

BE IT RESOLVED AND ORDERED by the JEFFERSON COUNTY COMMISSION (hereinafter, the "Commission"), as follows:

Section 1.

The Commission hereby finds and determines as follows:

(a) Jefferson County (the "County") is subject to a Consent Decree in the consolidated cases *United States of America v. Jefferson County, Alabama, et al.*, Civil Action No. 94-G-2947-S and *Kipp, et al. v. Jefferson County, Alabama, et al.*, Civil Action No. 93-G-2492-S. The Consent Decree required the County to improve the Jefferson County sanitary sewer system (the "System"). To pay for these projects, the County issued several series of sewer warrants. The sewer warrants are governed by a Trust Indenture dated as of February 1, 1997 and subsequently supplemented and amended (as amended and supplemented, the "Indenture").

(b) The Indenture provides that the Commission will adjust rates charged for sewer services (the "System rates") to provide for sufficient Net Revenues Available for Debt Service (as defined in the Indenture). Alabama law limits the Commission's ability and duty to raise rates above a reasonable level. The Indenture recognizes these legal limitations.

(c) On February 12, 1997, the Commission adopted a resolution that amended its sewer rate ordinance (the "Rate Adjustment Resolution") to provide a procedure for annual adjustments to System rates. Currently, the amount of such adjustments is determined by three formulas set forth in the Rate Adjustment Resolution.

(d) The Rate Adjustment Resolution does not limit or restrict the power or authority of the Commission to depart from the Rate Adjustment Resolution. The Commission can set rates directly without relying on the Rate Adjustment Resolution and has done so on several prior occasions.

(e) Due to escalating debt service requirements, System rates have increased by approximately 329% since 1997.

(f) In the first quarter of 2008, rating agencies downgraded the credit ratings of certain bond insurers that insure the County's sewer warrants. The downgrade of the bond insurers caused a dramatic rise in interest rates on the System's variable rate and auction rate warrants and an acceleration of principal on certain variable rate warrants. The County's annual debt service under the Indenture is now more than double the level of debt service projected at the beginning of 2008.

(g) Due to the dramatic increase in the System's debt service since the first quarter of 2008, if the Commission allowed the Rate Adjustment Resolution to apply it would result in an increase of System rates, effective January 1, 2009, of more than 300%.

(h) The Commission has been advised by counsel that such a rate increase would not be reasonable under applicable law and would violate the Indenture, which provides that rate increases must be consistent with applicable law.

(i) On September 16, 2008, the trustee under the Indenture, at the direction of and joined by certain of the bond insurers, sued the County in a lawsuit styled *The Bank of New York Mellon, et al v. Jefferson County, Alabama, et al.*, Civil Action No. 2:09-CV-01702-RDP (the "Indenture Action") before the United States District Court, Northern District of Alabama (the "Court"). The plaintiffs in the Indenture Action allege defaults and seek remedies under the Indenture. The County is defending the claims and has filed counter-claims against the bond insurer plaintiffs and reserves all rights, claims and defenses.

(j) By orders dated November 19, 2008 and November 25, 2008, the Court appointed two Special Masters to investigate, mediate and report to the Court on various issues, including System rates. The Special Masters' report on System rates is due January 19, 2008. In addition, the Commission will confer with a rate consultant to offer advice and recommendations on System rates.

(k) To ensure System rates are reasonable and lawful and consistent with the terms of the Indenture, the Commission has concluded that it must suspend the Rate Adjustment Resolution and take action on System rates after consulting with and considering the recommendations of its rate consultants and the Special Masters.

(l) Suspending the Rate Adjustment Resolution will allow the Commission to act directly on System rates after consulting with and considering the recommendations of the Special Masters and the County's consultants. This action is necessary for the Commission to balance and discharge its duties to creditors, rate payers and the environment under the Indenture, the Consent Decree and applicable law.

Section 2.

The Commission hereby suspends the operation of the Rate Adjustment Resolution pending consultation with and consideration of the recommendations of the Special Masters and the County's rate consultant. Without limitation of the foregoing, there shall be no adjustment of System rates pending further action of the Commission after such notice and hearing as required by applicable law.

Section 3.

In no event shall the provisions of this resolution limit or restrict the power or authority of the Commission to modify rates or charges for services provided by the System or to modify or rescind the Rate Adjustment Resolution.

Section 4.

This resolution and order shall take effect upon passage and adoption by the Commission.
