

6. *Standby Warrant Purchase Agreement* dated as of October 1, 2002, among the County, the Sewer Warrant Trustee, JPMorgan Chase Bank, N.A. (as liquidity agent), and Regions Bank [County's Exhibit No. **C.350**].
7. *Standby Warrant Purchase Agreement* dated as of May 1, 2003, among the County, the Sewer Warrant Trustee, JPMorgan Chase Bank, N.A. (as liquidity agent), and Société Générale, New York Branch [County's Exhibit No. **C.351**].
8. *Standby Warrant Purchase Agreement* dated as of May 1, 2003, among the County, the Sewer Warrant Trustee, JPMorgan Chase Bank, N.A. (as liquidity agent), and the Bank of New York [County's Exhibit No. **C.352**].
9. *Standby Warrant Purchase Agreement* dated as of May 1, 2003, among the County, the Sewer Warrant Trustee, JPMorgan Chase Bank, N.A. (as liquidity agent), and State Street Bank and Trust Company [County's Exhibit No. **C.353**].
10. *Standby Warrant Purchase Agreement* dated as of May 1, 2003, among the County, the Sewer Warrant Trustee, JPMorgan Chase Bank, N.A. (as liquidity agent), and Lloyds TSB Bank PLC [County's Exhibit No. **C.354**].

Respectfully submitted this 15th day of November, 2013.

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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

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS.....	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.....	9
SECTION 1.03. ACCOUNTING MATTERS.....	9
SECTION 1.04. INTERPRETATION.....	9
SECTION 1.05. COMPUTATION OF TIME PERIODS.....	9
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.....	9
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.....	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	12
SECTION 2.06. FEES.....	12
SECTION 2.07. YIELD PROTECTION.....	13
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	15
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	15
SECTION 2.11. WITHHOLDING.....	15
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	16
SECTION 2.13. PLEDGE OF REVENUES.....	16
ARTICLE III BANK WARRANTS	16
SECTION 3.01. PAYMENTS.....	16
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	17
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	19
SECTION 5.01. EXISTENCE AND POWER.....	19
SECTION 5.02. REGULATORY AUTHORITY.....	19
SECTION 5.03. NONCONTRAVENTION.....	19
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	20
SECTION 5.06. OFFICIAL STATEMENT.....	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	20
SECTION 5.08. INSURANCE.....	20
SECTION 5.09. FINANCIAL STATEMENTS.....	20

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	21
SECTION 5.12. DEFAULT.....	21
SECTION 5.13. BANK WARRANTS.....	21
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	21
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	21
SECTION 5.16. USURY.....	21
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	21
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	22
SECTION 5A.03 NONCONTRAVENTION.....	22
SECTION 5A.04 DUE AUTHORIZATION.....	22
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	22
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	23
SECTION 6.02. REPORTING REQUIREMENTS.....	23
SECTION 6.03. AMENDMENTS.....	24
SECTION 6.04. NOTICES.....	24
SECTION 6.05. FURTHER ASSURANCES.....	25
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	25
SECTION 6.07. RESERVED.....	25
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	25
SECTION 6.09. RELATED OBLIGATIONS.....	25
SECTION 6.10. INSURANCE.....	26
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	26
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	26
SECTION 6.13. CERTAIN INFORMATION.....	26
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	26
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	26
SECTION 6.16. RATING OF FINANCIAL GUARANTY'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	27
SECTION 6.18. FINANCIAL GUARANTY INSURANCE POLICY.....	27
SECTION 6.19. USE OF PROCEEDS.....	27
SECTION 6.20.....	27
SECTION 6.21. PERFORMANCE OF OTHER OBLIGATIONS.....	27
ARTICLE VII CONDITIONS PRECEDENT TO BANK'S OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	27
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	28
SECTION 8.01. EVENTS OF DEFAULT.....	28

SECTION 8.02. REMEDIES.....	31
SECTION 8.03. DEFAULT INTEREST.....	32
ARTICLE IX MISCELLANEOUS	33
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	33
SECTION 9.02. LIABILITY OF THE BANK.....	33
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	33
SECTION 9.04. NOTICES.....	35
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	36
SECTION 9.06. GOVERNING LAW.....	36
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	36
SECTION 9.08. COUNTERPARTS.....	36
SECTION 9.09. USE OF FUNDS.....	36
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	36
SECTION 9.11. PARTICIPATIONS.....	37
SECTION 9.12. SEVERABILITY.....	37
SECTION 9.13. HEADINGS.....	37
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	37
SECTION 9.15. WAIVER OF JURY TRIAL.....	37

EXHIBIT A	NOTICE OF BANK PURCHASE
EXHIBIT B	FORM OF TERMINATION NOTICE
EXHIBIT C	FORM OF REQUEST FOR EXTENSION
EXHIBIT D	NOTICE OF EXTENSION

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of February 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), and JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Warrants pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Variable Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Variable Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a financial guaranty insurance policy to be issued by Financial Guaranty Insurance Company, a New York stock insurance company ("Financial Guaranty"), in favor of the holders of the Warrants (including the Bank);

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement; and

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer and the Trustee.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

"Accrued Interest" means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

"Affiliate" means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

"Alternate Liquidity Facility" shall mean "Substitute Standby Purchase Agreement," as such term is defined in the Indenture.

"Authorized Denominations" shall have the meaning assigned in the Indenture.

"Available Commitment" as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment, in each case as of such day.

"Available Interest Commitment" initially means \$1,054,795.00 and, upon any change in the amount of the Available Principal Commitment hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment then in effect computed on the basis of a year of 365/366 days, as applicable.

"Available Principal Commitment" initially means \$110,000,000 and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank*” means JPMorgan Chase Bank, together with its permitted successors and assigns.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

“*Bank Warrantholder*” means the Bank (but only in its capacity as owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
Date of advance to Expiration Date	Base Rate plus 1.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Base Rate*” means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

“*Business Day*” means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and Financial Guaranty are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

“*Buyer*” shall have the meaning assigned to such term in Section 2.04(b).

“*Closing Date*” means March 6, 2002 or such later date on which this Agreement is fully executed and delivered.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“*Covered Rate*” means, with respect to any Warrant, the Variable Rate (as defined in the Indenture).

“*Debt*” means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

“*Default*” means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

“*Defaulted Interest*” means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

“*Default Rate*” shall have the meaning assigned to such term in Section 2.08(b).

“*Default Tender*” means a mandatory tender of the Warrants pursuant to Section 2.5(4) of the Indenture as a result of the Bank’s delivery of a Termination Notice to the Trustee and Remarketing Agent upon the occurrence of an Event of Default described in Section 8.01(o) hereof.

“*Effective Date*” means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

“*Eligible Warrants*” means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 2.6 of the Indenture) which (i) bear interest at a Covered Rate and are optionally tendered or deemed tendered for purchase pursuant to Section 2.4 of the Indenture or (ii) bear interest at a Covered Rate and are required to be tendered for purchase pursuant to Section 2.5 of the Indenture.

“*Event of Default*” shall have the meaning assigned to such term in Article VIII.

“*Event of Insolvency*” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person; or

(f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“*Excess Warrant Interest Amount*” shall have the meaning assigned to such term in Section 3.03.

“*Expiration Date*” means March 4, 2003, as such date may be extended from time to time by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and Financial Guaranty in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

“*Facility Fee*” shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the Issuer.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Financial Guaranty Insurance Policy" shall mean the financial guaranty insurance policy (including all riders and endorsements thereto) issued by Financial Guaranty relating to the Warrants.

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Inc., its successors and assigns.

"Indenture" means the Fourth Supplemental Indenture dated as of February 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Adverse Change" means the lowering of Financial Guaranty's claims-paying ability rating below an "A-" (or its equivalent) by S&P or "A3" (or its equivalent) by Moody's, or the withdrawal or suspension of such rating by S&P or Moody's.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates generally are equal to the per annum rate of interest which the Bank at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

"Issuer" means Jefferson County, Alabama.

"Mandatory Tender Date" shall mean any of the dates described in Section 2.5 of the Indenture.

"Master Indenture" means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

"Maximum Rate" means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"Moody's" means Moody's Investors Service and its successors and assigns.

"Notice of Bank Purchase" means a notice in the form of Exhibit A.

"Official Statement" means the official statement or similar document offering the Warrants for sale dated March 6, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

"Outstanding" when used with regard to the Warrants shall have the meaning assigned in the Indenture.

"Participant(s)" means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement between the Bank and the Participant(s).

"Participation Agreement" means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Bank from time to time as its prime rate; the Bank may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 2.4, 2.5 or 2.6 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Tender Agent Agreement and the Financial Guaranty Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Remarketing Agent" means the Person acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially J.P. Morgan Securities, Inc.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated February 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"S&P" means Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

"Sale Date" shall have the meaning assigned to such term in Section 2.04(b).

"Sale Price" shall have the meaning assigned to such term in Section 2.04(b).

"Standby Obligations" means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

"Tender Agent" means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter "Tender Agent" shall mean such successor.

"Tender Agent Agreement" shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

"Termination Notice" means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

"Trustee" means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

"Warrants" means the Issuer's \$110,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-A.

"Written" or *"in writing"* means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time Presumption. All references herein to times of the day shall be presumed to refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:00 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee, and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Sections 2.01 and Article VII hereof, transfer to the Trustee not later than 12:30 p.m. on such Purchase Date, in immediately available funds, an amount equal to the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed, as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by the Bank, its nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the aggregate Available Principal Commitment shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by the principal amount of the Warrants so redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment shall automatically terminate on the date on which the Issuer cancels this Agreement pursuant to Section 2.11 of the Indenture or on the date an Alternate Liquidity Facility has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees to promptly notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell such Bank Warrant to any Person except the Bank or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing such Bank Warrant and shall require such new Bank Warrantholder to agree to sell such Bank Warrants as provided in the preceding sentence and to agree not to otherwise sell its Bank Warrants. No short-term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) ***Purchase Notices.*** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank, stating that it has located a purchaser (the "Buyer") for some or all of such Bank Warrants and that such Buyer desires to purchase such Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par plus interest accrued on such Bank Warrant at the Bank Rate (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder such Bank Warrantholder shall be deemed to have elected to sell such Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell such Bank Warrants to a Buyer, such Bank Warrantholder shall deliver such Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of such Bank Warrantholder pending the surrender of the Bank Warrant by such Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee such Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of such Bank Warrants and upon receipt by the Bank or such Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and such Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of such Bank Warrants in the name of or at the direction of the Bank, as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Bank a fee (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.15% per annum on the amount of the Available Commitment (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment

subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.19% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.25% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds in arrears, commencing on April 1, 2002 (for the period from and including the Closing Date to April 1, 2002) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) *Transfer/Amendment Fee.* Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture and upon each amendment of the Standby Warrant Purchase Agreement, the Issuer agrees to pay or cause to be paid the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer, appointment or amendment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) *Purchase Fee.* Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Bank, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant, shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation, or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the

Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Bank, the Issuer shall pay to the Bank for its account, or that of such Participant as may be applicable, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Bank for its own account or that of such Participant as may be applicable, the Issuer shall pay to the Bank for its own account, or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Bank within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Bank to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Bank pursuant to this Section 2.07 shall be sent to the Trustee and Financial Guaranty.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) **Method of Payment.** Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Bank later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Bank hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Loan Department, Credit to Account No.: 999-99-090, Reference: Jefferson County Sewer 2002-A, or such other account of the Bank as the Bank may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) two percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff,

notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to and for the benefit of the Bank to secure the payment and performance of the obligations of the Issuer under this Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased with amounts advanced hereunder and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date") (A) on the first Business Day of each month, (B) upon redemption of such Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued on the amount being sold or deemed sold after a credit for any interest included in the Sale Price), (D) the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants (whether by acceleration or otherwise). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time

without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in twelve (12) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October, that first occurs on or following the Purchase Date for such Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the third annual anniversary of the first Bank Warrant Redemption Date applicable to such Bank Warrant; provided, however, that if an Event of Default under Section 8.02(o) hereof has occurred and is continuing, the Issuer shall redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in four (4) equal quarterly principal installments, the first such installment being payable on the first Business Day of January, April, July or October, that first occurs on or following the date on which the Bank's obligation to purchase Warrants terminates pursuant to Section 8.02(b) hereof, and on each such date thereafter, so that each Bank Warrant (if not remarketed) is paid in full no later than the first annual anniversary of the first Bank Warrant Redemption Date applicable to such Bank Warrant. Interest on such Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this Section 3.02 shall terminate upon the sale of such Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of such Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank, optionally redeem any Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank or a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 2.11 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on such Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent

interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.
- (b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.
- (c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.
- (d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.
- (e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to them.
- (f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.
- (g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to them.
- (h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as

though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank of counsel to Financial Guaranty, as to (i) the due organization of Financial Guaranty and the due authorization, execution and delivery of the Financial Guaranty Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Financial Guaranty Insurance Policy.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any

of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or Financial Guaranty and provided by the Bank or Financial Guaranty for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2001 and the related statements of revenues and expenses and changes in financial position for the years then ended and the auditors' reports with respect thereto and the balance sheets of the Issuer as of September 30, 2001 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since September 30, 2001 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Financial Guaranty Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the

purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Bank two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, and in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer

is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Bank, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Bank pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. The Issuer shall provide the Bank written notice of any change in the identity of insurer of the Warrants, the Trustee or the Remarketing Agent upon becoming aware of the same. The Issuer shall, upon request, provide or cause to be provided, to the Bank the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Bank may from time to time reasonably request.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Bank, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Bank's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Bank immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Bank written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or

its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Bank a copy of any (i) notice, certification, demand or other writing or communication given by Financial Guaranty, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) - **Other Notices.** Promptly give written notice to the Bank of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Bank, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Bank has not given its express

consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any participants of the Bank in this Agreement.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Bank. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Bank.

Section 6.16. Rating of Financial Guaranty's Obligations. If the ratings assigned to the obligations insured by Financial Guaranty shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Bank, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Financial Guaranty Insurance Policy or as the Bank may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Bank.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Financial Guaranty Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Bank, permit a substitute or additional Financial Guaranty Insurance Policy to become effective.

Section 6.18. Financial Guaranty Insurance Policy. The Issuer shall use its best efforts to cause Financial Guaranty at all times to comply with the Financial Guaranty Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.21. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof, to the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank. Each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK'S OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) the Bank shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no Event of Default described in Section 8.01(b)(ii) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of

Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to Section 8.02(c) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(a);

(d) prior to the Bank's purchase of any particular Eligible Warrant, receipt by the Trustee of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.16, 6.17 or 6.18 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by Financial Guaranty when, as, and in the amounts required to be paid pursuant to the terms of the Financial Guaranty Insurance Policy or the Financial Guaranty Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for Financial Guaranty as the insurer of the Warrants without the prior written consent of the Bank; or

(b) (i) any material provision of the Financial Guaranty Insurance Policy at any time for any reason ceases to be valid and binding on Financial Guaranty in accordance with the terms of the Financial Guaranty Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by Financial Guaranty or any governmental agency or authority, or (iii) Financial Guaranty denies that it has any or further liability or obligation under the Financial Guaranty Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to Financial Guaranty or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or Financial Guaranty shall institute or take any corporate action for the purpose of instituting any such proceeding; or Financial Guaranty shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of Financial Guaranty or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) Financial Guaranty shall default in any payment or payments of amounts payable by it under any municipal bond or financial guaranty insurance policy or policies (other than the Financial Guaranty Insurance Policy) when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby Financial Guaranty contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Bank that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Bank; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a

composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors; the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Warrants by Moody's shall be suspended, withdrawn or reduced below "A3" (or its equivalent) and the long-term rating assigned to the Warrants by S&P shall be suspended, withdrawn or reduced below "A-" (or its equivalent); or

(o) Either Moody's or S&P shall have downgraded the long-term claims-paying ability of Financial Guaranty to below Aa3 or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of Financial Guaranty; or

(p) an event of default or default occurs under any of the Related Documents.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Warrants. Promptly after the Bank receives written notice of such Insurer Event of Default, the Bank shall give written notice of the same to the Trustee, the Issuer and the Remarketing Advisor, provided that the Bank shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of its obligation to purchase Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(o), the Bank may terminate the Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, Financial Guaranty and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, the Available Commitment shall terminate (the "Termination Date"), which date shall be not less than 20 days from the date of receipt of such notice by the Trustee, and after the Termination Date the Bank shall be under no further obligation to purchase Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Advisor and Financial Guaranty until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Financial Guaranty Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Financial Guaranty Insurance Policy null and void, or declaring that Financial Guaranty does not have any further liability or obligation under the Financial Guaranty Insurance Policy, then the Bank's obligation to purchase Warrants

hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Financial Guaranty Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default as if there had been no such suspension). Notwithstanding the foregoing, if, upon the earlier of the expiration of the Purchase Period or the date which is three years after the effective date of suspension of the Bank's obligations pursuant to this Section 8.02(c), litigation is still pending and a judgment regarding the validity of the Financial Guaranty Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligations to purchase Warrants hereunder which are insured by Financial Guaranty to which such event relates, upon written notice to the Issuer, the Trustee and Financial Guaranty until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(e), (f), (g), (h), (i), (j), (k), (l), (m), (n) or (p), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that the Bank, shall not have the right to terminate its obligation to purchase Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c) and (d) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Financial Guaranty Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay when due any amount owing to the Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

Section 9.02. Liability of the Bank. With respect to the Bank, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank hereunder. Neither the Bank nor any of the officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay to the Bank on or before the Closing Date the amount of \$30,000 plus all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation,

execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless each of the Bank, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that the an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and

expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

Trustee
and Tender Agent: The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Bank: JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Financial Guaranty: Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: General Counsel
Telephone: (212) 312-3000
Fax: (212) 312-3206

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Bank. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers, Etc. Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of Financial Guaranty, given in the form of Exhibit C to the Bank no sooner than 75 days and no later than 65 days prior to the Expiration Date. Within 30 days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by

the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

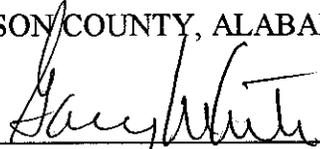
Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

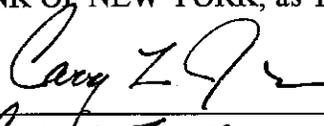
JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK

By: _____
Name: Michael Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: 
Name: CARY L JONES
Title: VP

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK


By: _____
Name: Michael Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to JPMorgan Chase Bank (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of February 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee and the Bank relating to the Issuer's \$110,000,000 Sewer Revenue Capital Improvement Warrants, Series 2002-A (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section 2.4 of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 2.6 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$_____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 2.6 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, its nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the __ day of _____, ____.

as Trustee

By _____
Name _____
Title _____

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

as Trustee
[ADDRESS]
Attention:
Telephone:
Facsimile:

\$110,000,000
Jefferson County, Alabama
Sewer Revenue Capital Improvement Warrants
Series 2002-A

Ladies and Gentlemen:

The undersigned, duly authorized officers of JPMorgan Chase Bank (the "Bank"), pursuant to Section 8.02 of the Standby Warrant Purchase Agreement dated as of February 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama and the Bank, hereby request you call all Eligible Warrants for mandatory tender pursuant to Section 2.5(a)(4) of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01(o) of the Agreement has occurred and that as a result thereof the Agreement shall terminate on the date that is 20 days after your receipt of this notice.

Sincerely,

JPMORGAN CHASE BANK

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

JPMorgan Chase Bank

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of February 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama and JPMorgan Chase Bank. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date for the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203

Financial Guaranty Insurance Company
125 Park Avenue, 5th Floor
New York, New York 10017

The Bank of New York, as Trustee

\$110,000,000

Jefferson County, Alabama
Sewer Revenue Capital Improvement Warrants, Series 2002-A

Ladies and Gentlemen:

The undersigned, duly authorized officers of JPMorgan Chase Bank (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

JPMORGAN CHASE BANK

By _____
Name:
Title:

cc: J.P. Morgan Securities, Inc.

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

C.346

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 2

SECTION 1.01. SPECIFIC TERMS. 2

SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE. 9

SECTION 1.03. ACCOUNTING MATTERS. 9

SECTION 1.04. INTERPRETATION. 9

SECTION 1.05. COMPUTATION OF TIME PERIODS. 10

SECTION 1.06. NEW YORK CITY TIME PRESUMPTION. 10

ARTICLE II THE COMMITMENT; FEES 10

SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS. 10

SECTION 2.02. METHOD OF PURCHASING. 10

SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT. 11

SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT. 11

SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS. 12

SECTION 2.06. FEES. 13

SECTION 2.07. YIELD PROTECTION. 14

SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST. 15

SECTION 2.09. CURE. 16

SECTION 2.10. MAINTENANCE OF ACCOUNTS. 16

SECTION 2.11. WITHHOLDING. 16

SECTION 2.12. NATURE OF ISSUER’S OBLIGATIONS. 16

SECTION 2.13. PLEDGE OF REVENUES. 16

ARTICLE III BANK WARRANTS 17

SECTION 3.01. PAYMENTS. 17

SECTION 3.02. COVENANT TO REDEEM. 17

SECTION 3.03. MAXIMUM RATE. 18

ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS 18

SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS. 18

ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER 20

SECTION 5.01. EXISTENCE AND POWER. 20

SECTION 5.02. REGULATORY AUTHORITY. 20

SECTION 5.03. NONCONTRAVENTION. 20

SECTION 5.04. DUE AUTHORIZATION. 20

SECTION 5.05. VALID AND BINDING OBLIGATIONS. 20

SECTION 5.06. OFFICIAL STATEMENT. 20

SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS. 21

SECTION 5.08. INSURANCE. 21

SECTION 5.09. FINANCIAL STATEMENTS. 21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST	34
ARTICLE IX MISCELLANEOUS	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	38
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42

SCHEDULE I INITIAL PURCHASE COMMITMENTS

EXHIBIT A	NOTICE OF BANK PURCHASE
EXHIBIT B	FORM OF TERMINATION NOTICE
EXHIBIT C	FORM OF REQUEST FOR EXTENSION
EXHIBIT D	NOTICE OF EXTENSION

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of October 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and JPMORGAN CHASE BANK (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2002-C-2 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“*Available Principal Commitment*” means initially the amount set forth beside the Bank’s name under the heading “Initial Principal Commitment” on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

- (a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;
- (b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and
- (c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

“*Bank Warrantholder*” means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

“*Base Rate*” means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

“*Business Day*” means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

“*Buyer*” shall have the meaning assigned to such term in Section 2.04(b).

“*Closing Date*” means October 25, 2002 or such later date on which this Agreement is fully executed and delivered.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“*Covered Rate*” means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

“*Debt*” means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

“*Default*” means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person; or

(f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Excess Warrant Interest Amount" shall have the meaning assigned to such term in Section 3.03.

"Expiration Date" means, with respect to the Bank's commitment hereunder, October 24, 2003, as such date may be extended from time to time with respect to the Bank's commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Ratings Inc., its successors and assigns.

"Indenture" means the Sixth Supplemental Indenture dated as of October 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

“*Issuer*” means Jefferson County, Alabama.

“*Liquidity Agent*” means JPMorgan Chase Bank, together with its permitted successors and assigns.

“*Mandatory Tender Date*” shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

“*Master Indenture*” means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

“*Maximum Rate*” means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“*Moody’s*” means Moody’s Investors Service Inc. and its successors and assigns.

“*Municipal Bond Insurance Policy*” shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

“*Notice of Bank Purchase*” means a notice in the form of Exhibit A.

“*Official Statement*” means the official statement or similar document offering the Warrants for sale dated October 25, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

“*Outstanding*” when used with regard to the Warrants shall have the meaning assigned in the Indenture.

“*Participant(s)*” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

“*Participation Agreement*” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agent" means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially UBS PaineWebber Inc.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of October 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*S&P*” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Sale Date*” shall have the meaning assigned to such term in Section 2.04(b).

“*Sale Price*” shall have the meaning assigned to such term in Section 2.04(b).

“*Standby Obligations*” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“*Tender Agent*” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“*Tender Agent Agreement*” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“*Termination Notice*” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“*Trustee*” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“*Warrants*” means the Issuer’s \$73,700,000 Sewer Revenue Refunding Warrants, Series 2002-C-2.

“*Written*” or “*in writing*” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of: (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Municipal Clearing Account, Credit to Account No.: 323-946 763, Reference: Jefferson County Sewer Warrants 2002-C, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at JPMorgan Chase Bank, ABA#: 021000021, Credit to Account No. 323-946 763, Reference: Jefferson County Sewer Warrants – Series 2002-C-2, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of the Facility Fee only, such

extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this

Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth annual anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this

Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.

(b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.

(c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.

(d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.

(g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(n) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of June 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since June 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating

or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to

Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or

for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors;

the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged

Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB"; or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in

good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(h)(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank) (k)(l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or

preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank: JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017

Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bond Insurer: XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention: Scott Beinhacker
Telephone: (646) 658-5967
Fax: (646) 658-5955

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an

additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall

be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank

under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

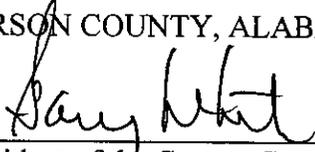
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution. which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: 
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: 
Name: CARY L. JONES
Title: VP ITS AGENT

JPMORGAN CHASE BANK, as Bank

By: 
Name: Michael P. Mak
Title: Vice President

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
JPMorgan Chase Bank	\$73,700,000	\$706,712.33

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to _____ (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$ _____ Sewer Revenue Refunding Warrants, Series 2002-C-___ (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the ____ day of _____, ____.

as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Provider

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:
Telephone:
Facsimile:

\$ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of October 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

[TERMINATING BANK]

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

[Bank] (the "Bank")

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and _____. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2002-C-___ Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention:

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

§ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

[BANK]

By _____

Name:

Title:

cc: Remarketing Agent

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

C.347

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS.....	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.....	9
SECTION 1.03. ACCOUNTING MATTERS.....	9
SECTION 1.04. INTERPRETATION.....	9
SECTION 1.05. COMPUTATION OF TIME PERIODS.....	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.....	10
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.....	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	12
SECTION 2.06. FEES.....	13
SECTION 2.07. YIELD PROTECTION.....	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	16
SECTION 2.11. WITHHOLDING.....	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	16
SECTION 2.13. PLEDGE OF REVENUES.....	16
ARTICLE III BANK WARRANTS	17
SECTION 3.01. PAYMENTS.....	17
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	20
SECTION 5.01. EXISTENCE AND POWER.....	20
SECTION 5.02. REGULATORY AUTHORITY.....	20
SECTION 5.03. NONCONTRAVENTION.....	20
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	20
SECTION 5.06. OFFICIAL STATEMENT.....	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	21
SECTION 5.08. INSURANCE.....	21
SECTION 5.09. FINANCIAL STATEMENTS.....	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS.....	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	39
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT.....	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42
SCHEDULE I INITIAL PURCHASE COMMITMENTS	
EXHIBIT A NOTICE OF BANK PURCHASE	
EXHIBIT B FORM OF TERMINATION NOTICE	
EXHIBIT C FORM OF REQUEST FOR EXTENSION	
EXHIBIT D NOTICE OF EXTENSION	

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of October 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and BANK OF AMERICA, N.A. (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2002-C-3 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“*Available Principal Commitment*” means initially the amount set forth beside the Bank’s name under the heading “Initial Principal Commitment” on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

- (a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;
- (b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and
- (c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

“*Bank Warrantholder*” means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

“*Base Rate*” means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

“*Business Day*” means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

“*Buyer*” shall have the meaning assigned to such term in Section 2.04(b).

“*Closing Date*” means October 25, 2002 or such later date on which this Agreement is fully executed and delivered.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“*Covered Rate*” means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

“*Debt*” means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

“*Default*” means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person; or

(f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“Excess Warrant Interest Amount” shall have the meaning assigned to such term in Section 3.03.

“Expiration Date” means, with respect to the Bank’s commitment hereunder, October 24, 2003, as such date may be extended from time to time with respect to the Bank’s commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

“Facility Fee” shall have the meaning assigned to such term in Section 2.06(a).

“Federal Funds Rate” means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

“Fee Period” shall have the meaning assigned to such term in Section 2.06(a).

“Fiscal Year” means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

“Fitch” shall mean Fitch Ratings Inc., its successors and assigns.

“Indenture” means the Sixth Supplemental Indenture dated as of October 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“Insurer Event of Default” shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

“Interest Payment Date” shall have the meaning assigned in the Indenture.

“Interest Rate Protection Agreement” means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the “exposure” at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

“*Issuer*” means Jefferson County, Alabama.

“*Liquidity Agent*” means JPMorgan Chase Bank, together with its permitted successors and assigns.

“*Mandatory Tender Date*” shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

“*Master Indenture*” means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

“*Maximum Rate*” means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“*Moody’s*” means Moody’s Investors Service Inc. and its successors and assigns.

“*Municipal Bond Insurance Policy*” shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

“*Notice of Bank Purchase*” means a notice in the form of Exhibit A.

“*Official Statement*” means the official statement or similar document offering the Warrants for sale dated October 25, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

“*Outstanding*” when used with regard to the Warrants shall have the meaning assigned in the Indenture.

“*Participant(s)*” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

“*Participation Agreement*” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agent" means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially UBS PaineWebber Inc.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of October 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Sale Date” shall have the meaning assigned to such term in Section 2.04(b).

“Sale Price” shall have the meaning assigned to such term in Section 2.04(b).

“Standby Obligations” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“Tender Agent” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“Tender Agent Agreement” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“Termination Notice” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“Trustee” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“Warrants” means the Issuer’s \$98,300,000 Sewer Revenue Refunding Warrants, Series 2002-C-3.

“Written” or “in writing” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of: (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Municipal Clearing Account, Credit to Account No.: 323-946 763, Reference: Jefferson County Sewer Warrants 2002-C, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at Bank of America, N.A., ABA#: 063100277, Credit to Account No. 1366210004025, Reference: Jefferson County Sewer Warrants – Series 2002-C-3, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of the Facility Fee only, such

extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this

Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth annual anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this

Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.

(b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.

(c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.

(d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.

(g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(n) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of June 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since June 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) ***Annual Financial Statements.*** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) ***Quarterly Financial Statements.*** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) ***Certificate of Compliance.*** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) ***Other Reports.*** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) ***Budget.*** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating

or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to

Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or

for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors;

the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged

Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB"; or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in

good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(h)(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank) (k)(l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or

preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: UBS PaineWebber Inc.
770 Wisconsin Avenue, Suite 300
Bethesda, MD 20814
Attention: John B. Coan, Director
Telephone: (301) 718-9034
Fax: (301) 718-9035

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank: Bank of America, N.A.
GA 1-006-13-15
600 Peachtree Street NE, 13th Floor

Atlanta, Georgia 30308
Attention: David B. Jackson
Telephone: (404) 607-5854
Fax: (404) 607-6323

Bond Insurer: XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention: Scott Beinhacker
Telephone: (646) 658-5967
Fax: (646) 658-5955

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this

Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding

upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

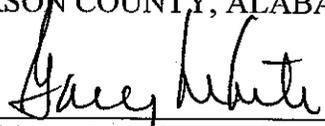
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution, which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

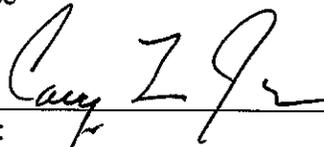
JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

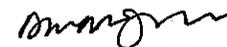
JPMORGAN CHASE BANK, as
Liquidity Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as
Trustee

By: 
Name:
Title:

BANK OF AMERICA, N.A., as Bank

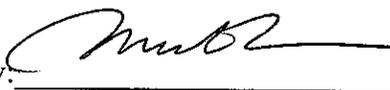
By: 
Name: David B. Jackson
Title: Senior Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By:  _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: _____
Name:
Title:

BANK OF AMERICA, N.A., as Bank

By: _____
Name: David B. Jackson
Title: Senior Vice President

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
Bank of America, N.A.	\$98,300,000	\$942,602.74

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to _____ (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$ _____ Sewer Revenue Refunding Warrants, Series 2002-C-___ (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the __ day of _____, ____.

_____ as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:
Telephone:
Facsimile:

\$ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of October 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

[TERMINATING BANK]

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

[Bank] (the "Bank")

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and _____. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2002-C-___ Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention:

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

\$ _____

Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

[BANK]

By _____
Name:
Title:

cc: Remarketing Agent

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS.	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.	9
SECTION 1.03. ACCOUNTING MATTERS.	9
SECTION 1.04. INTERPRETATION.	9
SECTION 1.05. COMPUTATION OF TIME PERIODS.	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.	10
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	12
SECTION 2.06. FEES.....	13
SECTION 2.07. YIELD PROTECTION.....	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	16
SECTION 2.11. WITHHOLDING.....	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	16
SECTION 2.13. PLEDGE OF REVENUES.....	16
ARTICLE III BANK WARRANTS	17
SECTION 3.01. PAYMENTS.....	17
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	20
SECTION 5.01. EXISTENCE AND POWER.....	20
SECTION 5.02. REGULATORY AUTHORITY.....	20
SECTION 5.03. NONCONTRAVENTION.....	20
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	20
SECTION 5.06. OFFICIAL STATEMENT.....	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	21
SECTION 5.08. INSURANCE.....	21
SECTION 5.09. FINANCIAL STATEMENTS.....	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST	34
ARTICLE IX MISCELLANEOUS	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	39
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42

SCHEDULE I INITIAL PURCHASE COMMITMENTS

EXHIBIT A	NOTICE OF BANK PURCHASE
EXHIBIT B	FORM OF TERMINATION NOTICE
EXHIBIT C	FORM OF REQUEST FOR EXTENSION
EXHIBIT D	NOTICE OF EXTENSION

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of October 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and THE BANK OF NOVA SCOTIA acting through its NEW YORK AGENCY (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2002-C-4 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“*Available Principal Commitment*” means initially the amount set forth beside the Bank’s name under the heading “Initial Principal Commitment” on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

“*Bank Warrantholder*” means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

“*Base Rate*” means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

“*Business Day*” means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

“*Buyer*” shall have the meaning assigned to such term in Section 2.04(b).

“*Closing Date*” means October 25, 2002 or such later date on which this Agreement is fully executed and delivered.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“*Covered Rate*” means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

“*Debt*” means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

“*Default*” means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person; or

(f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“Excess Warrant Interest Amount” shall have the meaning assigned to such term in Section 3.03.

“Expiration Date” means, with respect to the Bank’s commitment hereunder, October 24, 2003, as such date may be extended from time to time with respect to the Bank’s commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

“Facility Fee” shall have the meaning assigned to such term in Section 2.06(a).

“Federal Funds Rate” means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

“Fee Period” shall have the meaning assigned to such term in Section 2.06(a).

“Fiscal Year” means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

“Fitch” shall mean Fitch Ratings Inc., its successors and assigns.

“Indenture” means the Sixth Supplemental Indenture dated as of October 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“Insurer Event of Default” shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

“Interest Payment Date” shall have the meaning assigned in the Indenture.

“Interest Rate Protection Agreement” means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the “exposure” at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

"Issuer" means Jefferson County, Alabama.

"Liquidity Agent" means JPMorgan Chase Bank, together with its permitted successors and assigns.

"Mandatory Tender Date" shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

"Master Indenture" means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

"Maximum Rate" means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"Moody's" means Moody's Investors Service Inc. and its successors and assigns.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

"Notice of Bank Purchase" means a notice in the form of Exhibit A.

"Official Statement" means the official statement or similar document offering the Warrants for sale dated October 25, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

"Outstanding" when used with regard to the Warrants shall have the meaning assigned in the Indenture.

"Participant(s)" means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

"Participation Agreement" means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

“*Payment Office*” shall have the meaning assigned to such term in Section 2.08(a).

“*Person*” means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

“*Prime Rate*” means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

“*Purchase Date*” means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

“*Purchase Notice*” shall have the meaning assigned to such term in Section 2.04(b).

“*Purchase Period*” means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank’s obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank’s obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

“*Purchase Price*” means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

“*Related Documents*” means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

“*Related Insurance Policy*” means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

“*Remarketing Agent*” means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially UBS PaineWebber Inc.

“*Remarketing Agreement*” means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of October 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Sale Date” shall have the meaning assigned to such term in Section 2.04(b).

“Sale Price” shall have the meaning assigned to such term in Section 2.04(b).

“Standby Obligations” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“Tender Agent” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“Tender Agent Agreement” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“Termination Notice” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“Trustee” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“Warrants” means the Issuer’s \$73,700,000 Sewer Revenue Refunding Warrants, Series 2002-C-4.

“Written” or “in writing” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank’s own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank’s Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank’s Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank’s Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank’s receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank’s Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of: (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Municipal Clearing Account, Credit to Account No. 323-946 763, Reference: Jefferson County Sewer Warrants 2002-C, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at The Bank of Nova Scotia, New York Agency, ABA#: 026-0025-32, Credit to the Account of Jefferson County Sewer Warrants – Series 2002-C-4, Attention: Loan Administration, 24th Floor Manager, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the

computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this

Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth annual anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this

Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.

(b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.

(c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.

(d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.

(g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1 from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(n) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of June 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since June 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating

or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to

Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or

for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors;

the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged

Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB"; or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in

good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(h)(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank) (k)(l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or

preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank: The Bank of Nova Scotia acting through
its New York Agency
One Liberty Plaza, 26th Floor

New York, NY 10006
Attention: Michele Palmo
Telephone: (212) 225-5034
Fax: (212) 225-5090

Bond Insurer: XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention: Scott Beinhacker
Telephone: (646) 658-5967
Fax: (646) 658-5955

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this

Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding

upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

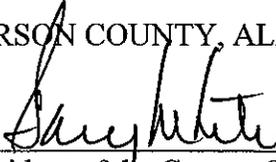
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution, which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

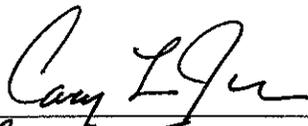
JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: 
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: 
Name: CARY L. JONES
Title: ITS AGENT

THE BANK OF NOVA SCOTIA acting
through its New York agency, as Bank

By: _____
Name: Michele A. Palmo
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA acting
through its New York agency, as the
Bank

By: Michele A. Palmo
Name: Michele A. Palmo
Title: Director

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
The Bank of Nova Scotia	\$73,700,000	\$706,712.33

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to _____ (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$ _____ Sewer Revenue Refunding Warrants, Series 2002-C-___ (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the __ day of _____, ____.

_____ as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:
Telephone:
Facsimile:

§ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of October 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

[TERMINATING BANK]

By _____
Authorized Signatory

EXHIBIT C
REQUEST FOR EXTENSION

[Bank] (the "Bank")

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and _____. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2002-C-___ Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention:

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

\$ _____

Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

[BANK]

By _____

Name:

Title:

cc: Remarketing Agent

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

**J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger**

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE	9
SECTION 1.03. ACCOUNTING MATTERS	9
SECTION 1.04. INTERPRETATION	9
SECTION 1.05. COMPUTATION OF TIME PERIODS	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION	10
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS	10
SECTION 2.02. METHOD OF PURCHASING	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS	12
SECTION 2.06. FEES	13
SECTION 2.07. YIELD PROTECTION	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST	15
SECTION 2.09. CURE	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS	16
SECTION 2.11. WITHHOLDING	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS	16
SECTION 2.13. PLEDGE OF REVENUES	16
ARTICLE III BANK WARRANTS	17
SECTION 3.01. PAYMENTS	17
SECTION 3.02. COVENANT TO REDEEM	17
SECTION 3.03. MAXIMUM RATE	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	20
SECTION 5.01. EXISTENCE AND POWER	20
SECTION 5.02. REGULATORY AUTHORITY	20
SECTION 5.03. NONCONTRAVENTION	20
SECTION 5.04. DUE AUTHORIZATION	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS	20
SECTION 5.06. OFFICIAL STATEMENT	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS	21
SECTION 5.08. INSURANCE	21
SECTION 5.09. FINANCIAL STATEMENTS	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	38
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT.....	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42
SCHEDULE I INITIAL PURCHASE COMMITMENTS	
EXHIBIT A NOTICE OF BANK PURCHASE	
EXHIBIT B FORM OF TERMINATION NOTICE	
EXHIBIT C FORM OF REQUEST FOR EXTENSION	
EXHIBIT D NOTICE OF EXTENSION	

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of October 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and SOCIETE GENERALE, NEW YORK BRANCH (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2002-C-6 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“Available Principal Commitment” means initially the amount set forth beside the Bank’s name under the heading *“Initial Principal Commitment”* on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“Bank Rate” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“Bank Warrant” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“Bank Warrant Interest Payment Date” shall have the meaning assigned to such term in Section 3.01.

"Bank Warrant Redemption Date" shall have the meaning assigned to such term in Section 3.02.

"Bank Warrantholder" means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Business Day" means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

"Buyer" shall have the meaning assigned to such term in Section 2.04(b).

"Closing Date" means October 25, 2002 or such later date on which this Agreement is fully executed and delivered.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"Covered Rate" means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

"Debt" means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

"Default" means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

- (a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;
- (b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;
- (c) the making of an assignment for the benefit of creditors by such Person;
- (d) the failure of such Person to generally pay its debts as they become due;
- (e) the declaration of a moratorium with respect to the payment of the debts of such Person; or
- (f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Excess Warrant Interest Amount" shall have the meaning assigned to such term in Section 3.03.

"Expiration Date" means, with respect to the Bank's commitment hereunder, October 24, 2003, as such date may be extended from time to time with respect to the Bank's commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Ratings Inc., its successors and assigns.

"Indenture" means the Sixth Supplemental Indenture dated as of October 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

"Issuer" means Jefferson County, Alabama.

"Liquidity Agent" means JPMorgan Chase Bank, together with its permitted successors and assigns.

"Mandatory Tender Date" shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

"Master Indenture" means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

"Maximum Rate" means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"Moody's" means Moody's Investors Service Inc. and its successors and assigns.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

"Notice of Bank Purchase" means a notice in the form of Exhibit A.

"Official Statement" means the official statement or similar document offering the Warrants for sale dated October 25, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

"Outstanding" when used with regard to the Warrants shall have the meaning assigned in the Indenture.

"Participant(s)" means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

"Participation Agreement" means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agent" means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially Morgan Keegan & Company, Inc.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of October 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Sale Date” shall have the meaning assigned to such term in Section 2.04(b).

“Sale Price” shall have the meaning assigned to such term in Section 2.04(b).

“Standby Obligations” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“Tender Agent” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“Tender Agent Agreement” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“Termination Notice” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“Trustee” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“Warrants” means the Issuer’s \$147,600,000 Sewer Revenue Refunding Warrants, Series 2002-C-6.

“Written” or “in writing” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of: (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantheolders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantheolders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantheolder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantheolder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantheolder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantheolder the Bank Warrantheolder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantheolder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantheolder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantheolder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantheolder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantheolder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantheolder pending the surrender of the Bank Warrant by the Bank Warrantheolder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantheolder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantheolder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantheolders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantheolders. Upon purchasing Bank Warrants, Bank Warrantheolders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantheolders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Loan Department, Credit to Account No.: _____, Reference: Jefferson County Sewer Warrants 2002-C, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at Societe Generale, New York Branch, ABA#: 026-004226, Clearing Account No. 9051422, Account Name: Loan Servicing Group, Reference: Jefferson County Sewer Warrants – Series 2002-C-6, Attention: Laura Fried (212) 278-4615, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business

Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this

Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth annual anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this

Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.

(b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.

(c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.

(d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.

(g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(n) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of June 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since June 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating

or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to

Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or

for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors;

the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged

Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB"; or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in

good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(h)(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank) (k)(l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or

preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

Trustee
and Tender Agent: The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: Morgan Keegan & Company, Inc.
4121 Carmichael Road, Suite 305
Montgomery, Alabama 36106
Attention: Remarketing Desk
Telephone: (334) 277-4066
Fax: (334) 279-6697

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank Societe Generale, New York Branch
660 Steamboat Road
Greenwich, CT 06830

Attention: Daniel E. Sauerhaft
Telephone: (203) 861-5400
Fax: (203) 861-5457

Bond Insurer: XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention: Scott Beinhacker
Telephone: (646) 658-5967
Fax: (646) 658-5955

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an

additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall

be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank

under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

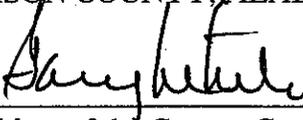
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution, which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

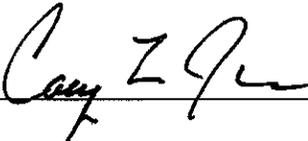
JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: 
Name:
Title:

SOCIETE GENERALE, NEW YORK
BRANCH, as Bank

By: 
Name: Daniel E. Sauerhaft
Title: Managing Director

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By:  _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK
BRANCH, as Bank

By: _____
Name: Daniel E. Sauerhaft
Title: Managing Director

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
Societe Generale, New York Branch	\$147,600,000	\$1,415,342.47

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to _____ (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$ _____ Sewer Revenue Refunding Warrants, Series 2002-C-___ (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the ___ day of _____, ____.

as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:
Telephone:
Facsimile:

\$ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of October 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

[TERMINATING BANK]

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

[Bank] (the "Bank")

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and _____. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2002-C-___ Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention:

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

\$ _____

Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

[BANK]

By _____

Name:

Title:

cc: Remarketing Agent

D-2

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

**J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger**

C.350

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS.	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.	9
SECTION 1.03. ACCOUNTING MATTERS.	9
SECTION 1.04. INTERPRETATION.	9
SECTION 1.05. COMPUTATION OF TIME PERIODS.	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.	10
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	12
SECTION 2.06. FEES.	13
SECTION 2.07. YIELD PROTECTION.....	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	16
SECTION 2.11. WITHHOLDING.	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	16
SECTION 2.13. PLEDGE OF REVENUES.....	16
ARTICLE III BANK WARRANTS	17
SECTION 3.01. PAYMENTS.....	17
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	20
SECTION 5.01. EXISTENCE AND POWER.....	20
SECTION 5.02. REGULATORY AUTHORITY.....	20
SECTION 5.03. NONCONTRAVENTION.....	20
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	20
SECTION 5.06. OFFICIAL STATEMENT.....	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	21
SECTION 5.08. INSURANCE.....	21
SECTION 5.09. FINANCIAL STATEMENTS.....	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS.....	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	38
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT.....	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42
SCHEDULE I INITIAL PURCHASE COMMITMENTS	
EXHIBIT A NOTICE OF BANK PURCHASE	
EXHIBIT B FORM OF TERMINATION NOTICE	
EXHIBIT C FORM OF REQUEST FOR EXTENSION	
EXHIBIT D NOTICE OF EXTENSION	

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of October 1, 2002, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and REGIONS BANK (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2002-C-7 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“Available Principal Commitment” means initially the amount set forth beside the Bank’s name under the heading *“Initial Principal Commitment”* on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“Bank Rate” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“Bank Warrant” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“Bank Warrant Interest Payment Date” shall have the meaning assigned to such term in Section 3.01.

“Bank Warrant Redemption Date” shall have the meaning assigned to such term in Section 3.02.

“Bank Warrantholder” means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

“Base Rate” means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

“Business Day” means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

“Buyer” shall have the meaning assigned to such term in Section 2.04(b).

“Closing Date” means October 25, 2002 or such later date on which this Agreement is fully executed and delivered.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

“Covered Rate” means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

“Debt” means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

“Default” means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

- (a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;
- (b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;
- (c) the making of an assignment for the benefit of creditors by such Person;
- (d) the failure of such Person to generally pay its debts as they become due;
- (e) the declaration of a moratorium with respect to the payment of the debts of such Person; or
- (f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Excess Warrant Interest Amount" shall have the meaning assigned to such term in Section 3.03.

"Expiration Date" means, with respect to the Bank's commitment hereunder, October 24, 2003, as such date may be extended from time to time with respect to the Bank's commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Ratings Inc., its successors and assigns.

"Indenture" means the Sixth Supplemental Indenture dated as of October 1, 2002, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

“*Issuer*” means Jefferson County, Alabama.

“*Liquidity Agent*” means JPMorgan Chase Bank, together with its permitted successors and assigns.

“*Mandatory Tender Date*” shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

“*Master Indenture*” means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

“*Maximum Rate*” means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“*Moody’s*” means Moody’s Investors Service Inc. and its successors and assigns.

“*Municipal Bond Insurance Policy*” shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

“*Notice of Bank Purchase*” means a notice in the form of Exhibit A.

“*Official Statement*” means the official statement or similar document offering the Warrants for sale dated October 25, 2002 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

“*Outstanding*” when used with regard to the Warrants shall have the meaning assigned in the Indenture.

“*Participant(s)*” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

“*Participation Agreement*” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agent" means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially Morgan Keegan & Company, Inc.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of October 1, 2002 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“S&P” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“Sale Date” shall have the meaning assigned to such term in Section 2.04(b).

“Sale Price” shall have the meaning assigned to such term in Section 2.04(b).

“Standby Obligations” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“Tender Agent” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“Tender Agent Agreement” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“Termination Notice” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“Trustee” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“Warrants” means the Issuer’s \$49,100,000 Sewer Revenue Refunding Warrants, Series 2002-C-7.

“Written” or “in writing” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of:
(i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Municipal Clearing Account, Credit to Account No.: 323-946 763, Reference: Jefferson County Sewer Warrants 2002-C, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at Regions Bank, ABA#: 062005690, Credit to the Account of Jefferson County Sewer Warrants – Series 2002-C-7, Attention: Shannon Dye (205) 326-7864, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding

Business Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this

Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth annual anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this

Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.

(b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.

(c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.

(d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.

(e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.

(g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.

(h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.

(i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.

(j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1 from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Receipt of each of the Related Documents.

(m) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(n) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of June 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since June 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request:

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below "AA" or its equivalent by S&P, and "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating

or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to

Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements satisfactory to the Bank have been made for registration of beneficial ownership of such Warrant to the Bank); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or

for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors;

the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged

Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB"; or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default as if there had been no such suspension).

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in

good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(h)(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank) (k)(l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or

preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition, to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: Morgan Keegan & Company, Inc.
4121 Carmichael Road, Suite 305
Montgomery, Alabama 36106
Attention: Remarketing Department
Telephone: (334) 277-4066
Fax: (334) 279-6697

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank Regions Bank
417 20th Street North
Birmingham, Alabama 35203

Attention: Shannon I. Dye
Telephone: (205) 326-7864
Fax: (205) 326-7739

Bond Insurer: XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention: Scott Beinhacker
Telephone: (646) 658-5967
Fax: (646) 658-5955

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an

additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner; provided that no Participant shall at any time hold an interest in the Participated Obligations greater than that retained by the Bank. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall

be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank

under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

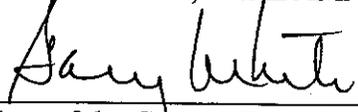
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution, which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

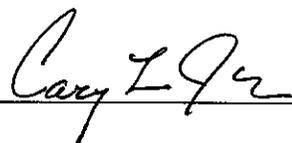
JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: 
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: 
Name:
Title:

REGIONS BANK, as Bank

By: _____
Name: Shannon I. Dye
Title: Vice President

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: _____
Name:
Title:

REGIONS BANK, as Bank

By: _____
Name: Shannon I. Dye
Title: Vice President

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
Regions Bank \$49,100,000		470821.92

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to _____ (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$ _____ Sewer Revenue Refunding Warrants, Series 2002-C-___ (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the ___ day of _____, ____.

as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:
Telephone:
Facsimile:

\$ _____
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of October 1, 2002 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

[TERMINATING BANK]

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

[Bank] (the "Bank")

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of October 1, 2002 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and _____. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2002-C-___ Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
250 Park Avenue, 19th Floor
New York, New York 10177
Attention:

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

\$ _____

Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2002-C-____

Ladies and Gentlemen:

The undersigned, duly authorized officers of _____ (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered
this Notice of Extension as of the ___ day of _____.

[BANK]

By _____

Name:

Title:

cc: Remarketing Agent

D-2

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS	2
SECTION 1.01. SPECIFIC TERMS.....	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.....	9
SECTION 1.03. ACCOUNTING MATTERS.....	9
SECTION 1.04. INTERPRETATION.....	9
SECTION 1.05. COMPUTATION OF TIME PERIODS.....	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.....	10
ARTICLE II THE COMMITMENT; FEES	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.....	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	12
SECTION 2.06. FEES.....	13
SECTION 2.07. YIELD PROTECTION.....	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	16
SECTION 2.11. WITHHOLDING.....	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	16
SECTION 2.13. PLEDGE OF REVENUES.....	16
ARTICLE III BANK WARRANTS	17
SECTION 3.01. PAYMENTS.....	17
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS	18
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	18
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER	20
SECTION 5.01. EXISTENCE AND POWER.....	20
SECTION 5.02. REGULATORY AUTHORITY.....	20
SECTION 5.03. NONCONTRAVENTION.....	20
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	20
SECTION 5.06. OFFICIAL STATEMENT.....	20
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	21
SECTION 5.08. INSURANCE.....	21
SECTION 5.09. FINANCIAL STATEMENTS.....	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	22
SECTION 5A.01 EXISTENCE AND POWER.....	22
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	23
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	26
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	27
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	27
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS	34
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	34
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	35
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	38
SECTION 9.08. COUNTERPARTS.....	38
SECTION 9.09. USE OF FUNDS.....	38
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	38
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	39
SECTION 9.13. HEADINGS.....	39
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	39
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42

SCHEDULE I INITIAL PURCHASE COMMITMENTS

- EXHIBIT A NOTICE OF BANK PURCHASE**
- EXHIBIT B FORM OF TERMINATION NOTICE**
- EXHIBIT C FORM OF REQUEST FOR EXTENSION**
- EXHIBIT D NOTICE OF EXTENSION**

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of May 1, 2003, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and SOCIETE GENERALE, NEW YORK BRANCH (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2003-B-2 (the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, Societe Generale, New York Branch, Bank of America, N.A. and Bayerisch Hypo- und Vereinsbank AG, New York Branch have acted as Agents and The Bank of Nova Scotia and Morgan Keegan & Company, Inc. have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

"Available Principal Commitment" means initially the amount set forth beside the Bank's name under the heading "Initial Principal Commitment" on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

"Bank Rate" means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

"Bank Warrant" means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

"Bank Warrant Interest Payment Date" shall have the meaning assigned to such term in Section 3.01.

"Bank Warrant Redemption Date" shall have the meaning assigned to such term in Section 3.02.

"Bank Warrantholder" means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Business Day" means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

"Buyer" shall have the meaning assigned to such term in Section 2.04(b).

"Closing Date" means May 1, 2003 or such later date on which this Agreement is fully executed and delivered.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"Covered Rate" means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

"Debt" means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

"Default" means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) the declaration of a moratorium with respect to the payment of the debts of such Person; or

(f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Excess Warrant Interest Amount" shall have the meaning assigned to such term in Section 3.03.

"Expiration Date" means, with respect to the Bank's commitment hereunder, April 28, 2004, as such date may be extended from time to time with respect to the Bank's commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Ratings Inc., its successors and assigns.

"Indenture" means the Ninth Supplemental Indenture dated as of May 1, 2003, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

“*Issuer*” means Jefferson County, Alabama.

“*Liquidity Agent*” means JPMorgan Chase Bank, together with its permitted successors and assigns.

“*Mandatory Tender Date*” shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

“*Master Indenture*” means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

“*Maximum Rate*” means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

“*Maximum Lawful Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

“*Moody’s*” means Moody’s Investors Service Inc. and its successors and assigns.

“*Municipal Bond Insurance Policy*” shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

“*Notice of Bank Purchase*” means a notice in the form of Exhibit A.

“*Official Statement*” means the official statement or similar document offering the Warrants for sale dated May 1, 2003 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

“*Outstanding*” when used with regard to the Warrants shall have the meaning assigned in the Indenture.

“*Participant(s)*” means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

“*Participation Agreement*” means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agent" means the Person or Persons acting from time to time as the Remarketing Agent under the Indenture and the Remarketing Agreement, initially Blount Parrish & Company.

"Remarketing Agreement" means the Remarketing Agreement by and between the Issuer and the Remarketing Agent dated as of May 1, 2003 and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*S&P*” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Sale Date*” shall have the meaning assigned to such term in Section 2.04(b).

“*Sale Price*” shall have the meaning assigned to such term in Section 2.04(b).

“*Standby Obligations*” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“*Tender Agent*” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“*Tender Agent Agreement*” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“*Termination Notice*” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“*Trustee*” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“*Warrants*” means the Issuer’s \$55,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-2.

“*Written*” or “*in writing*” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective

terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by

the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of: (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) *Right To Sell Bank Warrants.* The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-

term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) **Purchase Notices.** Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) **Sale of Bank Warrants.** If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the

right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on January 1, 2003 (for the period from and including the Closing Date to January 1, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Loan and Agency Service, Credit to Account No.: 323-946-763, Reference: Jefferson County Sewer 2003-B, Attention: Loan Officer, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed by the Bank in writing, shall be made to the Bank's account at Societe Generale, New York Branch, ABA#: 026-004226, Clearing Account No. 9051422, Account Name: Loan Servicing Group, Reference: Jefferson County Sewer Warrants – Series 2003-B-2, Attention: Laura Fried (212) 278-4615, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next

succeeding Business Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to

the Bank to secure the payment and performance of the obligations of the Issuer under this Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16) equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The

Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days, and no later than seventy-five (75) days, prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer, the Bond Insurer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer, the Bond Insurer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. Notwithstanding the foregoing, the Bank and the Issuer may collectively waive any of the foregoing request and response deadlines and agree to an extension of the Bank's commitment hereunder at any time prior to the then effective Expiration Date. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the

Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of

this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

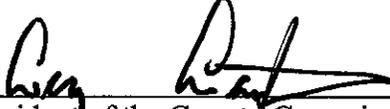
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution, which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: 

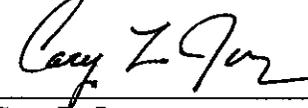
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., its agent

By: 

Name: Cary L. Jones
Title: Vice President

SOCIETE GENERALE, NEW YORK BRANCH

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity
Agent



By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK
BRANCH

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as
Liquidity Agent

By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as
Trustee

By: _____
Name:
Title:

SOCIETE GENERALE, NEW YORK
BRANCH, as Bank

By: 
Name: Daniel E. Sauerhaft
Title: Managing Director

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
Societe Generale, New York Branch	\$55,000,000	\$527,397

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to Societe Generale, New York Branch (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$55,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-2 (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the ____ day of _____, ____.

THE BANK OF NEW YORK,
as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission

Blount Parrish & Company
10 Court Square
Montgomery, Alabama 36104
Attention: Derek Parrish

\$55,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-2

Ladies and Gentlemen:

The undersigned, duly authorized officers of Societe Generale, New York Branch (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of May 1, 2003 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

SOCIETE GENERALE, NEW YORK
BRANCH

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

Societe Generale, New York Branch
660 Steamboat Road
Greenwich, CT 06830
Attention: Daniel E. Sauerhaft

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and Societe Generale, New York Branch. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2003-B-2 Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

\$55,000,000

Jefferson County, Alabama
Sewer Revenue Refunding Warrants, Series 2003-B-2

Ladies and Gentlemen:

The undersigned, duly authorized officers of Societe Generale, New York Branch (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

SOCIETE GENERALE, NEW YORK
BRANCH

By _____

Name:

Title:

cc: Blount Parrish & Company

State of Alabama - Jefferson County
I certify this instrument filed on:
2003 JUN 05 A.M. 11:04
Recorded and \$ _____ Mtg. Tax
and \$ _____ Deed Tax and Fee Amt.
\$ 142.00 Total \$ 142.00
MICHAEL F. BOLIN, Judge of Probate

200308/7769

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS 2

SECTION 1.01. SPECIFIC TERMS. 2

SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE. 9

SECTION 1.03. ACCOUNTING MATTERS. 9

SECTION 1.04. INTERPRETATION. 10

SECTION 1.05. COMPUTATION OF TIME PERIODS. 10

SECTION 1.06. NEW YORK CITY TIME PRESUMPTION. 10

ARTICLE II THE COMMITMENT; FEES 10

SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS. 10

SECTION 2.02. METHOD OF PURCHASING. 10

SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT. 11

SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT. 11

SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS. 13

SECTION 2.06. FEES. 13

SECTION 2.07. YIELD PROTECTION. 14

SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST. 15

SECTION 2.09. CURE. 16

SECTION 2.10. MAINTENANCE OF ACCOUNTS. 16

SECTION 2.11. WITHHOLDING. 16

SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS. 17

SECTION 2.13. PLEDGE OF REVENUES. 17

ARTICLE III BANK WARRANTS 17

SECTION 3.01. PAYMENTS. 17

SECTION 3.02. COVENANT TO REDEEM. 17

SECTION 3.03. MAXIMUM RATE. 18

ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS 19

SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS. 19

ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER 20

SECTION 5.01. EXISTENCE AND POWER. 20

SECTION 5.02. REGULATORY AUTHORITY. 20

SECTION 5.03. NONCONTRAVENTION. 20

SECTION 5.04. DUE AUTHORIZATION. 20

SECTION 5.05. VALID AND BINDING OBLIGATIONS. 21

SECTION 5.06. OFFICIAL STATEMENT. 21

SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS. 21

SECTION 5.08. INSURANCE. 21

SECTION 5.09. FINANCIAL STATEMENTS. 21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	23
SECTION 5A.01 EXISTENCE AND POWER.....	23
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	24
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	27
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	28
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	28
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS.....	35
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	35
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	36
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	39
SECTION 9.08. COUNTERPARTS.....	39
SECTION 9.09. USE OF FUNDS.....	39
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	39
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	40
SECTION 9.13. HEADINGS.....	40
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	40
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT.....	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42
SCHEDULE I INITIAL PURCHASE COMMITMENTS	
EXHIBIT A NOTICE OF BANK PURCHASE	
EXHIBIT B FORM OF TERMINATION NOTICE	
EXHIBIT C FORM OF REQUEST FOR EXTENSION	
EXHIBIT D NOTICE OF EXTENSION	

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of April 1, 2003, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and THE BANK OF NEW YORK, a national banking association organized under the laws of the United States of America, as liquidity provider (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2003-B-3 (the "Series B-3 Warrants") and its Sewer Revenue Refunding Warrants Series 2003-B-4 (the "Series B-4 Warrants," and, together with the Series B-3 Warrants, the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, the Bank and StateStreet Bank and Trust Company have acted as Agents and The Bank of New York and Société Générale, New York Branch have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“Available Principal Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Principal Commitment” on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

"Bank Warrantholder" means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Business Day" means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

"Buyer" shall have the meaning assigned to such term in Section 2.04(b).

"Closing Date" means May 1, 2003 or such later date on which this Agreement is fully executed and delivered.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"Covered Rate" means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

"Debt" means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

"Default" means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

- (a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;
- (b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;
- (c) the making of an assignment for the benefit of creditors by such Person;
- (d) the failure of such Person to generally pay its debts as they become due;
- (e) the declaration of a moratorium with respect to the payment of the debts of such Person; or
- (f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“Excess Warrant Interest Amount” shall have the meaning assigned to such term in Section 3.03.

“Expiration Date” means, with respect to the Bank’s commitment hereunder, April 28, 2004, as such date may be extended from time to time with respect to the Bank’s commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

“Facility Fee” shall have the meaning assigned to such term in Section 2.06(a).

“Federal Funds Rate” means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

“Fee Period” shall have the meaning assigned to such term in Section 2.06(a).

“Fiscal Year” means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

“Fitch” shall mean Fitch Ratings Inc., its successors and assigns.

“Indenture” means the Ninth Supplemental Indenture dated as of April 1, 2003, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“Insurer Event of Default” shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

“Interest Payment Date” shall have the meaning assigned in the Indenture.

“Interest Rate Protection Agreement” means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the “exposure” at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

"Issuer" means Jefferson County, Alabama.

"Liquidity Agent" means JPMorgan Chase Bank, together with its permitted successors and assigns.

"Mandatory Tender Date" shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

"Master Indenture" means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

"Maximum Rate" means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"Moody's" means Moody's Investors Service Inc. and its successors and assigns.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

"Notice of Bank Purchase" means a notice in the form of Exhibit A.

"Official Statement" means the official statement or similar document offering the Warrants for sale dated May 1, 2003 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

"Outstanding" when used with regard to the Warrants shall have the meaning assigned in the Indenture.

"Participant(s)" means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

"Participation Agreement" means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agents" means the Person or Persons acting from time to time as a Remarketing Agent under the Indenture and the applicable Remarketing Agreement, initially Raymond James & Associates, Inc. for the Series B-3 Warrants and J.P. Morgan Securities, Inc. for the Series B-4 Warrants.

"Remarketing Agreements" collectively, means the Remarketing Agreement by and between the Issuer and the Raymond James & Associates, Inc. dated as of April 1, 2003 relating to the Series B-3 Warrants, and the Remarketing Agreement by and between the Issuer and J.P.

Morgan Securities, Inc. relating to the Series B-4 Warrants, together with and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*S&P*” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Sale Date*” shall have the meaning assigned to such term in Section 2.04(b).

“*Sale Price*” shall have the meaning assigned to such term in Section 2.04(b).

“*Standby Obligations*” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“*Tender Agent*” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“*Tender Agent Agreement*” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“*Termination Notice*” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“*Trustee*” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“*Warrants*” collectively, means the Issuer’s \$25,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-3 and its \$25,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-4 .

“*Written*” or “*in writing*” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations

required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available

Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other

than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) *Purchase Notices.* Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) *Sale of Bank Warrants.* If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify

the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) *Facility Fee.* The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on July 1, 2003 (for the period from and including the Closing Date through and including June 30, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) *Transfer/Amendment Fee.* Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses

from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that

the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Loan and Agency Service, Credit to Account No.: 323-946-763, Reference: Jefferson County Sewer 2003-B, Attention: Loan Officer, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed

by the Bank in writing, shall be made to the Bank's account at The Bank of New York, ABA# 0210-0001-8, Clearing Account No. GLA #111 556, Account Name: Commercial Loan Servicing, Reference: Jefferson County Sewer Warrants, Attention: Pamela E. Gardner, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16)

equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.
- (b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.
- (c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.
- (d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.
- (e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.
- (f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.
- (g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it .
- (h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.
- (i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.
- (j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(m) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since September 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects

which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this

Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) ***Annual Financial Statements.*** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) ***Quarterly Financial Statements.*** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) ***Certificate of Compliance.*** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) **Amendments.** Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) **Indenture and Market Information.** Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) **Other Information.** Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) **Electronic Information.** The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) **Notice of Default.** The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) **Litigation.** Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and

which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below category "AA" or its equivalent by S&P, and category "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

- (a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements have been made for registration of beneficial ownership of such Warrant to the Bank in accordance with the terms of the Indenture); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors; the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" (or its equivalent) or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB" (or its equivalent); or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to

give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default) as if there had been no such suspension.

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including,

without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on

demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of

any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall

assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agents: Raymond James & Associates, Inc.
880 Carillon Parkway
Tower 3, 3rd Floor
St. Petersburg, Florida 33716
Attention: Alex Marcinkiewicz
Telephone: (727) 567-1293
Fax: (727) 567-8616

J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank The Bank Of New York
One Wall Street
New York, New York 10286
Attention: Timothy J. Somers
Telephone: (212) 635-8528
Fax: (212) 635-6348

Bond Insurer: XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker
Telephone: (212) 478-3434
Fax: (212) 478-3587

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days, and no later than seventy-five (75) days, prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer, the Bond Insurer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer, the Bond Insurer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. Notwithstanding the foregoing, the Bank and the Issuer, collectively, may waive any of the foregoing request and response deadlines and agree to an extension of the Bank's commitment hereunder at any time prior to the then effective Expiration Date. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from

acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

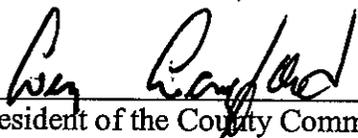
Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution.

which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: 
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., its agent

By: 
Name: Cary L. Jones
Title: Vice President

THE BANK OF NEW YORK, as Bank

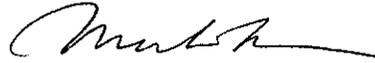
By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity
Agent



By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Bank

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity
Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Bank

By: Timothy J. Somers
Name:
Title: **TIMOTHY J. SOMERS**
VICE PRESIDENT

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
The Bank of New York (Series B-3)	\$25,000,000	\$239,726
The Bank of New York (Series B-4)	\$25,000,000	\$239,726

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to The Bank of New York, as liquidity provider (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$25,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-3 and its \$25,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-4 (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.
2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.
3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.
4. The Trustee hereby requests the payment of Purchase Price in the amount of \$ _____.
5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$ _____, which amount does not exceed the Available Interest Commitment.
6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the ____ day of _____, ____.

THE BANK OF NEW YORK,
as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

[Raymond James & Associates, Inc.
880 Carillon Parkway
Tower 3, 3rd Floor
St. Petersburg, Florida 33716
Attention: Alex Marcinkiewicz]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission

[J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President]

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker

[\$25,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-3]

[\$25,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-4]

Ladies and Gentlemen:

The undersigned, duly authorized officers of The Bank of New York, as liquidity provider (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of May 1, 2003 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to

purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

THE BANK OF NEW YORK, as liquidity
provider

By _____
Authorized Signatory

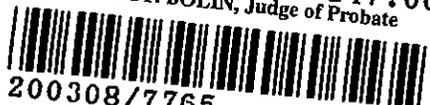
B-2

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

THE BANK OF NEW YORK, as liquidity provider

By _____
Name:
Title:

cc: Raymond James & Associates, Inc.
J.P. Morgan Securities, Inc.

State of Alabama - Jefferson County
I certify this instrument filed on:
2003 JUN 05 A.M. 11:03
Recorded and \$ _____ Mtg. Tax
and \$ _____
Deed Tax and Fee Amt. Total \$ 147.00
\$ 147.00
MICHAEL F. BOLIN, Judge of Probate

200308/7765

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

J.P. MORGAN SECURITIES, INC.,
as Sole Bookrunner and Sole Lead Arranger

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS.....	2
SECTION 1.01. SPECIFIC TERMS.....	2
SECTION 1.02. INCORPORATION OF CERTAIN DEFINITIONS BY REFERENCE.....	9
SECTION 1.03. ACCOUNTING MATTERS.....	9
SECTION 1.04. INTERPRETATION.....	10
SECTION 1.05. COMPUTATION OF TIME PERIODS.....	10
SECTION 1.06. NEW YORK CITY TIME PRESUMPTION.....	10
ARTICLE II THE COMMITMENT; FEES.....	10
SECTION 2.01. COMMITMENT TO PURCHASE WARRANTS.....	10
SECTION 2.02. METHOD OF PURCHASING.....	10
SECTION 2.03. MANDATORY REDUCTIONS OF AVAILABLE COMMITMENT.....	11
SECTION 2.04. SALE OF BANK WARRANTS; REINSTATEMENT.....	11
SECTION 2.05. RIGHTS OF BANK WARRANTHOLDERS.....	13
SECTION 2.06. FEES.....	13
SECTION 2.07. YIELD PROTECTION.....	14
SECTION 2.08. COMPUTATIONS; PAYMENTS; DEFAULT INTEREST.....	15
SECTION 2.09. CURE.....	16
SECTION 2.10. MAINTENANCE OF ACCOUNTS.....	16
SECTION 2.11. WITHHOLDING.....	16
SECTION 2.12. NATURE OF ISSUER'S OBLIGATIONS.....	17
SECTION 2.13. PLEDGE OF REVENUES.....	17
ARTICLE III BANK WARRANTS.....	17
SECTION 3.01. PAYMENTS.....	17
SECTION 3.02. COVENANT TO REDEEM.....	17
SECTION 3.03. MAXIMUM RATE.....	18
ARTICLE IV CONDITIONS PRECEDENT TO EFFECTIVENESS.....	19
SECTION 4.01. CONDITIONS PRECEDENT TO EFFECTIVENESS.....	19
ARTICLE V REPRESENTATION AND WARRANTIES OF THE ISSUER.....	20
SECTION 5.01. EXISTENCE AND POWER.....	20
SECTION 5.02. REGULATORY AUTHORITY.....	20
SECTION 5.03. NONCONTRAVENTION.....	20
SECTION 5.04. DUE AUTHORIZATION.....	20
SECTION 5.05. VALID AND BINDING OBLIGATIONS.....	21
SECTION 5.06. OFFICIAL STATEMENT.....	21
SECTION 5.07. PENDING LITIGATION AND OTHER PROCEEDINGS.....	21
SECTION 5.08. INSURANCE.....	21
SECTION 5.09. FINANCIAL STATEMENTS.....	21

SECTION 5.10. COMPLETE AND CORRECT INFORMATION.....	21
SECTION 5.11. WARRANT.....	22
SECTION 5.12. DEFAULT.....	22
SECTION 5.13. BANK WARRANTS.....	22
SECTION 5.14. INCORPORATION OF REPRESENTATIONS AND WARRANTIES.....	22
SECTION 5.15. EMPLOYER BENEFIT PLAN COMPLIANCE.....	22
SECTION 5.16. USURY.....	22
SECTION 5.17. FEDERAL RESERVE BOARD REGULATIONS.....	22
SECTION 5.18. INVESTMENT COMPANY ACT.....	22
ARTICLE V.A REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE.....	23
SECTION 5A.01 EXISTENCE AND POWER.....	23
SECTION 5A.02 REGULATORY AUTHORITY.....	23
SECTION 5A.03 NONCONTRAVENTION.....	23
SECTION 5A.04 DUE AUTHORIZATION.....	23
SECTION 5A.05 VALID AND BINDING OBLIGATIONS.....	23
SECTION 5A.06 PENDING LITIGATION AND OTHER PROCEEDINGS.....	23
ARTICLE VI COVENANTS OF THE ISSUER.....	24
SECTION 6.01. COMPLIANCE WITH LAWS AND REGULATIONS.....	24
SECTION 6.02. REPORTING REQUIREMENTS.....	24
SECTION 6.03. AMENDMENTS.....	25
SECTION 6.04. NOTICES.....	25
SECTION 6.05. FURTHER ASSURANCES.....	26
SECTION 6.06. RIGHT OF ENTRY AND INSPECTION.....	26
SECTION 6.07. RESERVED.....	26
SECTION 6.08. PRESERVATION OF EXISTENCE, OWNERSHIP, ETC.....	26
SECTION 6.09. RELATED OBLIGATIONS.....	27
SECTION 6.10. INSURANCE.....	27
SECTION 6.11. ALTERNATE LIQUIDITY FACILITY.....	27
SECTION 6.12. EMPLOYEE BENEFIT PLAN COMPLIANCE.....	27
SECTION 6.13. CERTAIN INFORMATION.....	27
SECTION 6.14. DISCLOSURE TO PARTICIPANTS.....	27
SECTION 6.15. TRUSTEE; REMARKETING AGENT.....	28
SECTION 6.16. RATING OF THE BOND INSURER'S OBLIGATIONS.....	28
SECTION 6.17. CREDIT FACILITY.....	28
SECTION 6.18. MUNICIPAL BOND INSURANCE POLICY.....	28
SECTION 6.19. USE OF PROCEEDS.....	28
SECTION 6.20. PERFORMANCE OF OTHER OBLIGATIONS.....	28
ARTICLE VII CONDITIONS PRECEDENT TO BANK OBLIGATION TO PURCHASE ELIGIBLE WARRANTS.....	28
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES.....	29
SECTION 8.01. EVENTS OF DEFAULT.....	29
SECTION 8.02. REMEDIES.....	32

SECTION 8.03. DEFAULT INTEREST.....	34
ARTICLE IX MISCELLANEOUS	35
SECTION 9.01. OBLIGATIONS ABSOLUTE.....	35
SECTION 9.02. LIABILITY OF BANK AND LIQUIDITY AGENT.....	35
SECTION 9.03. EXPENSES; INDEMNIFICATION.....	36
SECTION 9.04. NOTICES.....	37
SECTION 9.05. SUCCESSORS AND ASSIGNS.....	38
SECTION 9.06. GOVERNING LAW.....	38
SECTION 9.07. NO WAIVERS, ETC. EXCEPT IN WRITING.....	39
SECTION 9.08. COUNTERPARTS.....	39
SECTION 9.09. USE OF FUNDS.....	39
SECTION 9.10. EXTENSION OF EXPIRATION DATE.....	39
SECTION 9.11. PARTICIPATIONS.....	39
SECTION 9.12. SEVERABILITY.....	40
SECTION 9.13. HEADINGS.....	40
SECTION 9.14. COMPLETE AND CONTROLLING AGREEMENT.....	40
SECTION 9.15. WAIVER OF JURY TRIAL.....	40
ARTICLE X THE LIQUIDITY AGENT	40
SECTION 10.01. AUTHORIZATION AND ACTION.....	40
SECTION 10.02. LIQUIDITY AGENT'S RELIANCE ETC.....	41
SECTION 10.03. LIQUIDITY BANK CREDIT AND LENDING DECISION.....	41
SECTION 10.04. INDEMNIFICATION.....	42
SECTION 10.05. SUCCESSOR LIQUIDITY AGENT.....	42
SCHEDULE I INITIAL PURCHASE COMMITMENTS	
EXHIBIT A NOTICE OF BANK PURCHASE	
EXHIBIT B FORM OF TERMINATION NOTICE	
EXHIBIT C FORM OF REQUEST FOR EXTENSION	
EXHIBIT D NOTICE OF EXTENSION	

STANDBY WARRANT PURCHASE AGREEMENT

THIS STANDBY WARRANT PURCHASE AGREEMENT is dated as of May 1, 2003, by and among JEFFERSON COUNTY, ALABAMA, a political subdivision of the State of Alabama (the "Issuer"), THE BANK OF NEW YORK, a banking corporation organized under the laws of the State of New York, as Trustee (together with its permitted successors and assigns, the "Trustee"), JPMORGAN CHASE BANK, a wholly-owned bank subsidiary of a Delaware corporation (together with its permitted successors and assigns, the "Liquidity Agent"), and STATE STREET BANK AND TRUST COMPANY, a trust company organized under the laws of the State of Massachusetts, as liquidity provider (together with its respective successors and assigns, the "Bank"). All capitalized terms used herein and not otherwise defined shall have the meaning assigned in Section 1.01 or as otherwise provided in Section 1.02.

WITNESSETH:

WHEREAS, the Issuer intends to issue its Sewer Revenue Refunding Warrants Series 2003-B-5 (the "Series B-5 Warrants") and its Sewer Revenue Refunding Warrants Series 2003-B-6 (the "Series B-6 Warrants," and, together with the Series B-5 Warrants, the "Warrants") pursuant to the terms of the Indenture;

WHEREAS, the Indenture provides that the Warrants will initially bear interest at the Weekly Rate;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, any Warrants bearing interest at the Daily Rate or the Weekly Rate are subject to optional tender for purchase by the holders thereof at various times before the maturity thereof;

WHEREAS, pursuant to the terms of the Indenture and subject to the conditions described therein, the Warrants may be required to be tendered for purchase on a Mandatory Tender Date;

WHEREAS, the payment of the principal of and interest on the Warrants (including Bank Warrants, as hereinafter defined) is to be insured by a municipal bond insurance policy to be issued by XL Capital Assurance Inc., a New York stock insurance company (the "Bond Insurer"), in favor of the holders of the Warrants;

WHEREAS, the Issuer wishes to provide liquidity for the purchase of Warrants required to be tendered for purchase on a Mandatory Tender Date or Warrants bearing interest at a Covered Rate optionally tendered for purchase by the holders thereof pursuant to the terms of the Warrants and the Indenture that are not remarketed by the Remarketing Agent pursuant to the terms of the Indenture and the Remarketing Agreement;

WHEREAS, the Bank is willing to purchase Eligible Warrants so tendered for purchase by the holders thereof and not remarketed, upon the terms and conditions set forth in this Agreement;

WHEREAS, in reliance upon, *inter alia*, the provisions hereof, the Bank is willing to enter into this Agreement with the Issuer, the Liquidity Agent and the Trustee; and

WHEREAS, in connection with this transaction, J.P. Morgan Securities, Inc. has acted as Sole Bookrunner and Sole Lead Arranger, the Bank and State Street Bank and Trust Company have acted as Agents and The Bank of New York and Société Générale, New York Branch have acted as Co-Agents.

NOW, THEREFORE, for valuable consideration the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Specific Terms. The following terms shall have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Accrued Interest” means that portion of the Purchase Price paid by the Bank for Eligible Warrants constituting accrued but unpaid interest on such Eligible Warrants.

“Affiliate” means any other Person controlling or controlled by or under common control with the Issuer. For purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means this Standby Warrant Purchase Agreement, including any and all amendments and supplements hereto permitted pursuant to the terms hereof.

“Alternate Liquidity Facility” shall have the meaning assigned in the Indenture.

“Authorized Denominations” shall have the meaning assigned in the Indenture.

“Available Commitment” as of any day, means the sum of the Available Principal Commitment and the Available Interest Commitment of the Bank, in each case as of such day.

“Available Interest Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Interest Commitment” on Schedule I hereto and, upon any change in the amount of the Available Principal Commitment of the Bank hereunder, means an amount equal to 35 days of accrued interest at 10% per annum on the Available Principal Commitment of the Bank then in effect computed on the basis of a year of 365/366 days, as applicable, for the actual number of days elapsed.

“Available Principal Commitment” means initially the amount set forth beside the Bank’s name under the heading “Initial Principal Commitment” on Schedule I hereto and thereafter shall mean such initial amount adjusted from time to time as follows:

(a) Upon any reduction in the Available Principal Commitment of the Bank pursuant to Section 2.03, downward by the amount of such reduction;

(b) Downward by the principal amount of any Warrants purchased by the Bank pursuant to Sections 2.01 and 2.02; and

(c) Upward by the principal amount of any Warrants previously purchased by the Bank pursuant to Section 2.01, which a Bank Warrantholder elects to retain pursuant to Section 2.04(c) or that are sold or deemed sold by a Bank Warrantholder pursuant to Section 2.04(c) (regardless of the Purchase Price received for such Warrants).

Any adjustment to the Available Principal Commitment pursuant to clauses (a), (b) or (c) above shall occur simultaneously with the occurrence of the events described in such clauses.

“*Bank Rate*” means for each period specified below, beginning with and including the date funds are advanced hereunder and ending on but excluding the date they are repaid in full with interest thereon as provided herein, the interest rate specified with respect to such period which interest rates shall be computed on the basis of the actual number of days elapsed and a 360-day year:

Period	Rate
First ninety (90) days following advance to the extent prior to Expiration Date	Base Rate plus 1.00%
More than ninety (90) days after advance to the extent prior to Expiration Date	Base Rate plus 2.00%
On and after Expiration Date	Base Rate plus 3.00%

Notwithstanding the foregoing, from and after the earlier of (i) the date amounts are owed hereunder but only so long as not paid when due and (ii) during the occurrence and continuance of an Event of Default, all amounts owed hereunder shall bear interest at the Default Rate.

“*Bank Warrant*” means each Warrant purchased by the Bank pursuant to Section 2.01 and held by or for the account of a Bank Warrantholder in accordance with the terms of this Agreement, until purchased from or retained in accordance with Section 2.04(c) or redeemed in accordance with Section 3.02 or otherwise.

“*Bank Warrant Interest Payment Date*” shall have the meaning assigned to such term in Section 3.01.

“*Bank Warrant Redemption Date*” shall have the meaning assigned to such term in Section 3.02.

"Bank Warrantholder" means the Bank (but only in its capacity as an owner of Bank Warrants pursuant to this Agreement) and any other Person to whom a Bank Warrantholder has sold Bank Warrants pursuant to Section 2.04(a).

"Base Rate" means, for any day, the rate per annum equal to the higher of (a) the Federal Funds Rate for such day plus one-half of one percent (0.5%) and (b) the Prime Rate for such day. Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Rate shall be effective on the effective date of such change in the Prime Rate or Federal Funds Rate.

"Business Day" means a day on which commercial banks in each of (a) the city or cities in which the principal offices of the Trustee and the Bond Insurer are located and (b) the city in which the office of the Bank where demands for payment hereunder are to be presented is located, are not required or authorized by law or administrative order to remain closed and on which the New York Stock Exchange is not closed.

"Buyer" shall have the meaning assigned to such term in Section 2.04(b).

"Closing Date" means May 1, 2003 or such later date on which this Agreement is fully executed and delivered.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and all rules and temporary, proposed or final regulations from time to time promulgated thereunder.

"Covered Rate" means, with respect to any Warrant, the Daily Rate and the Weekly Rate (as defined in the Indenture).

"Debt" means with respect to any Person, all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of such Person under Interest Rate Protection Agreements.

"Default" means the occurrence of any event or the existence of any condition which constitutes an Event of Default and the occurrence of any event or the existence of any condition which with the giving of notice, the passage of time, or both, would constitute an Event of Default.

"Defaulted Interest" means accrued interest on the Warrants which was not paid when due under the terms of the Indenture or any amounts accruing on amounts owed on the Warrants by reason of such amounts being not paid when due.

"Default Rate" shall have the meaning assigned to such term in Section 2.08(b).

"Default Tender" means a mandatory tender of the Warrants pursuant to Section 5.4 of the Indenture as a result of the Bank's delivery of a Termination Notice to the Trustee and Remarketing Agent pursuant to Section 8.02(b) hereof.

"Effective Date" means the date on which this Agreement becomes effective as provided in Article IV which shall be the Closing Date.

"Eligible Warrants" means any Warrants Outstanding under and entitled to the benefits of the Indenture (other than any such Warrant which (a) is a Bank Warrant, (b) is owned by or on behalf of or is held for the account or for the benefit of the Issuer or any Affiliate of the Issuer, or (c) is owned by or on behalf of or is held by the Tender Agent for the account or for the benefit of a purchaser of such Warrants pursuant to Section 5.10 of the Indenture) which (i) bear interest at a Covered Rate and is optionally tendered or deemed tendered for purchase pursuant to Section 5.2 of the Indenture or (ii) bear interest at a Covered Rate and is required to be tendered for purchase pursuant to Sections 5.3 or 5.4 of the Indenture.

"Event of Default" shall have the meaning assigned to such term in Article VIII.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

- (a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;
- (b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to the such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property;
- (c) the making of an assignment for the benefit of creditors by such Person;
- (d) the failure of such Person to generally pay its debts as they become due;
- (e) the declaration of a moratorium with respect to the payment of the debts of such Person; or
- (f) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Excess Warrant Interest Amount" shall have the meaning assigned to such term in Section 3.03.

"Expiration Date" means, with respect to the Bank's commitment hereunder, April 28, 2004, as such date may be extended from time to time with respect to the Bank's commitment by the Bank upon the request of the Issuer in the form of Exhibit C and with the notice and consent by the Bank to the Issuer and the Bond Insurer in the form of Exhibit D; provided that if any such date is not a Business Day, the Expiration Date shall be the next preceding Business Day.

"Facility Fee" shall have the meaning assigned to such term in Section 2.06(a).

"Federal Funds Rate" means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Liquidity Agent from three Federal funds brokers of recognized standing selected by the Liquidity Agent. Each determination of the Federal Funds Rate by the Liquidity Agent shall be conclusive and binding on the Issuer and the Bank.

"Fee Period" shall have the meaning assigned to such term in Section 2.06(a).

"Fiscal Year" means the fiscal year of the Issuer ending on September 30 of each calendar year or such other fiscal year as may be adopted by the Issuer from time to time to the extent permitted hereunder.

"Fitch" shall mean Fitch Ratings Inc., its successors and assigns.

"Indenture" means the Ninth Supplemental Indenture dated as of April 1, 2003, between the Issuer and the Trustee as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

"Insurer Event of Default" shall mean the occurrence and continuation of any Event of Default described in any of Section 8.01(a), 8.01(b)(i), 8.01(b)(iii), 8.01(c) or 8.01(d) hereof.

"Interest Payment Date" shall have the meaning assigned in the Indenture.

"Interest Rate Protection Agreement" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest risks either generally or under specific contingencies. For purposes hereof, the "exposure" at any time of any Person under an Interest Rate Protection Agreement to which such Person is a party shall be determined at such time in accordance with the standard methods of calculating such exposure under similar arrangements as prescribed from time to time by the Bank, taking into account the respective termination provisions set forth therein, the notional principal amount and term thereof and assuming that U.S. Treasury rates

generally are equal to the per annum rate of interest which the Liquidity Agent at such time determines to be the most probable lowest U.S. Treasury rate to occur in the relevant period following such date.

"Issuer" means Jefferson County, Alabama.

"Liquidity Agent" means JPMorgan Chase Bank, together with its permitted successors and assigns.

"Mandatory Tender Date" shall mean any of the dates described in Sections 5.3 and 5.4 of the Indenture.

"Master Indenture" means the Trust Indenture dated as of February 1, 1997, between the Issuer and the Trustee, as supplemented and amended.

"Maximum Rate" means the lesser of (a) a per annum rate of interest equal to 18% and (b) the Maximum Lawful Rate.

"Maximum Lawful Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"Moody's" means Moody's Investors Service Inc. and its successors and assigns.

"Municipal Bond Insurance Policy" shall mean the municipal bond insurance policy (including all riders and endorsements thereto) issued by the Bond Insurer relating to the Warrants.

"Notice of Bank Purchase" means a notice in the form of Exhibit A.

"Official Statement" means the official statement or similar document offering the Warrants for sale dated May 1, 2003 (including the cover page and all summary statements, appendices and other materials included or incorporated by reference or attached thereto), as amended or supplemented or any other preliminary or final offering document of the Issuer used with respect to the remarketing of the Warrants or supplement to any such document.

"Outstanding" when used with regard to the Warrants shall have the meaning assigned in the Indenture.

"Participant(s)" means any bank(s) or other financial institutions that may purchase from the Bank a participation interest in this Agreement and certain of the Related Documents pursuant to a participation agreement or similar agreement between the Bank and the Participant(s).

"Participation Agreement" means any agreement between the Bank and a Participant or Participants in which the Participant(s) purchases a participation interest in this Agreement and certain of the Related Documents from the Bank, subject to certain terms and conditions to be specified by the parties thereto.

"Payment Office" shall have the meaning assigned to such term in Section 2.08(a).

"Person" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Prime Rate" means the rate established by the Liquidity Agent from time to time as its prime rate; the Liquidity Agent may lend to its customers at rates that are at, above or below the Prime Rate.

"Purchase Date" means the date any Eligible Warrants are required to be purchased pursuant to Sections 5.2, 5.3 or 5.4 of the Indenture.

"Purchase Notice" shall have the meaning assigned to such term in Section 2.04(b).

"Purchase Period" means (subject to Sections 8.02(c) and (e) hereof relating to suspension of the Bank's obligation to purchase Eligible Warrants) the period from the Effective Date hereof to and including the earlier of the close of business on (a) the Expiration Date, (b) the date on which no Eligible Warrants are Outstanding and (c) the date on which the Available Commitment of the Bank and the Bank's obligation to purchase Eligible Warrants has been terminated in its entirety pursuant to Section 2.03 or Article VIII.

"Purchase Price" means, with respect to any Eligible Warrant as of any date, one hundred percent of the principal amount of such Eligible Warrant plus accrued and unpaid interest thereon to the Purchase Date but in no event to exceed the Available Commitment; provided, however, if the Purchase Date for any Eligible Warrant is also an Interest Payment Date for such Eligible Warrant, the Purchase Price for such Eligible Warrant shall not include accrued but unpaid interest on such Eligible Warrant; and provided, further, in no event shall the Purchase Price of any Warrant include Defaulted Interest accrued on such Warrant or any premium owed with respect to any Warrant.

"Related Documents" means this Agreement, the Warrants, the Indenture, the Remarketing Agreement, the Warrant Purchase Agreement, the Tender Agent Agreement, and the Municipal Bond Insurance Policy and any exhibits thereto, as the same may be amended from time to time in accordance with their respective terms and the terms hereof.

"Related Insurance Policy" means any insurance policy issued by the Bond Insurer which insures any swap or other interest rate hedge applicable to the Warrants.

"Remarketing Agents" means the Person or Persons acting from time to time as a Remarketing Agent under the Indenture and the applicable Remarketing Agreement, initially SouthTrust Securities, Inc. for the Series B-5 Warrants and J.P. Morgan Securities, Inc. for the Series B-6 Warrants.

"Remarketing Agreements" collectively, means the Remarketing Agreement by and between the Issuer and the SouthTrust Securities, Inc. dated as of April 1, 2003 relating to the Series B-5 Warrants, and the Remarketing Agreement by and between the Issuer and J.P. Morgan

Securities, Inc. relating to the Series B-6 Warrants, together with and any similar agreement between the Issuer and any successor Remarketing Agent, in each case, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.

“*S&P*” means Standard and Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

“*Sale Date*” shall have the meaning assigned to such term in Section 2.04(b).

“*Sale Price*” shall have the meaning assigned to such term in Section 2.04(b).

“*Standby Obligations*” means the principal and interest on Bank Warrants, fees currently owed, as of the date of determination, relating to this Agreement and all other obligations of the Issuer to the Bank arising under this Agreement.

“*Tender Agent*” means the Trustee, until a successor Tender Agent shall have become such pursuant to the applicable provisions of the Indenture, and thereafter “Tender Agent” shall mean such successor.

“*Tender Agent Agreement*” shall mean the Indenture or any Tender Agent Agreement among the Trustee, the Issuer and the Tender Agent entered into pursuant to the terms of the Indenture.

“*Termination Notice*” means any notice given by the Bank pursuant to Section 8.02(b) which shall be in the form of Exhibit B.

“*Trustee*” means The Bank of New York in its capacity as trustee under the Indenture, and any successors as Trustee under the Indenture.

“*Warrants*” collectively, means the Issuer’s \$75,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-5 and its \$15,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-6.

“*Written*” or “*in writing*” means any form of written communication or a communication by means of facsimile device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference.

Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Indenture and the Warrants, as applicable, unless the context otherwise requires.

Section 1.03. Accounting Matters. All accounting terms used herein without definition shall be interpreted in accordance with generally accepted accounting principles, consistently applied, and, except as otherwise expressly provided herein, all accounting determinations

required to be made pursuant to this Agreement shall be made in accordance with generally accepted accounting principles, consistently applied.

Section 1.04. Interpretation. All words used herein shall be construed to be of such gender or number as the circumstances require. Reference to any document means such document as amended or supplemented from time to time as permitted under their respective terms and the terms hereof. Reference herein to an Article, Exhibit or Section shall constitute a reference to such Article, Exhibit or Section of or to this Agreement unless otherwise specified.

Section 1.05. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, unless otherwise specified herein, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.06. New York City Time. All references herein to times of the day refer to New York City time unless otherwise specified.

ARTICLE II

THE COMMITMENT; FEES

Section 2.01. Commitment To Purchase Warrants. Subject to the terms and conditions of this Agreement, the Bank hereby agrees from time to time during the Purchase Period to extend credit to the Issuer through the purchase, with the Bank's own funds, of Eligible Warrants, at the Purchase Price on a Purchase Date in an aggregate amount not to exceed at any time the Bank's Available Commitment. The aggregate principal amount (or portion thereof in Authorized Denominations) of any Eligible Warrants purchased by the Bank on any Purchase Date shall not exceed the Bank's Available Principal Commitment (calculated in each case, without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. The portion of the Purchase Price paid by the Bank for any Eligible Warrants constituting Accrued Interest on such Eligible Warrants shall not exceed the Bank's Available Interest Commitment (calculated in each case without giving effect to any purchase of Eligible Warrants by the Bank on such date) at 12:30 p.m. on such Purchase Date. Any Eligible Warrants so purchased shall thereupon constitute Bank Warrants and shall, from the date of such purchase and while they are Bank Warrants, bear interest at the Bank Rate and have other characteristics of Bank Warrants as set forth herein and in the Indenture and the Warrants.

Section 2.02. Method of Purchasing. If, at or before 11:30 a.m. on any Purchase Date during the Purchase Period, the Bank receives by facsimile or hand delivery at the location specified for the delivery of a Notice of Bank Purchase specified pursuant to Section 9.04, a fully completed and executed Notice of Bank Purchase from the Trustee (a copy of which shall have been delivered simultaneously to the Liquidity Agent), and the Trustee, by telephone call to the Bank, confirms the Bank's receipt of such Notice, the Bank shall, subject to Section 2.01 and Article VII hereof, not later than 1:00 p.m. on such Purchase Date, make available to the Trustee in same day funds, the aggregate Purchase Price of all Eligible Warrants tendered or deemed tendered for purchase on such date but not remarketed (but not in excess of the Bank's Available

Commitment), as specified in such Notice of Bank Purchase. A Notice of Bank Purchase shall be irrevocable after receipt thereof by the Bank. The Bank shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee, the Tender Agent or the Remarketing Agent that results in its failure to effect the purchase of Eligible Warrants by the Bank, with such funds pursuant to this Section 2.02. Eligible Warrants purchased pursuant to this Article II shall be registered by the Trustee in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee, and shall be promptly delivered by the Tender Agent to be held as Bank Warrants under this Agreement and the Indenture or as the Bank owning the Bank Warrants may otherwise direct in writing, and prior to such delivery shall be held in trust by the Tender Agent for the benefit of the Bank. If the Warrants are in book entry only form with the Depository Trust Company or any other depository appointed for such purpose ("DTC"), Bank Warrants shall be held by the Trustee in its DTC participant account for the benefit of the Bank Warrantholder. Any amounts received by the Trustee from the Bank pursuant to the terms of this Agreement and not used to pay the Purchase Price of Eligible Warrants shall be immediately returned to the Bank, and the Available Commitment shall not be reduced pursuant to clause (b) of the definition of Available Principal Commitment by the amount drawn, but so returned.

Section 2.03. Mandatory Reductions of Available Commitment.

(a) Upon receipt of written notice by the Liquidity Agent from the Issuer of (i) any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Warrants or (ii) the conversion of the interest rate borne by any Warrants to an interest rate other than a Covered Rate, the Available Principal Commitment of the Bank shall be reduced upon receipt by the Bank of written notice of such occurrence from the Issuer by an amount equal to the aggregate principal amount of Warrants outstanding which were redeemed, repaid, defeased or otherwise paid, deemed paid or so converted, as specified in such written notice.

(b) The Available Commitment of the Bank shall automatically terminate on the date on which the Issuer cancels the Bank's commitment under this Agreement pursuant to Section 6.2 of the Indenture or on the date an Alternate Liquidity Facility relating to the Bank's commitment has become effective pursuant to the Indenture.

Section 2.04. Sale of Bank Warrants; Reinstatement.

(a) ***Right To Sell Bank Warrants.*** The Bank expressly reserves the right to sell, at any time, Bank Warrants, subject, however, to the express terms of this Agreement and the Indenture. The Bank agrees promptly to notify the Trustee and the Remarketing Agent of any such sale (other than a sale made pursuant to Section 2.04(c)) and to notify the transferee that such Warrant is not an Eligible Warrant so long as it remains a Bank Warrant. Any Bank Warrantholders shall be deemed to have agreed not to sell the Bank Warrant to any Person except the Bank in which name the Bank Warrant is registered or to an institutional investor or other person which customarily purchases commercial paper or tax-exempt securities in large denominations or a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b). Each seller of a Bank Warrant to any Person other

than a Buyer identified by the Remarketing Agent pursuant to Section 2.04(b) shall notify the Remarketing Agent and the Trustee of the identity of the new Bank Warrantholder purchasing the Bank Warrant and shall require such new Bank Warrantholder to agree to sell the Bank Warrants only as provided in the preceding sentence or in a sale arranged by the Remarketing Agent and to agree not to otherwise sell its Bank Warrants. No short-term rating of any Rating Agency (as defined in the Master Indenture) then in effect for the Warrants shall apply to Bank Warrants.

(b) *Purchase Notices.* Prior to 11:00 a.m. on any Business Day on which Bank Warrantholders hold Bank Warrants, the Remarketing Agent may deliver a notice (a "Purchase Notice") to the Bank Warrantholders as registered on the register maintained by the Trustee and to the Bank in which name the Bank Warrants are registered, stating that it has located a purchaser (the "Buyer") for some or all of the Bank Warrants and that such Buyer desires to purchase the Bank Warrants on a Business Day (a "Sale Date") which shall be at least two and not more than five Business Days after the date on which the Purchase Notice is received by the Bank Warrantholder. The Bank Warrants to be purchased shall be in an Authorized Denomination and at a price of par (the "Sale Price"). Interest on Bank Warrants shall otherwise be payable as provided in Section 3.01.

(c) *Sale of Bank Warrants.* If a Bank Warrantholder elects, at its sole option, to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice. If a Bank Warrantholder elects, at its sole option, not to sell any Bank Warrants to any Buyer, it shall give notice of such election to the Trustee at or before 4:00 p.m. on the date it receives the Purchase Notice. In the event no such notice is timely delivered by a Bank Warrantholder the Bank Warrantholder shall be deemed to have elected to sell the Bank Warrants to a Buyer. If a Bank Warrantholder elects, or is deemed to have elected, to sell the Bank Warrants to a Buyer, the Bank Warrantholder shall deliver the Bank Warrants to the Remarketing Agent by 1:00 p.m. on the Sale Date against receipt by the Bank in which name the Bank Warrants are registered, of the Sale Price therefor in immediately available funds in the manner referred to in Section 2.08(a) or at such other Bank Warrantholder's address listed in the register maintained by the Trustee, as the case may be, and such Warrant shall thereupon no longer be considered a Bank Warrant. In the event that a Bank Warrantholder fails to deliver its Warrant as described in the preceding sentence, the Bank Warrantholder shall be deemed to have so delivered its Warrant and the Remarketing Agent shall deliver the Sale Price therefor to the Trustee to be held in trust for the benefit of the Bank Warrantholder pending the surrender of the Bank Warrant by the Bank Warrantholder. Upon delivery of such Sale Price by the Remarketing Agent to the Trustee the Bank Warrant shall no longer be Outstanding. When Bank Warrants are purchased or deemed purchased in accordance with this Section 2.04(c), the Remarketing Agent shall, upon receipt of the Bank Warrants and upon receipt by the Bank or the Bank Warrantholder of the Sale Price, notify the Trustee that such Warrants are no longer Bank Warrants. If a Bank Warrantholder notifies the Trustee and the Remarketing Agent at or before 4:00 p.m. on the date it receives the Purchase Notice that it will not sell its Bank Warrants, the Remarketing Agent shall notify

the Trustee and the Bank Warrantholders that as of the Sale Date such Warrants shall no longer be considered Bank Warrants.

Section 2.05. Rights of Bank Warrantholders. Upon purchasing Bank Warrants, Bank Warrantholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Warrantholders as provided in the Warrants and the Indenture other than the right to tender such Warrant for purchase pursuant to the Indenture and have such Warrant purchased with amounts drawn hereunder. Upon purchasing Bank Warrants and registration of the Bank Warrants in the name of or at the direction of the Bank as provided herein, Bank Warrantholders shall be recognized by the Issuer and the Trustee as the true and lawful owners of the Bank Warrants, free from any claims, liens, security interests, equitable interests and other interests of the Issuer or the Trustee, except as otherwise provided herein and except as such interests might exist under the terms of the Warrants with respect to all Warrantholders.

Section 2.06. Fees.

(a) **Facility Fee.** The Issuer hereby agrees to pay or cause to be paid to the Liquidity Agent a fee for the account of the Bank (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder at the rate of 0.27% per annum on the amount of the Available Commitment of the Bank (the "Facility Fee") on the first day of the Fee Period (as defined below), without regard to reductions in the Available Commitment subject to reinstatement; provided, however, that the Facility Fee shall automatically increase to (i) 0.31% per annum if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB" by S&P or "Fitch" or "Baa2" by Moody's (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement and (ii) 0.37% if the long-term rating of the Issuer's sewer revenue obligations is downgraded to "BBB-" or lower by S&P or "Fitch" or "Baa3" or lower by Moody's (or their equivalent) (as determined without regard to any insurance policy or credit enhancement then in effect with respect to any of the Issuer's sewer revenue obligations) during the term of this Agreement. The Facility Fee shall be payable, without any requirement of notice or demand, in immediately available funds quarterly in arrears, commencing on July 1, 2003 (for the period from and including the Closing Date through and including June 30, 2003) and payable on the first Business Day of each January, April, July and October thereafter prior to the Expiration Date and on the Expiration Date, or such earlier date upon which the term of the Available Commitment is terminated (each period for which payment is made being hereinafter referred to as a "Fee Period"). The Facility Fee shall be calculated on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed.

(b) **Transfer/Amendment Fee.** Upon each transfer of this Standby Warrant Purchase Agreement in accordance with its terms or appointment of a successor Trustee under the Indenture, the Issuer agrees to pay or cause to be paid to the Liquidity Agent for the benefit of the Bank the sum of \$1,000 plus the Bank's actual costs and expenses associated with such transfer or appointment (and interest on such costs and expenses

from the date of demand therefor at the interest rate specified in Section 2.08(b)), payable on demand.

(c) **Purchase Fee.** Upon each advance of funds hereunder to purchase Eligible Warrants, the Issuer agrees to pay or cause to be paid to the Liquidity Agent, a purchase fee of \$250, payable on demand.

Section 2.07. Yield Protection.

(a) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative, or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank or any Participant with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or any Participant of any amounts payable hereunder (except for taxes on the overall net income of the Bank or any Participant), (ii) impose, modify or deem applicable any reserve, special deposit, or similar requirement against issuing or honoring draws hereunder, or assets held by, or deposits with or for the account of, the Bank or any Participant or (iii) impose on the Bank or any Participant any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or such Participant of honoring draws hereunder or to reduce the amount of any sum received or receivable by the Bank or the Participant hereunder, then, if and to the extent the Bank or such Participant has similarly treated other of their similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or Participant, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, such additional amount or amounts as will compensate the Bank or such Participant for such increased costs or reductions in amount.

(b) If the Bank or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation (foreign or domestic), or any policy, guideline, or directive of, or any change in the interpretation, implementation, or administration thereof by, any court, central bank, or other administrative or governmental authority, or compliance by the Bank or any Participant with any request by or directive of any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any Participant allocates capital resources to its commitments (including its obligations under standby warrant purchase agreements)) that either (i) affects or would affect the amount of capital to be maintained by the Bank or such Participant or (ii) reduces or would reduce the rate of return on the Bank's or such Participant's capital to a level below that which the Bank or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy) hereunder, then, if and to the extent that

the Bank or such Participant has similarly treated other similarly situated borrowers, upon demand by the Liquidity Agent for the account of the Bank or such Participant as may be applicable, the Issuer shall pay to the Liquidity Agent for the account of the Bank or such Participant, as applicable, such additional amounts as will compensate the Bank or such Participant for such event.

(c) All payments of amounts referred to in clauses (a) and (b) above shall be paid by the Issuer to the Liquidity Agent within five Business Days of such demand. A certificate as to such increased cost, increased capital, or reduction in return incurred by the Bank or any Participant as a result of any event mentioned in clause (a) or (b) of this subsection setting forth, in reasonable detail, the basis for calculation and the amount of such calculation shall be submitted by the Liquidity Agent to the Issuer simultaneously with such demand for payment and shall be conclusive as to the amount thereof absent manifest error. In making the determinations contemplated by the above-referenced certificate, the Bank or Participant may make such reasonable estimates, assumptions, allocations and the like that the Bank or Participant in good faith determines to be appropriate. The obligations of the Issuer under this Section shall survive the termination of this Agreement.

(d) A copy of any notice delivered by the Liquidity Agent pursuant to this Section 2.07 shall be sent to the Trustee and the Bond Insurer.

(e) No payments shall be due by the Issuer pursuant to this Section 2.07 with respect to amounts claimed by any Participant unless such amounts would be payable hereunder if such Participant were not a Participant hereunder.

Section 2.08. Computations; Payments; Default Interest.

(a) *Method of Payment.* Except as may be otherwise provided herein, interest on amounts owed hereunder (other than interest on Bank Warrants) shall be computed on the basis of a year of 365/366 days, as applicable, and the actual number of days elapsed. Any payments received by the Liquidity Agent later than 3:00 p.m. on any day shall be deemed to have been paid on the next succeeding Business Day. All payments by or on behalf of the Issuer to the Liquidity Agent hereunder shall be fully earned when due and nonrefundable when paid, made in lawful currency of the United States of America and in immediately available funds. All such payments, unless otherwise directed by the Bank in writing, shall be made to the Liquidity Agent's account at JPMorgan Chase Bank, ABA#: 021000021, Attention: Loan and Agency Service, Credit to Account No.: 323-946-763, Reference: Jefferson County Sewer 2003-B, Attention: Loan Officer, or such other account of the Liquidity Agent as the Liquidity Agent may specify in writing to the Issuer and the Trustee (such account being the "Payment Office"). Upon receipt of such payment, the Liquidity Agent will promptly thereafter cause to be distributed like funds relating to the payment of principal, interest, fees or other amounts payable hereunder to the Bank. All such payments to JPMorgan Chase shall be made to the same account designated for the Liquidity Agent unless otherwise directed by JPMorgan Chase in writing. All such payments by the Liquidity Agent to the Bank, unless otherwise directed

by the Bank in writing, shall be made to the Bank's account at State Street Bank and Trust, ABA# 011-000-028, Clearing Account No. 4867-932-8, Account Name: Municipal Finance Fee Receivable Account, Reference: Jefferson County Sewer System, Attention: Darren De Gennaro (617) 664-4237, or such other account as the Bank may specify in writing to the Liquidity Agent, the Issuer and the Trustee. If any payment due hereunder is due on a day that is not a Business Day, then such amount shall be due on the next succeeding Business Day and, in the case of the computation of the Facility Fee only, such extension of time shall in such case be included in the computation of the payment due hereunder.

(b) **Default Interest.** Any amounts owed hereunder shall bear interest from and after, the earlier of (i) the date such amount is due and owing hereunder but not paid and (ii) the date on which an Event of Default occurs and for so long as such Event of Default continues, in any case at a rate equal to the lesser of (A) three (3) percent in excess of the Bank Rate from time to time in effect (the "Default Rate") and (B) the Maximum Rate. Interest accruing at the Default Rate shall be payable on demand. The obligations of the Issuer under this Section 2.08 shall survive the termination of this Agreement.

Section 2.09. Cure. The Issuer agrees to pay to the Liquidity Agent for the account of the Bank, on demand any amounts reasonably advanced by or on behalf of the Bank, to the extent required to cure any default by the Issuer, event of default by the Issuer or event of nonperformance by the Issuer under this Agreement or any Related Document. The Bank which advances such funds shall give the Issuer reasonably prompt notice of any such advances. The Bank shall have the right, but not the obligation, to cure any default, event of default or event of nonperformance occurring hereunder or under any of the Related Documents.

Section 2.10. Maintenance of Accounts. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Issuer and the amounts payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be presumptive evidence of the existence and amounts of the obligations of the Issuer therein recorded. The failure to record any such amount shall not, however, limit or otherwise affect the obligations of the Issuer hereunder to repay all amounts owed hereunder, together with all interest accrued thereon as provided in this Article II.

Section 2.11. Withholding. All payments of principal, interest and any other sums due hereunder shall be made in the amounts required hereunder without any reduction or setoff, notwithstanding the assertion of any right of recoupment or setoff or of any counterclaim by the Issuer, and without any withholding on account of taxes, levies, duties or any other deduction whatsoever. If the Issuer is required by law to withhold or deduct any sum from payments required under this Agreement, the Issuer shall, to the extent permitted by applicable law, increase the amount paid by it to the Bank, so that, after all withholdings and deductions, the amount received by the Bank shall equal the amount the Bank would have received without any such withholding or deduction.

Section 2.12. Nature of Issuer's Obligations. The obligations of the Issuer hereunder are limited obligations of the Issuer, payable solely from the Pledged Revenues (as such term is defined and used in the Master Indenture).

Section 2.13. Pledge of Revenues. As permitted by the provisions of the Master Indenture, the Issuer hereby pledges the Pledged Revenues (as defined in the Master Indenture) to the Bank to secure the payment and performance of the obligations of the Issuer under this Agreement; provided, however, that such pledge made herein shall be on a parity with the pledge of the Pledged Revenues made in the Master Indenture only to the extent that the pledge made herein secures the payment of interest (including interest at the Default Rate and any Excess Warrant Interest Amount) on and principal of Bank Warrants and the Facility Fee and any and all interest thereon (including interest at the Default Rate), as such amounts become due. All other amounts due hereunder shall be payable on a subordinated basis to payment of principal and interest on the Warrants, replenishment of the debt service reserve fund and payment of the fees of the Trustee.

ARTICLE III

BANK WARRANTS

Section 3.01. Payments. Notwithstanding anything to the contrary contained in any Bank Warrant, the Issuer agrees that (a) amounts drawn hereunder to pay Accrued Interest on Eligible Warrants shall be paid by the Issuer to the Bank on the Purchase Date on which such Eligible Warrants are purchased by the Bank and become Bank Warrants and (b) (i) the interest on the unpaid principal amount of each Bank Warrant or Bank Warrants from and including the applicable Purchase Date shall be computed at a rate per annum equal to the Bank Rate, subject to the provisions of Section 3.03 below and (ii) interest payable pursuant to clause (b)(i) above shall be payable: (A) on the first Business Day of each month, (B) upon redemption of the Bank Warrant pursuant to the Indenture (to the extent of the interest accrued on the amount being redeemed), (C) on each Sale Date (to the extent of the interest accrued from and including the immediately preceding interest payment date to and excluding the Sale Date on the amount being sold or deemed sold), (D) on the date this Agreement is terminated pursuant to the terms hereof and (E) at maturity of any Bank Warrants, whether by acceleration or otherwise (each such date specified in this clause (b)(ii) being a "Bank Warrant Interest Payment Date"). In the event any Bank Warrant is remarketed or otherwise transferred by the Bank in which name the Bank Warrant is registered before payment in full of the funds provided by the Bank hereunder with respect thereto, together with interest thereon at the Bank Rate, the provisions of this Article III shall continue to apply to such indebtedness until all sums owing for all periods during which the same was a Bank Warrant are paid. Notwithstanding anything to the contrary in the Indenture, all or any portion of the Bank Warrants may be optionally redeemed at any time without penalty, but only in Authorized Denominations. The obligation of the Issuer to make the payments described in this Section shall be reduced to the extent that such obligations are paid pursuant to the Indenture or as part of the Sale Price.

Section 3.02. Covenant to Redeem. The Issuer hereby covenants and agrees to redeem Bank Warrants pursuant to the optional redemption provisions of the Indenture in sixteen (16)

equal quarterly principal installments, the first such installment being payable on the first Business Day of the January, April, July or October that first occurs on or following the Purchase Date for the Bank Warrants and on each such date thereafter (the date of each such redemption being a "Bank Warrant Redemption Date"), so that each Bank Warrant (if not remarketed) is paid in full no later than the fourth anniversary of the first Bank Warrant Redemption Date applicable to the Bank Warrant. Interest on the Bank Warrants shall be payable as provided in Section 3.01. The Issuer's obligation to redeem a particular Bank Warrant (or portion thereof) pursuant to this Section 3.02 shall terminate upon the sale of the Bank Warrant pursuant to Section 2.04(c) or upon an election by a Bank Warrantholder, made pursuant to Section 2.04(c), to retain ownership of the Bank Warrant. Notwithstanding the foregoing, the Issuer may, upon three Business Days' prior written notice to the Bank in which name a Bank Warrant is registered, optionally redeem the Bank Warrant (other than pursuant to this Section 3.02) without penalty. All Issuer obligations with respect to all Bank Warrants shall be due and payable in full on the earliest of (a) the date such Warrants are remarketed and sold or deemed sold by the Bank in which name the Bank Warrant is registered or by a Bank Warrantholder to a Buyer pursuant to Section 2.04(c), (b) the date the interest rate borne by the Warrants is converted to a rate other than a Covered Rate, (c) the date this Agreement is terminated pursuant to the terms hereof, (d) the date the Issuer cancels this Agreement pursuant to Section 6.2 or Section 6.3 of the Indenture or (e) on the date of the delivery of an Alternate Liquidity Facility pursuant to the terms of the Indenture and this Agreement.

Section 3.03. Maximum Rate. If the amount of interest payable in respect of Bank Warrants for any interest payment period ending on any Bank Warrant Interest Payment Date calculated in accordance with the provisions of Section 3.01 above exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest on Bank Warrants for such period shall accrue at the Maximum Rate for such interest payment period and shall be payable in an amount determined accordingly. The amount of interest that would have accrued and been payable on Bank Warrants for any interest payment period in accordance with Section 3.01 above, calculated without regard to the immediately preceding sentence, in excess of the amount actually accrued on the Bank Warrants for such interest payment period, in accordance with the preceding sentence, shall, taking the preceding sentence into account, until paid as provided in this subsection, constitute the "Excess Warrant Interest Amount." So long as any Excess Warrant Interest Amount exists, Bank Warrants shall, to the extent permitted by applicable law, for the current and each subsequent interest period (or portion thereof), bear interest at the Maximum Lawful Rate, rather than the Bank Rate, until the date on which the amount of interest accrued and paid on Bank Warrants equals the amount of interest which would have accrued thereon if interest had been calculated at the Bank Rate without regard to the limitation described in the first sentence of this Section. In the event that at any time there are no Bank Warrants outstanding and at which there exists any Excess Warrant Interest Amount, the Issuer shall, to the extent permitted by applicable law, pay to the Bank, an additional fee equal to the Excess Warrant Interest Amount, provided that no such amount shall be paid to the extent payment thereof would violate applicable usury law or law governing maximum interest rates.

ARTICLE IV

CONDITIONS PRECEDENT TO EFFECTIVENESS

Section 4.01. Conditions Precedent to Effectiveness. This Agreement shall become effective on the date (the "Effective Date") when the Bank shall have received each of the following which are, in form and substance, satisfactory to the Bank.

- (a) A true and complete original executed counterpart of this Agreement.
- (b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.
- (c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.
- (d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.
- (e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.
- (f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.
- (g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.
- (h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.
- (i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.
- (j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.

(k) A certified copy of the original executed Municipal Bond Insurance Policy.

(l) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(m) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since September 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects

which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this

Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) ***Annual Financial Statements.*** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) ***Quarterly Financial Statements.*** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) ***Certificate of Compliance.*** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) *Other Reports.* Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) *Budget.* As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) *Amendments.* Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) *Indenture and Market Information.* Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) *Other Information.* Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) *Electronic Information.* The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) *Notice of Default.* The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) *Litigation.* Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and

which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) **Certain Notices.** Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below category "AA" or its equivalent by S&P, and category "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person with a claims paying rating or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

- (a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's obligation to purchase Eligible Warrants hereunder is terminated pursuant to Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements have been made for registration of beneficial ownership of such Warrant to the Bank in accordance with the terms of the Indenture); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America or the State; the Issuer shall have made a general assignment for the benefit of creditors; the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" (or its equivalent) or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB" (or its equivalent); or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to

give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee, and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default) as if there had been no such suspension.

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including,

without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on

demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

- (a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;
- (b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;
- (c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;
- (d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or
- (e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of

any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall

assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

Trustee
and Tender Agent: The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agents: SouthTrust Securities, Inc.
112 North 20th Street, 7th Floor
Mail-code 8-001SA0712
Birmingham, Alabama 35203
Attention: Lynn Bishop
Telephone: (205) 254-5290
Fax: (205) 254-4989

J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank State Street Bank and Trust Company
225 Franklin Street, 18th Floor
Boston, MA 02110
Attention: Darren De Gennaro
Telephone: (617) 664-4237
Fax: (617) 310-5782

Bond Insurer: XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker
Telephone: (212) 478-3434
Fax: (212) 478-3587

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than ninety (90) days, and no later than seventy-five (75) days, prior to the Expiration Date. Within thirty (30) days of receipt of a request for extension, the Bank shall notify the Issuer, the Bond Insurer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer, the Bond Insurer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. Notwithstanding the foregoing, the Bank and the Issuer may collectively waive any of the foregoing request and response deadlines and agree to an extension of the Bank's commitment hereunder at any time prior to the then effective Expiration Date. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from

acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution.

which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

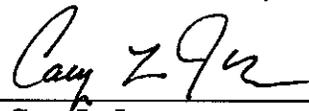
By: 
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., its agent

By: 
Name: Cary L. Jones
Title: Vice President

STATE STREET BANK AND TRUST COMPANY, as Bank

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity
Agent

By:  _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

STATE STREET BANK AND TRUST
COMPANY, as Bank

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

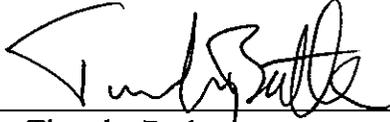
JPMORGAN CHASE BANK, as Liquidity
Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

STATE STREET BANK AND TRUST
COMPANY, as Bank

By:  _____
Name: Timothy Batler
Title: Vice President

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
State Street Bank and Trust Company (Series B-5)	\$75,000,000	\$719,178
State Street Bank and Trust Company (Series B-6)	\$15,000,000	\$143,836

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to State Street Bank and Trust Company, as liquidity provider (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$75,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-5 and its \$15,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-6 (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.
2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.
3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.
4. The Trustee hereby requests the payment of Purchase Price in the amount of \$_____.
5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Interest Commitment.
6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the __ day of _____, ____.

THE BANK OF NEW YORK,
as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

[SouthTrust Securities, Inc.
112 North 20th Street, 7th Floor
Mail-code 8-001SA0712
Birmingham, Alabama 35203
Attention: Lynn Bishop]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission

[J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President]

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker

[\$75,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-5]

[\$15,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-6]

Ladies and Gentlemen:

The undersigned, duly authorized officers of StateStreet Bank and Trust Company, as liquidity provider (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of May 1, 2003 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to

purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

STATE STREET BANK AND TRUST
COMPANY, as liquidity provider

By _____
Authorized Signatory

EXHIBIT C

REQUEST FOR EXTENSION

State Street Bank and Trust Company, as liquidity provider (the "Bank")
225 Franklin Street, 18th Floor
Boston, MA 02110
Attention: Darren De Gennaro

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and State Street Bank and Trust Company, as liquidity provider. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2003-B-5 Warrants and Series 2003-B-6;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 30 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

EXHIBIT D

NOTICE OF EXTENSION

[DATE]

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35203
Attention:

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: ScottBeinhacker

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones

[\$75,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-5]

[\$15,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-6]

Ladies and Gentlemen:

The undersigned, duly authorized officers of State Street Bank and Trust Company, as liquidity provider (the "Bank") hereby advise you, with reference to the above-referenced warrants (any capitalized term used herein and not defined shall have its respective meaning as set forth in the Agreement), that [Complete as Appropriate]:

1. At the request and for the account of the Issuer, we hereby extend the date referenced in the definition of "Expiration Date" in the Agreement (as such date may have been extended previously from time to time) to _____.
2. Except as specifically provided in paragraph (1) above, all of the terms and conditions of the Agreement remain unchanged and in full force and effect.
3. This Notice of Extension is an integral part of the Agreement.

[The Expiration Date will not be extended at this time.]

- (a) A true and complete original executed counterpart of this Agreement.
- (b) Certified copies of the resolutions of the Issuer approving this Agreement, the Related Documents and the other matters contemplated hereby.
- (c) Originals (or copies certified to be true copies by the Issuer) of all governmental and regulatory approvals, if any, at the time necessary for the Issuer with respect to this Agreement and the transactions contemplated hereby, together with a list of any approvals still to be received, if any.
- (d) A certificate of each of the Issuer and the Trustee certifying the names and true signatures of the respective officers thereof authorized to sign this Agreement and the other documents to be delivered by it hereunder.
- (e) An opinion of Haskell Slaughter Young & Rediker, L.L.C., Bond Counsel, either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it.
- (f) A copy certified on the Closing Date by the Issuer of the Related Documents delivered prior to the Closing Date and an executed original of each of the Related Documents delivered on the Closing Date.
- (g) Copies of the legal opinions rendered in connection with the issuance of the Warrants and the delivery of the Related Documents either addressed to the Bank or stating that the Bank is entitled to rely thereon as if said opinions were addressed to it .
- (h) A certificate signed by duly authorized officers of the Issuer, dated the Closing Date, stating that: (i) the representations and warranties of the Issuer contained in Article V and in the Related Documents are correct on and as of the Closing Date as though made on and as of such date; (ii) no petition by or against the Issuer has at any time been filed under the United States Bankruptcy Code or under any similar act; and (iii) no Default or Event of Default has occurred and is continuing, or would result from the execution and performance of this Agreement or the Related Documents.
- (i) Payment of the Bank's fees and expenses (including attorney's fees and expenses described in Section 9.03(a)) payable on the Effective Date.
- (j) Written confirmation that the Warrants have received long-term and short-term credit ratings of Aaa/VMIG-1 from Moody's and AAA/A-1+ from S&P.
- (k) A certified copy of the original executed Municipal Bond Insurance Policy.
- (l) Executed legal opinions of counsel to the Bond Insurer, dated the Closing Date, addressed to the Bank and in form and substance satisfactory to the Bank, as to (i) the due organization of the Bond Insurer and the due authorization, execution and delivery of the Municipal Bond Insurance Policy and (ii) the legality, validity, binding effect and enforceability of the Municipal Bond Insurance Policy.

(m) Such other documents, instruments, approvals and, if requested by the Bank, certified duplicates of executed originals thereof, and opinions as the Bank may reasonably request.

ARTICLE V

REPRESENTATION AND WARRANTIES OF THE ISSUER

The Issuer represents and warrants as follows:

Section 5.01. Existence and Power. The Issuer is a political subdivision of the State of Alabama. The Issuer has all requisite power and authority to conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5.02. Regulatory Authority. The Issuer is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Issuer has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5.03. Noncontravention. The execution and delivery by the Issuer of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Issuer, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Issuer is a party or by which it or any of its property is bound or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5.04. Due Authorization. The execution, delivery and performance by the Issuer of this Agreement and the Related Documents to which it is a party are within its power and authority, and have been duly authorized by all necessary action and will not contravene any authorizing resolution of the Issuer.

Section 5.05. Valid and Binding Obligations. This Agreement and the Related Documents to which the Issuer is a party are valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, except as such enforceability may be limited by the Issuer's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5.06. Official Statement. The information contained in the Official Statement is correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the

circumstances under which they were made, not misleading. The Issuer makes no representation as to information in the Official Statement relating to the Bank or the Bond Insurer and provided by the Bank or the Bond Insurer, respectively, for inclusion therein.

Section 5.07. Pending Litigation and Other Proceedings. Except for matters disclosed in the Official Statement, there is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Issuer and, to the Issuer's knowledge, there is no threatened action or proceeding affecting the Issuer or any of its Affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Issuer or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Issuer to perform its obligations hereunder or under the Related Documents.

Section 5.08. Insurance. The Issuer currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, governmental entities of like type, size and character to the Issuer.

Section 5.09. Financial Statements. The balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and changes in financial position for the years then ended and the balance sheets of the Issuer as of September 30, 2002 and the related statements of revenues and expenses and change in financial position for the period then ended, copies of which have heretofore been furnished to the Bank, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of each such entity at such dates and for such periods, and were prepared in accordance with generally accepted accounting principles. Since September 30, 2002 there has been no material adverse change in the business, properties, condition (financial or otherwise) or operations, present or prospective, of the Issuer nor any increase in its long-term debt which has not been otherwise disclosed to the Bank.

Section 5.10. Complete and Correct Information. All information, reports and other papers and data with respect to the Issuer furnished to the Bank or its counsel by the Issuer were, taken in the aggregate and at the time the same were so furnished, complete and correct in all material respects, to the extent necessary to give the Bank a true and accurate knowledge of the subject matter. No fact is known to the Issuer which materially and adversely affects or in the future may (so far as it can foresee) materially and adversely affect the business, assets or liabilities, financial condition, results of operations of the Issuer, or any of its business prospects which has not been set forth in the financial statements referred to in Section 5.09 above or in such information, reports, papers and data or otherwise disclosed in writing to the Bank by the Issuer. When taken in the aggregate, no document furnished or statement made by the Issuer in connection with the negotiation, preparation or execution of this Agreement or any Related Document contains any untrue statement of a fact material to the creditworthiness of the Issuer or omits to state a material fact necessary, in light of the circumstances when made, in order to make the statements contained therein not misleading.

Section 5.11. Warrant. Each Warrant (including all Bank Warrants) (i) has been or will be duly and validly issued under the Indenture and entitled to the benefits thereof, and (ii) is entitled to the benefits of the Municipal Bond Insurance Policy.

Section 5.12. Default. No Event of Default or Default has occurred and is continuing.

Section 5.13. Bank Warrants. The Eligible Warrants purchased pursuant to Article II will be transferred to or held by the Tender Agent for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

Section 5.14. Incorporation of Representations and Warranties. The Issuer hereby makes to the Bank the same representations and warranties as were made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

Section 5.15. Employer Benefit Plan Compliance. The Issuer has no funding deficiency with respect to any employee benefit plan and is otherwise in compliance with terms of any such plan in which the Issuer or any of its employees participate.

Section 5.16. Usury. The terms of this Agreement regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 5.17. Federal Reserve Board Regulations. The Issuer does not intend to use any part of the proceeds of the Warrants or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the Issuer out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the Issuer does not own and has no intention of acquiring any such Margin Stock.

Section 5.18. Investment Company Act. The Issuer is not an "investment company" or a company "controlled" by an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended.

ARTICLE V.A

REPRESENTATIONS AND WARRANTIES OF THE TRUSTEE

The Trustee represents and warrants as follows:

Section 5A.01 Existence and Power. The Trustee is a banking corporation organized under the laws of the State of New York. The Trustee has all requisite power and authority to

conduct its business as currently conducted, to own its assets and to enter into and satisfy its obligations under this Agreement and the Related Documents to which it is a party.

Section 5A.02 Regulatory Authority. The Trustee is duly authorized to conduct its business under all applicable laws, rulings, regulations and ordinances and the departments, agencies and political subdivisions governing it or regulating its business, and the Trustee has obtained all material and requisite approvals of the state and of federal, regional and local governmental bodies, if any, required to be obtained prior to the date of delivery of the Warrants, the Related Documents and this Agreement.

Section 5A.03 Noncontravention. The execution and delivery by the Trustee of this Agreement and the Related Documents and the performance of its obligations hereunder and thereunder, will not violate any existing law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Trustee, or result in a breach of any of the terms of, or constitute a default under or result in the creation or imposition of any lien on, any indenture, mortgage, deed of trust, lease or other agreement or instrument to which the Trustee is a party or by which it or any of its property is bound or its articles of incorporation, bylaws or any of the rules or regulations applicable to it or its property or any decree or order of any court or other governmental body.

Section 5A.04 Due Authorization. The execution, delivery and performance by the Trustee of this Agreement and the Related Documents to which it is a party is within its power and authority, and has been duly authorized by all necessary action and will not contravene any authorizing resolution or charter of the Trustee.

Section 5A.05 Valid and Binding Obligations. This Agreement and the Related Documents to which the Trustee is a party are valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their respective terms, except as such enforceability may be limited by the Trustee's bankruptcy, insolvency, reorganization, moratorium or other laws or equitable principles relating to or limiting creditors' rights generally.

Section 5A.06 Pending Litigation and Other Proceedings. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Trustee and, to the Trustee's knowledge, there is no threatened action or proceeding affecting the Trustee or any of its affiliates or any of its assets before any court, governmental agency or arbitrator which, if adversely determined, could materially and adversely affect the financial condition or operations of the Trustee or the validity or enforceability of this Agreement or any of the Related Documents or the ability of the Trustee to perform its obligations hereunder or under the Related Documents.

ARTICLE VI

COVENANTS OF THE ISSUER

During the Purchase Period and so long as any obligation is owed to the Bank hereunder, the Issuer covenants and agrees as follows, unless the Bank shall otherwise consent in writing:

Section 6.01. Compliance With Laws and Regulations. The Issuer shall comply in all material respects with all laws, ordinances, orders, rules and regulations of duly constituted public authorities which may be applicable to its or its properties.

Section 6.02. Reporting Requirements. The Issuer shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Issuer on a consolidated or combined basis in accordance with generally accepted accounting principles consistently applied. The Issuer shall furnish to the Liquidity Agent two copies of each of the following:

(a) **Annual Financial Statements.** As soon as available, but in any event within 180 days of the end of each Fiscal Year, (i) the complete audited financial statements of the Issuer including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by the Alabama Department of Examiners of Public Accounts in accordance with generally accepted accounting principles, consistently applied.

(b) **Quarterly Financial Statements.** As soon as available, but in any event within 45 days after each of the first three quarters of each Fiscal Year of the Issuer, the unaudited financial statements of the Issuer including the balance sheet as of the end of such quarter and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment, by the chief financial officer of the Issuer.

(c) **Certificate of Compliance.** Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by the chief financial officer of the Issuer stating that (i) under his/her supervision the Issuer has made a review of its activities during the preceding annual period for the purpose of determining whether or not the Issuer has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents and (ii) to the best of his/her knowledge the Issuer is not in default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if the Issuer shall be in default, such certificate shall specify each such default, the nature and status thereof and any remedial steps taken or proposed to correct each such default.

(d) **Other Reports.** Promptly upon request by the Liquidity Agent, copies of any financial statement or report furnished to any other holder of the long-term securities of the Issuer pursuant to the terms of any long-term indenture, loan or credit or similar agreement and not otherwise required to be furnished by the Issuer pursuant to any other clause of this Section 6.02.

(e) **Budget.** As near as practicable to the beginning of each Fiscal Year, an annual budget of the Issuer for such upcoming Fiscal Year.

(f) *Amendments.* Promptly after the adoption thereof, copies of any amendments to the Related Documents.

(g) *Indenture and Market Information.* Copies of all notices, certificates, opinions and other reports or documents required to be filed pursuant to the Indenture. Any additional, or supplements to, official statements, remarketing circulars or other written or electronic notices to the public respecting the Warrants. The Issuer shall, upon request, provide or cause to be provided, to the Liquidity Agent the list of the name and address of the last known holders of the Warrants.

(h) *Other Information.* Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Issuer as the Liquidity Agent may from time to time reasonably request.

(i) *Electronic Information.* The Issuer and the Liquidity Agent may agree that the Issuer may comply with any of the requirements of this Section 6.02 by notifying the Liquidity Agent that required reports or other information are publicly available on the Issuer's website or otherwise. Upon receiving any such notice, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.03. Amendments. The Issuer shall not, without the prior written consent of the Liquidity Agent, amend, modify or supplement, nor agree to any amendment or modification of, or supplement to, any of the Related Documents; provided, however, that the Issuer shall not be required to obtain the Liquidity Agent's consent as a condition to issuing Additional Parity Securities (as defined in the Master Indenture) in accordance with the provisions of the Master Indenture.

Section 6.04. Notices.

(a) *Notice of Default.* The Issuer shall provide to the Liquidity Agent immediate notice by telephone, promptly confirmed in writing, of any Default or Event of Default.

(b) *Litigation.* Together with the information described in Section 6.02(b), the Issuer shall provide to the Liquidity Agent written notice of all actions, suits and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, against the Issuer or any Affiliate and which involve claims with a stated demand equal to or in excess of \$1,000,000 or which, if adversely determined could have a material adverse affect on the financial condition of the Issuer or its ability to pay or perform its obligations hereunder or under any of the Related Documents.

(c) *Certain Notices.* Furnish to the Liquidity Agent a copy of any (i) notice, certification, demand or other writing or communication given by the Bond Insurer, the Remarketing Agent or the Trustee to the Issuer or by the Issuer to the Remarketing Agent or the Trustee under or in connection with any of the Related Documents, or (ii) any

matter or event which may result in a material adverse change in the Issuer's financial condition or operations, in each case promptly after the receipt or giving of the same.

(d) **Other Notices.** Promptly give written notice to the Liquidity Agent of any material dispute which may exist between the Issuer and any of the Remarketing Agent or the Trustee or any dispute in connection with any transaction contemplated under this Agreement or the Related Documents.

(e) **Liquidity Agent Notice to the Bank.** Upon receiving any notice hereunder, the Liquidity Agent shall promptly forward such notice to the Bank.

Section 6.05. Further Assurances. The Issuer shall, upon the request of the Liquidity Agent, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement and the Related Documents. Except to the extent it is exempt therefrom, the Issuer will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Related Documents and such instruments of further assurance.

Section 6.06. Right of Entry and Inspection. The Issuer shall permit the duly authorized representatives of the Liquidity Agent or the Bank during normal business hours and upon reasonable notice to enter the premises of the Issuer, or any parts thereof, to examine and copy the Issuer's financial and corporate books, records and accounts, and to discuss the affairs, finances, business and accounts of the Issuer with the Issuer's officers, and employees.

Section 6.07. Reserved.

Section 6.08. Preservation of Existence, Ownership, Etc. The Issuer shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The Issuer shall preserve and maintain its existence, right (charter and statutory) and franchises and licenses.

Section 6.09. Related Obligations. The Issuer shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party; which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety without giving effect to any expiration, amendment, supplement or termination of the Related Documents to which the Liquidity Agent has not given its express consent. The Issuer shall use reasonable commercial efforts to cause the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

Section 6.10. Insurance. The Issuer will at all times maintain insurance with respect to its operations and properties against such risks, in such amounts, with such companies and with such deductibles as is customary for governmental entities of like size, location and character.

Section 6.11. Alternate Liquidity Facility.

(a) The Issuer shall obtain an Alternate Liquidity Facility to replace this Agreement or cause the Warrants to be converted to bear interest in an interest rate mode which does not require a standby purchase agreement in the event (i) the Bank shall decide not to extend the Expiration Date pursuant to the terms hereof or (ii) the Bank shall furnish a Termination Notice to the Trustee.

(b) The Issuer agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Warrants at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank, hereunder or under the Indenture or the Warrants shall be payable in full to the Bank.

(c) The Issuer shall not permit an Alternate Liquidity Facility to become effective with respect to less than all of the Warrants without the prior written consent of the Liquidity Agent and the Bank.

Section 6.12. Employee Benefit Plan Compliance. The Issuer and each Affiliate shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Issuer or any of its employees participate.

Section 6.13. Certain Information. The Issuer shall not include in an offering document for the Warrants any information concerning the Bank that is not supplied in writing, or otherwise consented to, by the Bank expressly for inclusion therein.

Section 6.14. Disclosure to Participants. The Issuer agrees to permit the Bank to disclose any information received by the Bank in connection herewith, including without limitation the financial information described in Section 6.02, to any Participants.

Section 6.15. Trustee; Remarketing Agent. The Issuer shall not remove the Trustee or the Remarketing Agent or appoint a successor Trustee or Remarketing Agent without the written consent of the Liquidity Agent, which consent will not be unreasonably withheld. If the position of Trustee or Remarketing Agent becomes vacant, the Issuer shall promptly appoint a successor which is reasonably acceptable to the Liquidity Agent.

Section 6.16. Rating of the Bond Insurer's Obligations. If the ratings assigned to the obligations insured by the Bond Insurer shall drop below category "AA" or its equivalent by S&P, and category "Aa" or its equivalent by Moody's, the Issuer will, if requested by the Liquidity Agent, provide additional insurance or other credit enhancement in respect of the payment of principal and interest on the Warrants (including Bank Warrants) issued by a Person

with a claims paying rating or a long term debt rating of at least "Aa3" by Moody's and "AA-" by S&P on terms comparable to the Municipal Bond Insurance Policy or as the Liquidity Agent may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Liquidity Agent.

Section 6.17. Credit Facility. The Issuer shall at all times maintain the Municipal Bond Insurance Policy with respect to the Warrants. The Issuer shall not, without the prior written consent of the Liquidity Agent, permit a substitute or additional Municipal Bond Insurance Policy to become effective.

Section 6.18. Municipal Bond Insurance Policy. The Issuer shall use its best efforts to cause the Bond Insurer at all times to comply with the Municipal Bond Insurance Policy.

Section 6.19. Use of Proceeds. The Issuer shall cause the amounts drawn by the Trustee hereunder to be used solely to pay the Purchase Price of such Warrants as more fully described in Sections 2.01 and 2.02 hereof and in the Indenture.

Section 6.20. Performance of Other Obligations. The Issuer shall perform and comply with each of the covenants of the Related Documents to which the Issuer is a party, without giving effect to any subsequent waiver, amendment, modification or termination thereof that has not been approved in writing by the Liquidity Agent and the Bank. To the extent that such covenants are in addition to the covenants set forth herein or provide greater security for the Bank, each such covenant, together with applicable definitions, is hereby incorporated by reference as fully as if the same was set forth in full herein.

ARTICLE VII

CONDITIONS PRECEDENT TO BANK' OBLIGATION TO PURCHASE ELIGIBLE WARRANTS

The obligation of the Bank to purchase Eligible Warrants hereunder on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Liquidity Agent:

(a) the Liquidity Agent shall have received a fully completed and properly executed Notice of Bank Purchase;

(b) no Insurer Event of Default shall have occurred and be continuing, and no Default described in Section 8.01(c) or (d) hereof shall have occurred and be continuing and no suspension of the Bank's obligation to purchase Eligible Warrants pursuant to Section 8.02(c) or Section 8.02(e) shall have occurred and be continuing; provided, however, that the Bank's obligation to purchase Eligible Warrants on a Purchase Date shall be restored to full force and effect if and to the extent that any such Default described in Section 8.01(c) or (d) is cured prior to becoming an Event of Default or the Bank's obligation to purchase Eligible Warrants is reinstated as provided in Section 8.02(c) or Section 8.02(e), unless this Agreement shall otherwise have terminated by its terms, or there has occurred an Insurer Event of Default which is continuing, or the Bank's

obligation to purchase Eligible Warrants hereunder is terminated pursuant to Section 8.02(c) or Section 8.02(e) hereof, in which case the obligation of the Bank to purchase any of the Warrants hereunder shall terminate immediately;

(c) the obligation of the Bank to purchase Warrants shall not have theretofore terminated pursuant to Section 8.02(b);

(d) prior to the Bank's purchase of any particular Eligible Warrant, Bank shall have received notice from the Trustee confirming receipt or deemed receipt of the Warrant to be purchased on the Purchase Date (or, if such Warrant is registered to The Depository Trust Company or its successor as security depository for such Warrant, arrangements have been made for registration of beneficial ownership of such Warrant to the Bank in accordance with the terms of the Indenture); and

(e) no breach of the covenant set forth in Section 6.17 has occurred and is continuing.

Each purchase hereunder shall be deemed to be a representation and warranty by the Issuer, on the date of such purchase, as to the facts specified in clauses (d) and (e) of this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Warrants (including Bank Warrants) is not paid by the Issuer when due and such principal or interest is not paid by the Bond Insurer when, as, and in the amounts required to be paid pursuant to the terms of the Municipal Bond Insurance Policy or the Municipal Bond Insurance Policy is surrendered, canceled, terminated, amended or modified in any material respect, or a new Insurer is substituted for the Bond Insurer as the insurer of the Warrants without the prior written consent of the Liquidity Agent; or

(b) (i) any material provision of the Municipal Bond Insurance Policy at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Municipal Bond Insurance Policy or is declared to be null and void by a court or other governmental agency of appropriate jurisdiction, (ii) the validity or enforceability thereof is contested by the Bond Insurer or any governmental agency or authority of appropriate jurisdiction, or (iii) the Bond Insurer denies that it has any or further liability or obligation under the Municipal Bond Insurance Policy; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the Bond Insurer or for any substantial part of its property under

any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of 30 consecutive days or such court enters an order granting the relief sought in such proceeding or the Bond Insurer shall institute or take any corporate action authorizing the institution of any such proceeding; or the Bond Insurer shall become insolvent or unable to pay its debts as they mature or claims under any of its insurance policies as such claims are made, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bond Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(d) The Bond Insurer shall default in any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and such default shall continue for a period of 5 days (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) Nonpayment of any fees payable under Section 2.06(a) hereof within five Business Days after the Issuer has received notice from the Liquidity Agent that the same were not paid when due or nonpayment of any default interest hereunder; or

(f) Nonpayment of any other amount when due hereunder, if such failure to pay when due shall continue for five Business Days after written notice thereof to the Issuer by the Liquidity Agent; or

(g) Any representation or warranty made by the Issuer under or in connection with this Agreement shall prove to be untrue in any material respect on the date as of which it was made; or

(h) The Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any substantial part of its property; the Issuer shall have consented to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; the Issuer shall have filed a petition seeking a composition of indebtedness or other protection as a debtor under the federal bankruptcy laws or under any other similar applicable law or statute of the United States of America

or the State; the Issuer shall have made a general assignment for the benefit of creditors; the Issuer shall have failed generally to pay its debts as they become due; and the Issuer shall have taken any action to authorize any of the foregoing; or an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, provided that, for so long as the federal bankruptcy laws do not provide for the commencement of an involuntary case or other proceeding against the Issuer, any purported commencement of such an involuntary case or other proceeding against the Issuer shall be deemed to constitute an involuntary case or other proceeding described in this clause (h) unless such involuntary case or other proceeding shall have been dismissed within 30 days of its purported commencement; and an order for relief shall have been entered against the Issuer under the federal bankruptcy laws as now or hereafter in effect; or a moratorium shall have been declared or announced (whether or not in writing) with respect to any debt of the Issuer by the Issuer or the State (including, without limitation, any of the executive, legislative or judicial branches of government thereof) or any federal government agency or authority having jurisdiction over the Issuer; or

(i) The Issuer shall have failed to pay when due any amount (other than the Warrants) payable under, or in respect of (including without limitation, premium) (i) any other Debt of the Issuer payable from the Pledged Revenues aggregating more than \$5,000,000 or (ii) any obligation owed to the Bank and payable from the Pledged Revenues, upon the expiration of any applicable notice or cure period; or

(j) The failure on the part of the Issuer to perform or observe any other term, covenant or agreement contained in this Agreement or any of the other Related Documents on its part to be performed or observed and (i) with respect to any such term, covenant or agreement contained herein, any such failure remains unremedied for 30 days; and (ii) with respect to any such term, covenant or agreement contained in any of the other Related Documents, any such failure remains unremedied after any applicable grace period specified in such Related Document; or

(k) Any of the Related Documents shall terminate or cease to be of full force and effect, other than as a result of any redemption or payment in full of the Warrants; or

(l) The Issuer shall have denied that it has any or any further obligation under the Warrants or under this Agreement, and any court, pursuant to a final judgment or order, shall have ruled or any governmental body, agency or official having jurisdiction over the Issuer or over the transactions contemplated hereby or by any of the Related Documents, pursuant to an effective order or other proceeding, shall have determined that any of the payment obligations of the Issuer under the Warrants or hereunder is not a valid and binding obligation or a moratorium shall have been declared with respect to the payment of any obligations of the Issuer; or

(m) A final judgment or order for the payment of money in excess of \$5,000,000 shall have been rendered against the Issuer, shall be payable from the Pledged Revenues and such judgment or other order shall not have been satisfied, stayed or bonded pending appeal within a period of 60 days from the date on which it was first so rendered; or

(n) The long-term rating assigned to the Issuer's sewer revenue obligations by Moody's shall be suspended, withdrawn or reduced below "Baa3" (or its equivalent) or the long-term rating assigned to the Issuer's sewer revenue obligations by S&P shall be suspended, withdrawn or reduced below "BBB" (or its equivalent); or

(o) Either Moody's, S&P or Fitch shall have downgraded the long-term claims-paying ability of the Bond Insurer to below Aa3, AA- or AA-, respectively, or suspended or withdrawn its ratings on any claims paying ability of the Bond Insurer; or

(p) An event of default or default occurs under any of the Related Documents; or

(q) The Bond Insurer shall fail to make any payment or payments of amounts payable by it under any municipal bond insurance policy or policies (other than the Municipal Bond Insurance Policy) or any financial guaranty insurance policy or policies (excluding any swap insurance policy other than a Related Insurance Policy), when due and is disputing in good faith its liability under any such policy or policies in light of the claim or claims made thereunder.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) In the case of an Insurer Event of Default, the Available Commitment and obligation of the Bank to purchase Eligible Warrants shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Eligible Warrants. Promptly after the Liquidity Agent receives written notice of such Insurer Event of Default, the Liquidity Agent shall give written notice of the same to the Trustee, the Issuer, the Bank and the Remarketing Agent, provided that the Liquidity Agent shall not incur any liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of their respective obligations to purchase Eligible Warrants pursuant to this Agreement.

(b) In the case of any Event of Default under Section 8.01(e), (h), (i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) the Bank may terminate its Available Commitment by delivering a Termination Notice to the Issuer, the Trustee, the Tender Agent, the Bond Insurer, and the Remarketing Agent, specifying the date on which at 2:00 p.m., New York City time, its Available Commitment shall terminate (the "Termination Date"), which date shall be not less than twenty-five (25) days from the date of receipt of such notice by the Trustee,

and after the Termination Date, the Bank shall be under no further obligation to purchase Eligible Warrants hereunder.

(c) In the case of an Event of Default specified in Section 8.01(b)(ii) hereof, the Bank may suspend its obligation to purchase Eligible Warrants hereunder, effective immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer until a final nonappealable order of court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety. In the event such order is entered declaring any material provision of the Municipal Bond Insurance Policy null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Municipal Bond Insurance Policy, then the Bank's obligation to purchase Eligible Warrants hereunder shall immediately terminate. In the event such order is entered declaring that all material contested provisions of the Municipal Bond Insurance Policy are upheld in their entirety, the Bank's obligation hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, litigation is still pending and a judgment regarding the validity of the Municipal Bond Insurance Policy has not been obtained, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. Upon the occurrence and continuance of a Default as described in Section 8.01(b)(ii), the Bank may suspend its obligation to purchase Eligible Warrants hereunder which are insured by the Bond Insurer to which such event relates, upon written notice to the Issuer, the Trustee and the Bond Insurer until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, then the Bank's obligations hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank's obligation to purchase Eligible Warrants hereunder shall otherwise have terminated or there has occurred an Insurer Event of Default) as if there had been no such suspension.

(d) Upon the occurrence of an Event of Default under Sections 8.01(f), (g), (j), (m), (n), (p) or (q), the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance; provided, however, that, with respect to such defaults, the Bank shall not have the right to terminate its obligation to purchase Eligible Warrants, to declare any amount due hereunder due and payable, or to accelerate the maturity date of any Warrants except as provided herein and in the Indenture. This paragraph shall not limit the exercise of the Bank's remedies under any other subsection of this Section 8.02.

(e) In the case of an Event of Default specified in Section 8.01(q) hereof, which Event of Default the Bank reasonably concludes could adversely affect the Bond Insurer's ability to perform under the Municipal Bond Insurance Policy, the Bank may suspend its respective obligation to purchase Eligible Warrants hereunder, effective

immediately, upon written notice to the Issuer, the Trustee, the Remarketing Agent and the Bond Insurer. If a court or other ruling body of competent jurisdiction rules against the Bond Insurer and the Bond Insurer fails to comply in any respect with, or appeal in good faith, such adverse ruling, such suspension shall immediately become a permanent termination of the Bank's obligation to purchase Eligible Warrants hereunder. If a court or other ruling body of competent jurisdiction either (i) rules in favor of the Bond Insurer or (ii) rules against the Bond Insurer and the Bond Insurer complies in all respects with the terms of such ruling, the Bank's obligation to purchase Eligible Warrants hereunder shall be automatically reinstated and the terms of this Agreement will continue in full force and effect as if there had been no such suspension (unless this Agreement shall otherwise have terminated by its terms or there has occurred and is continuing an Insurer Event of Default). Notwithstanding the foregoing, if, upon the expiration of the Purchase Period, the dispute regarding the Bond Insurer's obligation to make payment under the municipal bond or financial guaranty insurance policy being disputed is not resolved, then the Available Commitment and obligation of the Bank to purchase Warrants shall at such time terminate without notice or demand and thereafter, the Bank shall be under no obligation to purchase Eligible Warrants. If during any such suspension period, an Event of Default under Section 8.01(e),(h),(i) (but only if the Issuer is not contesting in good faith its liability for such Debt or obligation owed to the Bank), (k), (l) or (o) occurs and the Bank exercises its right to terminate its obligation to purchase Eligible Warrants on twenty-five (25) days' notice pursuant to the terms of Section 8.02(b) hereof, the Bank's purchase obligation shall be reinstated during such notice period.

(f) In addition to the rights and remedies set forth in Sections 8.02(a), (b), (c), (d) and (e) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all amounts payable hereunder to the Bank shall upon notice to the Issuer become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Issuer; and/or (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents, the Municipal Bond Insurance Policy or otherwise pursuant to law or equity.

Section 8.03. Default Interest. If the Issuer shall fail to pay to the Liquidity Agent when due any amount on account of amounts owing to any Bank under this Agreement, then to the extent permitted by law the Issuer will pay to the Liquidity Agent on account of the Bank on demand interest on the amount in default from the date such payment became due until payment in full at a rate equal to the Default Rate, such rate to change as and when such Default Rate changes.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Obligations Absolute. The obligations of the Issuer under this Agreement shall be (subject to the terms of Section 2.12) absolute, unconditional and irrevocable and shall be

paid or performed strictly in accordance with the terms of this Agreement under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) to the extent permitted by applicable law, any lack of validity or enforceability of the Warrants, this Agreement or any Related Document or any other agreement or instrument delivered in connection herewith or therewith;

(b) any amendment to, waiver of, consent to or departure from the terms of any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right that the Issuer may have at any time against the Trustee, the Tender Agent, the Remarketing Agent, the Liquidity Agent, the Bank or any other Person, whether in connection with this Agreement, the Related Documents or otherwise;

(d) any statement or any other document presented under this Agreement or any of the Related Documents proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(e) any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

The Trustee is entering into this Agreement in its capacity as Trustee under the Indenture. Accordingly, the provisions of Article XIV of the Master Indenture shall apply to the actions or inactions of the Trustee under this Agreement.

Section 9.02. Liability of Bank and Liquidity Agent. With respect to the Bank and the Liquidity Agent, the Issuer assumes any and all risks with respect to the acts or omissions of each of the Trustee, the Tender Agent, the Issuer and the Remarketing Agent in connection with its use of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder. Neither the Liquidity Agent, the Bank nor any of their respective officers, directors, employees or agents thereof shall be liable or responsible for any of the following: (a) the use that may be made of this Agreement or any amounts made available by the Bank or the Liquidity Agent hereunder or for any acts or omissions of the Trustee, the Tender Agent, the Issuer or the Remarketing Agent in connection therewith; (b) the validity, sufficiency or genuineness of documents (except for the validity and enforceability of the Bank's obligations hereunder), or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement.

Section 9.03. Expenses; Indemnification.

(a) The Issuer agrees to pay all of the Bank's out-of-pocket expenses (including, without limitation, the fees of counsel for the Bank) incurred in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The Issuer also agrees to pay to the Liquidity Agent all of the Bank's

out-of-pocket expenses (including, without limitations, reasonable fees and expenses of counsel to the Bank) arising in connection with the enforcement or administration of, or preservation of rights in connection with, this Agreement or the other Related Documents. In addition, the Issuer shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement, the Related Documents or such other documents and agrees to save each Bank and the Liquidity Agent harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

(b) In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Issuer agrees, to the extent permitted by law, to indemnify and hold harmless the Bank, the Liquidity Agent, each Participant and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever that an Indemnified Party, or any of them, may incur (or which may be claimed against an Indemnified Party, or any of them, by any Person whatsoever) that arises out of the transactions contemplated by this Agreement or the Related Documents, including, without limitation, (i) the issuing, offering, sale, remarketing or resale of the Warrants (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection therewith, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statement, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Warrants, but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided by the Bank for inclusion therein), (ii) the execution, delivery and performance of, or payment or failure to pay under, this Agreement and (iii) the use of the proceeds of the sale of the Warrants or any amounts drawn under this Agreement; provided, however, that the Issuer shall not be required to indemnify any Indemnified Party for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Bank or the Liquidity Agent. If any proceeding shall be brought or threatened against an Indemnified Party by reason of or in connection with the events described above (and except as otherwise provided above), such Indemnified Party shall promptly notify the Issuer in writing and the Issuer shall assume the defense thereof, including the employment of counsel and the payment of all costs of litigation. Notwithstanding the preceding sentence, such Indemnified Party shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (1) the employment of such counsel shall have been authorized in writing by the Issuer or (2) the Issuer, after due notice of the action, shall have failed to employ counsel to take charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnified Party shall be borne by the Issuer. The Issuer shall not be liable for any settlement of any such action effected without its consent.

(c) The provisions of this Section 9.03 shall survive the termination of this Agreement and the payment in full of the Warrants and the obligations of the Issuer thereunder and hereunder.

Section 9.04. Notices. Unless otherwise specified herein, all notices, requests, demands or other communications to or upon the respective parties hereto or referred to herein shall be deemed to have been given (a) in the case of notice by letter, when delivered by hand or overnight priority delivery, (b) in the case of notice by telex, when sent, answerback received and (c) in the case of notice by facsimile, upon confirmation of receipt, addressed to them as follows or at such other address as any of the parties hereto may designate by written notice to the other parties hereto and to the Remarketing Agent:

Issuer: Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission
Telephone: (205) 325-5688
Fax: (205) 325-5840

**Trustee
and Tender Agent:** The Bank of New York
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention: Cary L. Jones
Telephone: (205) 214-0221
Fax: (205) 328-7169

Remarketing Agent: J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President
Telephone: (212) 834-7175
Fax: (212) 834-6737

Liquidity Agent : JPMorgan Chase Bank
270 Park Avenue
New York, New York 10017
Attention: Michael Mak
Telephone: (212) 270-4875
Fax: (212) 270-4251

Bank: Lloyds TSB Bank plc
New York Branch
1251 Avenue of the Americas
39th Floor
New York, New York 10020

on general matters:

Attention: Manager, Structured Finance
Telephone: (212) 930-8932
Facsimile: (212) 930-5098

on operational matters:

Attention: Patricia Kilian
Telephone: (212) 930-8914
Facsimile: (212) 930-5098

Bond Insurer: XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker
Telephone: (212) 478-3434
Fax: (212) 478-3587

Each notice shall be treated as received on the day given, except for any notice sent by overnight priority delivery, which shall be deemed received on the day after it is given. Notwithstanding the foregoing, any Notice of Bank Purchase given hereunder shall be effective only when given in the manner provided in Section 2.02.

Section 9.05. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Trustee, the Issuer, the Bank, the Liquidity Agent and their respective successors, endorsees and assigns, except that the Issuer may not assign or transfer its rights or obligations hereunder (other than by merger or consolidation) without the prior written consent of the Liquidity Agent. This Agreement is a continuing obligation and shall survive the Expiration Date. The Bank may grant interests in its rights hereunder as provided in Sections 9.11; provided, however, that no such grant shall affect the obligations of the Bank to purchase Eligible Warrants as herein provided.

Section 9.06. GOVERNING LAW. THIS 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.

Section 9.07. No Waivers or Amendments Except in Writing. No provision of this Agreement shall be waived, amended or supplemented except by a written instrument executed by each of the parties hereto.

Section 9.08. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9.09. Use of Funds. The Bank agrees that all funds provided by the Bank hereunder will be paid from funds of the Bank and not directly or indirectly from funds or collateral on deposit with or for the account of, or pledged with or for the account of, the Bank by the Issuer or any Participant.

Section 9.10. Extension of Expiration Date. The Expiration Date relating to the Bank's commitment hereunder may be extended by the Bank, at the option of the Bank, for an additional period or periods acceptable to the Bank upon the written request of the Issuer, or if the Issuer is in default under its obligation under any Related Document, upon the written request of the Bond Insurer, given in the form of Exhibit C to the Bank no earlier than sixty (60) days prior to the Expiration Date. Within thirty-five (35) days of receipt of a request for extension, the Bank shall notify the Issuer, the Bond Insurer and the Trustee that either the Expiration Date will be extended to the new expiration date requested by the Issuer or notify the Issuer, the Bond Insurer and the Trustee that the Expiration Date will not be so extended by delivery of written notice in the form of Exhibit D (the "Notice of Extension"). The Bank's failure to so respond to a requested extension of the Expiration Date shall constitute the Bank's denial of such request. If the Expiration Date is extended, the Issuer and the Trustee shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Expiration Date is so extended.

Section 9.11. Participations. The Issuer acknowledges and agrees that the Bank may participate portions of its obligations hereunder and with respect to the Bank Warrants and any other Related Documents (collectively, the "Participated Obligations") to other financial institutions without notice or the consent of the Issuer and without diminishing the obligations of the Bank hereunder in any manner. The Issuer further acknowledges and agrees that upon any such participation the Participants will become owners of a pro rata portion of the Participated Obligations and the Issuer waives any right of setoff it may have at any time against the Bank or any Participant with regard to the Participated Obligations. Notwithstanding the foregoing, the Issuer shall have no obligation to provide information to any Participant, the grant of such participation interest shall not limit the obligations of the Bank hereunder and the Bank will continue to serve as the only contact for the Issuer for all matters relating to this Agreement.

Section 9.12. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.13. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not have any affect for purposes of interpretation or construction of the terms of this Agreement.

Section 9.14. Complete and Controlling Agreement. This Agreement and the Related Documents completely set forth the agreements among the Bank, the Liquidity Agent, the Trustee and the Issuer and fully supersede all prior agreements, both written and oral, among the Bank, the Trustee, the Liquidity Agent and the Issuer relating to all matters set forth herein and in the Related Documents. The terms and provisions of this Agreement may be amended or superseded only by a written instrument and no oral agreements, practices, standards or other extrinsic communications or facts shall have any bearing on the interpretation or enforcement of this Agreement or the Related Documents except as otherwise expressly agreed to in writing by the Bank and the Issuer. All reasonable expenses and fees associated with an amendment hereto shall be borne by the party or parties requesting such Amendment. Notwithstanding the foregoing, the Bond Insurer's prior written consent is required for any amendment to this Agreement which materially adversely affects the rights of the Bond Insurer hereunder or under any of the Related Documents.

Section 9.15. WAIVER OF JURY TRIAL. THE ISSUER (TO THE EXTENT THAT IT MAY LAWFULLY DO SO), THE TRUSTEE, THE LIQUIDITY AGENT AND THE BANK HEREBY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT.

ARTICLE X

THE LIQUIDITY AGENT

Section 10.01. Authorization and Action.

(a) The Bank hereby appoints and authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Indenture as are delegated to the Liquidity Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. The Liquidity Agent hereby agrees that it shall not take any discretionary action hereunder, including but not limited to the exercise of any consent or approval right or the right to direct the Trustee to take action hereunder or under the Indenture, without first being directed to do so by the Bank. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement or collection of the indebtedness resulting from the advances by the Bank pursuant to Section 2.02 hereof), the Liquidity Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon instruction of the Bank; provided, however, that the Liquidity Agent shall not be required to take any action which exposes it to personal liability or which is contrary to this Agreement, the Indenture, or applicable law or which it believes to be commercially unreasonable. The Liquidity Agent agrees to give to the Bank prompt notice of each notice given to it by the Issuer, the Tender Agent or the Trustee pursuant to the terms of this Agreement or the Indenture. The Liquidity Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with the Bank and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this

Agreement or any other Related Documents or otherwise exist against the Liquidity Agent.

(b) Without limitation to any other provision of this Article X, the Bank hereby (x) authorizes the Liquidity Agent to take such action as agent on its behalf and to exercise such powers as are delegated to the Liquidity Agent by the terms thereof, together with such powers as are reasonably incidental thereto, (y) agrees that the execution and action by the Liquidity Agent under this Section 10.01(b) shall be binding upon the Bank and its successors and assigns, and (z) agrees that each of the provisions of this Article X in favor of the Liquidity Agent acting in its capacity as agent for the Bank under this Agreement shall inure to the benefit of the Liquidity Agent acting in its capacity as agent for the Bank.

Section 10.02. Liquidity Agent's Reliance Etc. Neither the Liquidity Agent nor any of its respective shareholders, directors, officers, agents, or employees nor any other Person assisting them in their duties nor any agent or employee thereof shall be liable for any waiver, consent or appraisal given or any action taken or omitted to be taken in good faith by it or them under or in connection with this Agreement or any other Related Documents, or be responsible for the consequences of any oversight or error of judgment whatsoever, except for the Liquidity Agent's own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Liquidity Agent: (i) may treat the Bank as the holder of the indebtedness resulting from an advance under Section 2.02; (ii) may consult with legal counsel (including counsel for the Issuer), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to the Bank and shall not be responsible to the Bank for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or the Indenture; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or the Indenture on the part of the Issuer; (v) shall not be responsible to the Bank for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, the other Related Documents, or any other instrument or document furnished pursuant hereto or thereto; and (vi) shall incur no liability under or in respect of this Agreement or the Indenture by acting upon any notice, consent, certificate, or other instrument or writing (which may be by facsimile or telegram) reasonably believed by it to be genuine and signed or sent by the proper party or parties.

Section 10.03. Liquidity Bank Credit and Lending Decision.

(a) The Bank acknowledges that (i) it has, independently and without reliance upon the Issuer or the Liquidity Agent and based on such financial statements and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and that (ii) the commitment being entered into herein has been approved through its regular approval process and is duly authorized as a result of same. The Bank also acknowledges that it will, independently and without reliance upon the Issuer or the Liquidity Agent and based on such documents

and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

(b) The Bank acknowledges that its execution, delivery and performance of this Agreement complies with its legal lending limits.

(c) The Bank acknowledges that to the best of its officers' knowledge, information and belief, there is no regulatory or legal impediment to its execution, delivery and performance of this Agreement.

Section 10.04. Indemnification. The Bank agrees to indemnify the Liquidity Agent (to the extent not reimbursed by the Issuer), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Liquidity Agent in any way relating to or arising out of this Agreement, the Indenture the transactions contemplated hereby or thereby, or any action taken or omitted by the Liquidity Agent in such capacity under this Agreement or the Indenture, provided, that the Bank shall not be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from the Liquidity Agent's gross negligence or willful misconduct. Without limitation to the foregoing, the Bank agrees to reimburse the Liquidity Agent promptly upon the Liquidity Agent's demand for any out-of-pocket expenses (including reasonable counsel fees) incurred by the Liquidity Agent in connection with the preparation, execution, delivery, administration, modification, amendment, waiver, or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement to the extent that the Liquidity Agent is not reimbursed for such expenses by the Issuer.

Section 10.05. Successor Liquidity Agent. The Liquidity Agent may resign at any time by giving written notice thereof to the Bank, the Issuer and the Trustee and may be removed at any time with or without cause by the Bank upon written notice thereof to the Liquidity Agent and the Issuer. Such resignation or removal shall become effective as set forth below. The Bank shall have the right to appoint a successor Liquidity Agent, provided that the Issuer shall have the right to approve the successor Liquidity Agent, which approval shall not be unreasonably withheld or delayed. If no successor Liquidity Agent shall have been so appointed by the Bank and approved by the Issuer, and shall have accepted such appointment, within 30 days after the retiring Liquidity Agent's giving of notice of resignation or the Bank's removal of the retiring Liquidity Agent, then the retiring Liquidity Agent may, on behalf of the Bank, appoint a successor Liquidity Agent, which successor Liquidity Agent shall be either a commercial bank having a combined capital and surplus of at least \$50,000,000.00 or an Affiliate of such an institution which shall in either case have a short-term unsecured indebtedness rating of at least A-1 by S&P and V-MIG 1 by Moody's. Upon the acceptance of any appointment as Liquidity Agent hereunder by a successor Liquidity Agent, such successor Liquidity Agent shall thereupon succeed to and become vested with all the rights, powers, privileges, and duties of the retiring Liquidity Agent, and the retiring Liquidity Agent shall be discharged from its duties and obligations under this Agreement and the Indenture. After any retiring Liquidity Agent's resignation or removal hereunder as Liquidity Agent, the provisions of this Article X shall inure to

its benefit as to any actions taken or omitted to be taken by it while it was Liquidity Agent under this Agreement and the Indenture.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

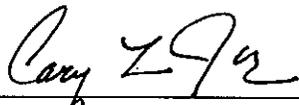
By: 
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity Agent

By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A., its agent

By: 
Name: Cary L. Jones
Title: Vice President

LLOYDS TSB BANK PLC, acting through its New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

JPMORGAN CHASE BANK, as Liquidity
Agent


By: _____
Name: Michael P. Mak
Title: Vice President

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

LLOYDS TSB BANK PLC, acting
through its New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their duly authorized officers, all as of the day and year first above written.

JEFFERSON COUNTY, ALABAMA

By: _____
President of the County Commission

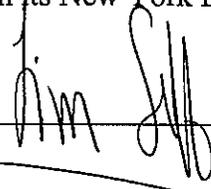
JPMORGAN CHASE BANK, as Liquidity Agent

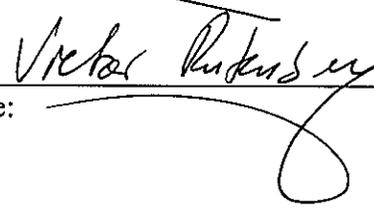
By: _____
Name:
Title:

THE BANK OF NEW YORK, as Trustee

By: _____
Name:
Title:

LLOYDS TSB BANK PLC, acting through its New York Branch

By:  _____
Name: _____
Title: _____
TIM SELF
Vice President
Structured Finance
S302

By:  _____
Name: _____
Title: _____
VICTOR RUTENBERG
Assistant Vice President
Structured Finance
R045

SCHEDULE I

INITIAL PURCHASE COMMITMENTS

<u>Bank</u>	<u>Initial Principal Commitment</u>	<u>Initial Interest Commitment</u>
Lloyds TSB Bank plc	\$105,000,000	\$1,006,849

EXHIBIT A

NOTICE OF BANK PURCHASE

The undersigned, a duly authorized officer of The Bank of New York, as trustee (the "Trustee"), hereby certifies to Lloyds TSB Bank plc (the "Bank"), in accordance with the Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Standby Warrant Purchase Agreement") among Jefferson County, Alabama (the "Issuer"), the Trustee, JPMorgan Chase Bank, as Liquidity Agent and the Bank relating to the Issuer's \$105,000,000 Sewer Revenue Refunding Warrants, Series 2003-B-7 (all capitalized terms herein having the meanings ascribed thereto in the Standby Warrant Purchase Agreement), that:

1. Eligible Warrants have been tendered or deemed tendered for purchase pursuant to Section [5.2][5.3][5.4] of the Indenture.

2. To the Trustee's actual knowledge, no Insurer Event of Default described in Section 8.01 of the Standby Warrant Purchase Agreement has occurred and is continuing and no Event of Default described in Section 8.01(b)(ii) or Section 8.01(q) has occurred and is continuing.

3. Insufficient moneys are available for such purchase pursuant to Section 5.5 of the Indenture.

4. The Trustee hereby requests the payment of Purchase Price in the amount of \$_____.

5. The portion of the Purchase Price requested hereby relating to the principal of the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Principal Commitment and the portion of the Purchase Price requested hereby relating to accrued interest on the Eligible Warrants for which there is not sufficient moneys referred to above is \$_____, which amount does not exceed the Available Interest Commitment.

6. Upon completion of purchase, the Trustee will register such Eligible Warrants, or if an Eligible Warrant to be purchased pursuant to Section 5.5 of the Indenture has not been delivered, a new Eligible Warrant issued in replacement of the undelivered Eligible Warrant, in the name of the Bank, or, if directed in writing by the Bank, the Bank's nominee or designee on the register, and the Tender Agent will promptly deliver such Eligible Warrants to the Bank, or as the Bank may otherwise direct in writing, and prior to such delivery will hold such Eligible Warrants in trust for the benefit of the Bank, provided if the Warrants are in book entry form, the Tender Agent shall hold Bank Warrants in its participant account for the benefit of the Bank, as described in Section 2.02 of the Standby Warrant Purchase Agreement.

The funds requested hereunder shall be transferred to the Trustee as follows:

[PLEASE PROVIDE]

The Purchase Date is _____, ____.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the __ day of _____, ____.

THE BANK OF NEW YORK, as Trustee

By _____
Name _____
Title _____

Cc: JPMorgan Chase Bank, as Liquidity Agent

EXHIBIT B

FORM OF TERMINATION NOTICE

[DATE]

The Bank of New York, as Trustee
Financial Center, 7th Floor
505 North 20th Street
Birmingham, Alabama 35203
Attention:

Jefferson County, Alabama
County Courthouse
716 Richard Arrington Boulevard
Birmingham, Alabama 35293
Attention: President of County Commission

XL Capital Assurance Inc.
1221 Avenue of the Americas, 31st Floor
New York, New York 10020
Attention: Scott Beinhacker

J.P. Morgan Securities, Inc.
270 Park Avenue, 7th Floor
New York, New York 10017
Attention: Tom Gallo, Vice President

\$105,000,000
Jefferson County, Alabama
Sewer Revenue Refunding Warrants
Series 2003-B-7

Ladies and Gentlemen:

The undersigned, duly authorized officers of Lloyds TSB Bank plc (the "Terminating Bank"), pursuant to Section 8.02(b) of the Standby Warrant Purchase Agreement dated as of May 1, 2003 (the "Agreement") among The Bank of New York, as Trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and the Terminating Bank, hereby request you call Eligible Warrants in a principal amount equal to the Terminating Bank's Available

Commitment (as defined in the Agreement) for mandatory tender pursuant to Section 5.4 of the Indenture as described in Section 8.02(b) of the Agreement and notify you that an Event of Default under Section 8.01 [(e), (h), (i), (k), (l) or (o)] of the Agreement has occurred and that as a result thereof the Terminating Bank's commitment to purchase Eligible Warrants under the Agreement shall terminate on the date that is twenty-five (25) days after your receipt of this notice.

Sincerely,

LLOYDS TSB BAK PLC, acting through its
New York Branch

By: _____
Authorized Signatory

By: _____
Authorized Signatory

B-2

04-83885.05

EXHIBIT C

REQUEST FOR EXTENSION

Lloyds TSB Bank plc
New York Branch
1251 Avenue of the Americas
39th Floor
New York, New York 10020
Attention: Patricia Kilian

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Warrant Purchase Agreement, dated as of May 1, 2003 (the "Agreement"), among The Bank of New York, as trustee, Jefferson County, Alabama, JPMorgan Chase Bank, as Liquidity Agent and Lloyds TSB Bank plc. All capitalized terms contained herein which are not specifically defined shall be deemed to have the definition set forth in the Agreement. The Issuer hereby requests, pursuant to Section 9.10 of the Agreement, that the Expiration Date of the Bank's Available Commitment under the Agreement be extended to [IDENTIFY REQUESTED NEW EXPIRATION DATE]. Pursuant to Section 9.10 of the Agreement, we have enclosed along with this request the following information:

1. The outstanding principal amount of the Series 2003-B-7 Warrants;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Bank.

The Bank is requested to notify the Issuer of its decision with respect to this request for extension within 35 days of the date of receipt hereof. If the Bank fails to notify the Issuer of its decision within such 35-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

JEFFERSON COUNTY, ALABAMA

By _____
Name _____
Title _____

IN WITNESS WHEREOF, the undersigned, on behalf of the Bank, has executed and delivered this Notice of Extension as of the ___ day of _____.

LLOYD TSB BANK PLC, acting through its
New York Branch

By _____
Authorized Signatory

By _____
Authorized Signatory

cc: J.P. Morgan Securities, Inc.

State of Alabama - Jefferson County
I certify this instrument filed on:
2003 JUN 05 A.M. 11:03
Recorded and \$ _____ Mtg. Tax
and \$ _____ Deed Tax and Fee Amt.
\$ **147.00** Total \$ **147.00**
MICHAEL F. BOLIN, Judge of Probate



200308/7767