10 shall alter in any way, the provisions of the Schedule and any and all documents related thereto.

11. **Captions.** The captions to the sections and paragraphs of the Forbearance Agreement are for the convenience of the Parties only, and are not a part of this Forbearance Agreement.

12. **Construction.** In the event of a conflict between the terms of this Forbearance Agreement and the Swap Agreement and any all documents related thereto, this Forbearance Agreement shall prevail.

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IN WITNESS WHEREOF, the Parties have hereunto set their hands effective as of the date first above written.

PARTY A:

JPMORGAN CHASE BANK

By: William A. Austin

As its: EXEC DIRECTOR

PARTY B:

JEFFERSON COUNTY, ALABAMA

By: _____

As its: _____

IN WITNESS WHEREOF, the Parties have hereunto set their hands effective as of the date first above written.

PARTY A:

JPMORGAN CHASE BANK

By: _____

As its: _____

PARTY B:

JEFFERSON COUNTY, ALABAMA

By: Jim Carr

As its: President Pro Tem

SCHEDULE 1

Other ISDA Master Agreements

1. ISDA Master Agreement dated as of May 1, 2004, between Bear Stearns Capital Markets Inc. and Jefferson County, Alabama, as further amended and supplemented through the date hereof, including by the Schedule thereto dated as of May 1, 2004, and Confirmations each dated June 10, 2004 bearing reference numbers CXNE135464, CXNE135465 and CXNE135466, respectively.
2. ISDA Master Agreement dated as of October 18, 2002 between Bank of America, N.A. and Jefferson County, Alabama, as further amended and supplemented through the date hereof, including by the Schedule thereto dated as of October 18, 2002, and Confirmations dated November 1, 2002, July 15, 2003 and June 10, 2004, respectively, bearing reference numbers 464992, 3102346 and 3102345, and 3603194, respectively.
3. ISDA Master Agreement dated as of October 23, 2002 between Lehman Brothers Special Financing Inc. and Jefferson County, Alabama, as further amended and supplemented through the date hereof, including by the Schedule thereto dated as of October 23, 2002, and Confirmation dated October 23, 2002, bearing reference number 413183L.

SCHEDULE 2

(Standby Warrant Purchase Agreements)

1. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee and JPMorgan Chase Bank, dated as of February 1, 2002, relating to \$110,000,000 Jefferson County, Alabama Sewer Revenue Capital Improvement Warrants Series 2002-A.
2. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and JPMorgan Chase Bank, dated as of October 1, 2002, relating to \$73,700,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-2.
3. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and Bank of America, N.A., dated as of October 1, 2002, relating to \$98,300,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-3.
4. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and The Bank of Nova Scotia acting through its New York Agency, dated as of October 1, 2002, relating to \$73,700,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-4.
5. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and Societe Generale, New York Branch, dated as of October 1, 2002, relating to \$147,600,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-6.
6. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and Regions Bank, dated as of October 1, 2002, relating to \$49,100,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2002-C-7.
7. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and Societe Generale, New York Branch, dated as of May 1, 2003, relating to \$55,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-2.

8. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and The Bank of New York, as Liquidity Provider, dated as of May 1, 2003, relating to \$25,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-3 and \$25,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-4.
9. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and State Street Bank and Trust Company, as Liquidity Provider, dated as of May 1, 2003, relating to \$75,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-5 and \$15,000,000 Jefferson County, Alabama Sewer Revenue Refunding Warrants Series 2003-B-6.
10. Standby Warrant Purchase Agreement among Jefferson County, Alabama, The Bank of New York, as Trustee, JPMorgan Chase Bank, as Liquidity Agent and Lloyds TBS Bank, PLC, acting through its New York Branch, dated as of May 1, 2003, relating to \$105,000,000 Jefferson County, Alabama Sewer Revenue refunding Warrants Series 2003-B-7.