



(Dated July 29, 2013) [Docket No. 1977] (the “August 8 Disclosure Statement”).<sup>1</sup> The August 8 Disclosure Statement is intended to supersede and replace the June 30 Disclosure Statement and July 29 Disclosure Statement in all respects. Among other things, the August 8 Disclosure Statement includes additional exhibits, as follows: (i) a description of the Wilson Action provided by the Wilson Action plaintiffs has been added as Exhibit No. 12; and (ii) a description of the Bennett Action provided by the Bennett Action plaintiffs has been added as Exhibit No. 13.

**PLEASE TAKE FURTHER NOTICE** that for the convenience of the Court and all parties in interest, a changed pages only “redline” comparison showing the revisions made to the July 29 Disclosure Statement by the August 8 Disclosure Statement (except for revisions to exhibits) is attached hereto as **Exhibit A**.

DATED: August 8, 2013

/s/ J. Patrick Darby

BRADLEY ARANT BOULT CUMMINGS LLP

J. Patrick Darby

-and-

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<sup>1</sup> Unless otherwise defined, all capitalized terms shall have the meaning provided in the August 8 Disclosure Statement.

# **Exhibit A**

(Redline of August 8 Disclosure Statement Against  
July 29 Disclosure Statement)

~~THIS DOCUMENT IS NOT A SOLICITATION OF ACCEPTANCE OR REJECTION OF THE PLAN. ACCEPTANCES OR REJECTIONS MAY NOT BE SOLICITED UNTIL A DISCLOSURE STATEMENT IS APPROVED BY THE BANKRUPTCY COURT. THIS DISCLOSURE STATEMENT IS BEING SUBMITTED FOR APPROVAL, BUT IT HAS NOT YET BEEN APPROVED BY THE BANKRUPTCY COURT.~~

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE NORTHERN DISTRICT OF ALABAMA  
SOUTHERN DIVISION**

**In re:**

**JEFFERSON COUNTY, ALABAMA,  
a political subdivision of the State of  
Alabama,**

**Debtor.**

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)

**Case No. 11-05736-TBB**

**Chapter 9**

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CHAPTER 9 PLAN OF ADJUSTMENT FOR JEFFERSON COUNTY, ALABAMA  
(DATED JULY 29, 2013)**

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### **TABLE OF EXHIBITS**

<b>EXHIBIT NO.</b>	<b>DESCRIPTION</b>
1	<i>Chapter 9 Plan of Adjustment for Jefferson County, Alabama Dated July 29, 2013 [with exhibits]</i>
2	Jefferson County Commission Audited Financial Statements – September 30, 2011
3	Department of Examiners of Public Accounts of the State of Alabama report dated June 8, 2012
4	County's Fiscal Year 2012-2013 Budget
5	Depfa Plan Support Agreement
6	GO Plan Support Agreement
7	Sewer Plan Support Agreements
8	National Plan Support Agreement
9	Amended Financing Plan
10	Financial Projections for General Fund
11	Financial Projections for Education Tax
<u>12</u>	<a href="#"><u>Description of Wilson Action Provided by the Wilson Action Plaintiffs</u></a>
<u>13</u>	<a href="#"><u>Description of Bennett Action Provided by the Bennett Action Plaintiffs</u></a>

below. If you hold an Allowed Class 1-A or Class 1-B Claim, your decision regarding the Commutation Election will affect your Distribution under the Plan and certain releases thereunder. Under some circumstances, holders of Allowed Class 1-A and Class 1-B Claims will be *deemed to make the Commutation Election*. Holders of Allowed Class 1-A Claims who make or are deemed to make the Commutation Election will receive a materially larger Distribution of Cash under the Plan (80% of one's Adjusted Sewer Warrant Principal Amount) than holders who do not make the Commutation Election (65% of one's Adjusted Sewer Warrant Principal Amount), but will release certain additional rights, including claims that could be asserted against the Sewer Warrant Insurers under the applicable Sewer Insurance Policies.

The holders of all Allowed Class 1-B Claims (Bank Warrant Claims and Primary Standby Sewer Warrant Claims) have committed to make the Commutation Election, subject to the terms of their Plan Support Agreements. Holders of Allowed Class 1-A Claims (Sewer Warrant Claims) representing over 75% of the dollar amount of Allowed Class 1-A Claims have also committed to make the Commutation Election, subject to the terms of their Plan Support Agreements.

**Releases and  
Injunctions under  
the Plan:**

**Section 6.3(a) of the Plan provides that if you vote to accept the Plan or make or are deemed to make the Commutation Election, you will be conclusively deemed to have irrevocably and unconditionally waived and released as of the Effective Date of the Plan all Sewer Released Parties (including, among others, the JPMorgan Parties, the Sewer Liquidity Banks, the Sewer Warrant Insurers, the Sewer Warrant Trustee, and the Supporting Sewer Warrantholders) and their respective Related Parties from any and all Sewer Released Claims.**

**Section 6.3(b) of the Plan provides that if you vote to accept the Plan, you will be conclusively deemed to have irrevocably and unconditionally waived and released as of the Effective Date of the Plan, all GO Released Parties (including, among others, the GO Banks, the GO Warrant Trustee, and National) and their respective Related Parties from any and all GO Released Claims.**

**The releases and injunctions under the Plan are more particularly described in Section VII.F.3 of this Disclosure Statement.**

**Voting Information:**

If you are entitled to vote, you should have received a Ballot with this Disclosure Statement. After completing and signing your Ballot, you should return it in accordance with the instructions provided on your Ballot. The instructions for returning Ballots are also described in Article XII below.

**Ballot Deadline:**

For your Ballot to be counted, the Ballot Tabulator must receive the Ballot not later than 5:00 p.m. prevailing Central time on ~~1~~October 7,

2013~~1~~.

If you must return your Ballot to your bank, broker, agent, or nominee, you must return your Ballot to such bank, broker, agent, or nominee by the deadline (if any) set by them so that such bank, broker, agent, or nominee may process your Ballot and return it to the Ballot Tabulator by the Ballot Deadline. If your Ballot is not returned, or if you are required to return your Ballot to your bank, broker, agent, or nominee and your Ballot is not received by such bank, broker, agent, or nominee by the deadline (if any) set by them, or if your Ballot is otherwise received by the Ballot Tabulator after the Ballot Deadline, your Ballot will not be counted and, if you are a holder of a Class 1-A Claim or a Class 1-B Claim, depending upon which series or subseries of Sewer Warrants you hold, you may be deemed to have made the Commutation Election in accordance with the terms of the Plan.

Confirmation Hearing: The Confirmation Hearing will be held on ~~1~~November 12, 2013~~1~~, at ~~1~~9:00 a.m. prevailing Central time. The Confirmation Hearing may be continued from time to time without further notice.

Treatment of Claims: The treatment that Creditors will receive if the Bankruptcy Court confirms the Plan is set forth in the Plan and is summarized in Section VII.A of this Disclosure Statement.

The Effective Date: The Effective Date of the Plan will be a Business Day selected by the County, after consultation with the Sewer Plan Support Parties, provided, among other conditions set forth in Section 4.18 of the Plan, that the Effective Date shall be no later than December 31, 2013.

Questions: Information about the Plan solicitation procedures, as well as copies of the Plan, Disclosure Statement, Disclosure Statement Order, the approved forms of Ballots, the Plan Procedures Motion, and the Plan Procedures Order, are available at [www.jeffersoncountyrestructuring.com](http://www.jeffersoncountyrestructuring.com). Copies of the Plan, Disclosure Statement, Disclosure Statement Order, the approved forms of Ballots, the Plan Procedures Motion, and the Plan Procedures Order are available upon request by contacting the County's Claims and Noticing Agent and Ballot Tabulator, Kurtzman Carson Consultants LLC, either by email at [JeffersonCountyInfo@kccllc.com](mailto:JeffersonCountyInfo@kccllc.com), or by telephone at (866) 967-0677, or by mail at Jefferson County Ballot Processing, c/o Kurtzman Carson Consultants LLC, (Attention: Jefferson County Ballot Processing), 2335 Alaska Avenue, El Segundo, CA 90245. Copies of the Plan, the Disclosure Statement, the Disclosure Statement Order, the Plan Procedures Motion, and the Plan Procedures Order are also available for review and download at the Bankruptcy Court's website, [www.alnb.uscourts.gov](http://www.alnb.uscourts.gov). Alternatively, these documents may be accessed through the Bankruptcy Court's "PACER" website, <https://ecf.alnb.uscourts.gov>. A PACER password and login are needed to access documents on the Court's "PACER" website. A PACER password can be obtained at <http://www.pacer.gov>.

## I. INTRODUCTION

Jefferson County, Alabama (the “County”) filed a voluntary petition for relief under chapter 9 of title 11 of the United States Code (the “Bankruptcy Code”) on November 9, 2011 (the “Petition Date”), thereby commencing the above-captioned bankruptcy case (the “Case”). The Case is pending before the Honorable Thomas B. Bennett, Chief United States Bankruptcy Judge, in the United States Bankruptcy Court for the Northern District of Alabama, Southern Division (the “Bankruptcy Court”) as case number 11-05736-TBB. The Bankruptcy Court entered an order for relief in the Case on March 4, 2012.<sup>1</sup> The County is a municipal debtor operating under chapter 9 of the Bankruptcy Code, which incorporates only some of the Bankruptcy Code provisions that are applicable in bankruptcy cases pending under other chapters of the Bankruptcy Code. *See* 11 U.S.C. § 901(a).

Pursuant to Bankruptcy Code section 941, the County has filed and is the proponent of the *Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013)*, a copy of which is attached to this Disclosure Statement as Exhibit 1. **The document you are reading is the Disclosure Statement for the accompanying Plan.** The Plan sets forth the manner in which all Claims will be treated if the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs. This Disclosure Statement describes the Plan, the County’s current and future operations, the proposed adjustment of the County’s indebtedness, risk factors associated with confirmation of the Plan, and other related matters.

For a complete understanding of the Plan, you should read this Disclosure Statement, the Plan, and the exhibits to these documents (collectively, the “Exhibits”) in their entirety.

This Disclosure Statement sets forth the assumptions underlying the Plan, describes the process that the Bankruptcy Court will follow when determining whether to confirm the Plan, and describes how the Plan will be implemented if the Plan is confirmed by the Bankruptcy Court and the Effective Date occurs. Bankruptcy Code section 1125 requires that a disclosure statement contain “adequate information” concerning a bankruptcy plan. *See* 11 U.S.C. § 1125(a). After a hearing held on August 6, 2013, the Bankruptcy Court entered an order approving the form of this document as containing adequate information to enable Creditors entitled to vote on the Plan to make an informed judgment when deciding whether to vote to accept or to reject the Plan (the “Disclosure Statement Order”). The Bankruptcy Court’s approval of the adequacy of this Disclosure Statement, however, does not constitute a determination by the Bankruptcy Court with respect to the fairness or the merits of the Plan or the accuracy or completeness of the information contained in the Plan or Disclosure Statement. **THE COURT HAS NOT YET CONFIRMED THE PLAN DESCRIBED IN THIS DISCLOSURE STATEMENT. THEREFORE, THE PLAN’S TERMS ARE NOT YET BINDING ON ANYONE. IF THE COURT LATER CONFIRMS THE PLAN AND THE EFFECTIVE DATE OCCURS, THEN THE PLAN WILL BE BINDING ON THE**

<sup>1</sup> As detailed in Section IV.B below, various parties challenged the County’s eligibility to be a chapter 9 debtor under Bankruptcy Code section 109(c) and Alabama Code section 11-81-3. After briefing and a hearing, the Bankruptcy Court overruled those objections and entered the order for relief. *See In re Jefferson County*, 469 B.R. 92 (Bankr. N.D. Ala. 2012).

Unless another time is expressly specified in this Disclosure Statement, all statements contained in this Disclosure Statement are made as of ~~August 1~~ July 29, 2013. Under no circumstances will the delivery of this Disclosure Statement or the exchange of any rights made in connection with the Plan create an implication or representation that there has been no subsequent change in the information included in this Disclosure Statement. The County assumes no duty to update or supplement any of the information contained in this Disclosure Statement, and the County currently does not intend to undertake any such update or supplement.

**CAUTIONARY STATEMENT:** Some statements in this Disclosure Statement may constitute forward-looking statements within the meaning of the Securities Act of 1933, as amended from time to time (the “1933 Act”), and the Securities Exchange Act of 1934, as amended from time to time (the “1934 Act”). Such statements are based upon information available when the statements were made and are subject to risks and uncertainties that could cause actual results materially to differ from those expressed in the statements. Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved the Disclosure Statement, the Plan, or any Exhibits to either document.

The Exhibits that are listed after the Table of Contents are attached to the Disclosure Statement. These Exhibits are incorporated into the Disclosure Statement and will be deemed to be included in this Disclosure Statement when they are Filed.

### **III.**

## **OVERVIEW OF THE COUNTY, INCLUDING ITS ASSETS AND LIABILITIES**

### **A. Historical Information About the County**

#### **1. History**

The County is a political subdivision of the State of Alabama that was created by the legislative branch of the state government of Alabama (the “Alabama Legislature”) on December 13, 1819. The County is located in the north-central portion of the State of Alabama, on the southern extension of the Appalachians, in the center of the iron, coal, and limestone belt of the South. The County is approximately 1,111 square miles in size.

The City of Birmingham has served as the county seat since 1873, and the County continues to maintain its primary offices and courthouse in Birmingham.

Pursuant to acts passed in the early 1900s, the Alabama Legislature assigned certain obligations to the County with regard to the maintenance of an additional courthouse and other County offices in a region of the County commonly known as the “Bessemer Cutoff.” That term references the City of Bessemer, the largest city in the Bessemer Cutoff which, as of 2010, had a population of approximately 28,000 people.

#### **2. Population**

The County is the most populous county in the State of Alabama. According to the U.S. Census Bureau, the County’s population was estimated in 2011 at 658,931, an increase of 0.1%

Legislature failed to comply with the publication requirement of section 106 of the Alabama Constitution when enacting the 2009 Act. Judge Price concluded that the 2009 Act was unconstitutional and void. Judge Price's judgment became final on December 1, 2010, but it did not require that the County refund the Occupational Tax collected between the effective date of the 2009 Act (August 14, 2009) and the date of final judgment (December 1, 2010).

Both the County and the plaintiffs appealed Judge Price's ruling to the Alabama Supreme Court. The County challenged Judge Price's ruling that the 2009 Act was unconstitutional and void. The plaintiffs challenged Judge Price's determination that his ruling would not be given retroactive effect. The County continued to collect the Occupational Tax pending the appeal, with such collections being deposited into an escrow fund.

The Alabama Supreme Court bifurcated the issues on appeal. On March 16, 2011, the Alabama Supreme Court upheld Judge Price's ruling that the 2009 Act was unconstitutional and void. Consequently, all escrowed funds were released to the plaintiffs. As of the Petition Date, the Alabama Supreme Court had not ruled on whether the County was obligated to refund approximately \$100 million in Occupational Tax collected pursuant to the 2009 Act from its effective date (August 14, 2009) through the date of Judge Price's order (December 1, 2010). The amount of those Claims exceeded the County's cash reserves in its General Fund as of the Petition Date.<sup>3</sup>

#### **6. Lack of Legislative Remedy to Address the Weissman Lawsuit**

In light of the rulings in the Weissman Lawsuit, the County instituted further efforts, this time at the Alabama Legislature's 2011 Regular Session, to obtain the enactment of replacement legislation that would alleviate the financial pressures associated with the loss of the Occupational Tax. The first option was to pass "limited home rule" legislation that would grant the County limited authority to raise tax revenue without specific legislative approval. The second option was to pass "un-earmarking" legislation to remove certain restrictions on the County's use of tax revenues.

While making this push for legislation, the County simultaneously made drastic cuts in its expenditures in an attempt to balance its budget as mandated by state law. The spending cuts affected nearly every department and resulted in sweeping reductions in basic services. Initially, the County took steps to reduce expenditures without laying off employees. The County closed its four satellite courthouse locations and consolidated services at the Birmingham courthouse. These and other steps have reduced spending by ~~approximately \$30~~over \$75 million since the current County Commission took office.

The "home rule" legislation enjoyed the support of a majority of the County's legislative delegation and was approved in the House of Representatives. However, under state legislative

<sup>3</sup> As referenced below in Section III.E.8, the Alabama Supreme Court ruled postpetition that the County does not have to refund the approximate \$100 million of collected Occupational Taxes.

duly-noticed hearing, the Bankruptcy Court entered an order decreeing that the automatic stay of Bankruptcy Code section 362(a) applies to the Wilson Adversary Proceeding and that the plaintiffs' efforts to engage in discovery were prohibited by the automatic stay.

The matter remains pending with one count in Bankruptcy Court and one count in State Court. The count in State Court is stayed by virtue of the automatic stays under Bankruptcy Code sections 362(a) and 922(a). The Wilson Adversary Proceeding is discussed further in Section IV.H.1 below.

The plaintiffs in the Wilson Action disagree with the County's description of the Wilson Action provided above and elsewhere in the Disclosure Statement. Attached as Exhibit 12 and incorporated by reference is the Wilson Action plaintiffs' description of their claims. The County disagrees with the characterizations in Exhibit 12. The parties reserve all rights, claims and defenses.

**2. *Bank of New York Mellon as Trustee v. Jefferson County, et al.*; United States District Court for the Northern District of Alabama, Southern Division, Case No. 2:08-cv-1703-RDP (the “Federal Court Receivership Action”)**

In 2008, the Sewer Warrant Trustee, FGIC, and Syncora filed this action in District Court seeking the appointment of a receiver over the Sewer System. Although the District Court found that the appointment of a receiver was warranted, the District Court abstained from exercising jurisdiction over the Federal Court Receivership Action. This case was stayed prior to the County's bankruptcy filing and has been administratively closed.

**3. *Bank of New York Mellon as Trustee v. Jefferson County, et al.*; Circuit Court of Jefferson County, Alabama, Birmingham Division, Case No. CV-09-2318 (the “State Court Receivership Action,” and together with the Federal Court Receivership Action, the “Receivership Actions”)**

After the District Court abstained in the Federal Court Receivership Action, the Sewer Warrant Trustee filed the State Court Receivership Action in the State Court to seek the appointment of a receiver for the Sewer System. The State Court granted the Sewer Warrant Trustee's motion for partial summary judgment. In an order effective as of September 22, 2010 (the “Receiver Order”), the State Court, relying upon Alabama Code section 6-6-620 and section 13.2 of the Sewer Warrant Indenture (titled “Remedies on Default”), appointed the Receiver to operate the Sewer System.

As part of the Receiver Order, the State Court also entered a money judgment against the County in the amount of \$515,942,500.11, with recourse for that money judgment limited to the net revenues from the operation of the Sewer System.

Several additional parties sought to intervene in the State Court Receivership Action since the Receiver Order was entered. The potential intervening parties include the Attorney General of the State of Alabama (the “Attorney General”), the plaintiffs from the Wilson Action, a group of Alabama state legislators, and another group that includes legislators,

the SEC issued an Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings and Imposing Remedial Sanctions and a Cease-and-Desist Order (the “SEC Order”). This proceeding is now concluded.

In connection with the JPMorgan SEC Settlement, in view of JPMS’s undertaking to pay \$50,000,000 “to and for the benefit of Jefferson County, Alabama” and to terminate any and all obligations of the County to make any payments to JPMorgan Chase under the Series 2002-A Sewer Swap, the Series 2002-C JPM Sewer Swap, the Series 2003-B Sewer Swap, the Series 2003-C JPM Sewer Swap, and the 2001 Swaptions, the SEC, among other things, ordered JPMS to pay disgorgement of \$1.00 and a civil money penalty in the amount of \$25,000,000 to the SEC, which JPMS thereafter paid. JPMS did not admit nor deny the findings contained in the SEC Order. Pursuant to the “Fair Fund” provisions of the Sarbanes-Oxley Act of 2002, the County was an eligible recipient of the civil money penalty and the disgorgement paid by JPMS to the SEC and, on August 18, 2010, the SEC issued a Proposed Plan of Distribution, which provided for distribution of these funds to the County. In determining that the County was the eligible recipient of such funds, the SEC’s Division of Risk, Strategy and Financial Innovation concluded that (i) there was no evidence or information that the interest rates warrant holders received were affected by the improper payment scheme alleged in the SEC Order, and (ii) the harm sustained by original warrant holders was largely the result of the failures of the markets for variable rate demand warrants and auction rate warrants, and there was no evidence to indicate that these failures were caused by the improper payment scheme alleged in the SEC Order. On October 7, 2010, the SEC issued an order approving the payment of the \$25,000,001 to the County, and the funds in the amount of \$25,000,001, plus \$33,691 in interest thereon, were disbursed to the County on February 1, 2011.

Both the Sewer Warrant Trustee and the Receiver gave notice prepetition to the County Commission under Alabama Code section 6-5-20 of a claim to the proceeds of the \$50,000,000 payment to the County by JPMS. The Receiver also presented a claim for the Fair Fund proceeds in the amount of \$25,033,692. The County disputed those claims and has not turned over to the [Sewer Warrant](#) Trustee or the Receiver any of the funds received from JPMS in connection with or pursuant to undertakings referenced in the JPMorgan SEC Settlement.

Following the filing of the case, the Sewer Warrant Trustee filed a proof of claim asserting that the County was obligated to turn over to the Sewer Warrant Trustee any of the funds received from JPMS in connection with or pursuant to undertakings referenced in the JPMorgan SEC Settlement. The County disputes this claim. As discussed in Section V.A below, pursuant to the settlements and compromises implemented pursuant to the Plan, this proof of claim filed by the Sewer Warrant Trustee is among the Sewer Released Claims that will be compromised and released upon the Effective Date of the Plan.

Accounts receivable, net	5,940	-	18,619	169	24,728
Loans receivable, net	2,212	-	-	-	2,212
Taxes receivable, net	132,465	-	5,096	-	137,561
Other receivables	-	2,438	-	-	2,438
Due from (to) other governments	8,357	-	1,540	-1,300	8,597
Inventories	-	1,298	-	5	1,303
Prepaid expenses	-	739	-	-	739
Deferred charges – issuance costs	11,970	-	46,591	3	58,564
Restricted assets – current	164,513	-	202,942	-	367,455
<b>Total Current Assets</b>	<b>424,780</b>	<b>13,996</b>	<b>283,495</b>	<b>4,237</b>	<b>726,508</b>

#### Noneurrent Assets

<del>Deferred charges—issuance costs</del>	<del>-</del>	<del>-</del>	<del>-</del>	<del>4</del>	<del>—1</del>
<del>Advances due from (to) other funds</del>	<del>42,745</del>	<del>-</del>	<del>-10,628</del>	<del>-32,117</del>	<del>—</del>
<del>Loans receivable, net</del>	<del>21,570</del>				<del>—21,570</del>
<del>Restricted assets</del>	<del>4,107</del>	<del>1,759</del>	<del>56</del>	<del>3,881</del>	<del>—9,803</del>
<del>Assets internally designated for capital improvements or redemption of warrants</del>	<del>-</del>	<del>-</del>	<del>52,549</del>	<del>-</del>	<del>—52,549</del>
<del>Capital assets:</del>					<del>—</del>
<del>—Depreciable assets, net</del>	<del>287,866</del>	<del>35,781</del>	<del>2,763,883</del>	<del>32,342</del>	<del>-3,119,872</del>
<del>—Nondepreciable assets</del>	<del>39,376</del>	<del>1,090</del>	<del>31,672</del>	<del>20,681</del>	<del>—92,819</del>
	<del>395,664</del>	<del>38,630</del>	<del>2,837,532</del>	<del>24,788</del>	<del>3,296,614</del>
	<del>\$820,444</del>	<del>\$52,626</del>	<del>\$3,121,027</del>	<del>\$29,025</del>	<del>\$4,023,122</del>

<b><u>Noncurrent Assets</u></b>					
<u>Deferred charges – issuance costs</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<u>Advances due from (to) other funds</u>	<u>42,745</u>	<u>-</u>	<u>-10,628</u>	<u>-32,117</u>	<u>-</u>
<u>Loans receivable, net</u>	<u>21,570</u>				<u>21,570</u>
<u>Restricted assets</u>	<u>4,107</u>	<u>1,759</u>	<u>56</u>	<u>3,881</u>	<u>9,803</u>
<u>Assets internally designated for capital improvements or redemption of warrants</u>	<u>-</u>	<u>-</u>	<u>52,549</u>	<u>-</u>	<u>52,549</u>
<u>Capital assets:</u>					<u>-</u>
<u>Depreciable assets, net</u>	<u>287,866</u>	<u>35,781</u>	<u>2,763,883</u>	<u>32,342</u>	<u>3,119,872</u>
<u>Nondepreciable assets</u>	<u>39,376</u>	<u>1,090</u>	<u>31,672</u>	<u>20,681</u>	<u>92,819</u>
	<u>395,664</u>	<u>38,630</u>	<u>2,837,532</u>	<u>24,788</u>	<u>3,296,614</u>
	<u>\$820,444</u>	<u>\$52,626</u>	<u>\$3,121,027</u>	<u>\$29,025</u>	<u>\$4,023,122</u>

Among the categories of personal and real property of the County identified in the 2011 Audited Financial Statements are the following:

**a. Deposits and Investments**

The County's deposits include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under Alabama Code section 11-8-11, the County Commission is authorized to invest in interest-bearing securities issued by the United States government which are guaranteed as to principal and which are redeemable upon application. Investments are reported at fair value, based on quoted market prices, except for money market investments and repurchase agreements, which are reported at amortized cost. The County Commission reports all money market investments (*i.e.*, U.S. Treasury bills and bankers' acceptances having a remaining maturity at time of purchase of one year or less) at amortized cost. Investments held in escrow for retainage on construction contracts and as surety for purchase commitments are stated at fair value.

**b. Receivables**

All trade, property tax, loans, and patient receivables are shown net of an allowance for uncollectible amounts. Allowances for doubtful accounts are estimated based on historical write-off percentages. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected.

As reported in the County's 2011 Audited Financial Statements, sales tax receivables consist of taxes that have been paid by consumers in the month of September of the immediately preceding fiscal year. These taxes are normally remitted to the County Commission within the next sixty days.

Patient receivables relating to the County's business-type activities, including the operation of Cooper Green and the Nursing Home, are receivables due from patients, insurance

**Net General Revenues from Taxes (in thousands)**

Property taxes	\$108,226
Sales tax	\$163,912
Other taxes	\$29,288
Licenses and permits	\$17,830
Unrestricted investment earnings	\$4,159
<u>Miscellaneous</u>	<u>\$52,172</u>
Total General Revenues	\$375,587

**5. Operating Revenues from the County's Business-Type Activities**

The County generates revenues from the operation of its business-type activities, including the Sewer System, the County's landfill system, and the Development Authority. Those operating revenues include charges for services, tax revenues, and intergovernmental transfers. For fiscal year 2011, the County's operating revenues from its business-type activities were as follows:

portions of the Severed Sewer Adversary Proceeding consisting of claims made by the plaintiffs against the County were stayed pending disposition of the Net Revenues Appeal.

At issue in the Severed Sewer Adversary Proceeding are three counterclaims (the “Fund Ownership Counterclaims”) seeking declaratory relief pursuant to 28 U.S.C. §§ 1334(e)(1) & 2201(a) with respect to the following funds: (1) the Released Escrow Funds; (2) the 2005 Construction Fund; and (3) Supplemental Transactions Fund. More specifically, the County sought a determination from the Bankruptcy Court that it owns each of these funds free and clear of any lien, pledge or other property interest.

The County filed a *Motion For Summary Judgment On The County’s Counterclaim*, arguing that none of the funds at issue in the Fund Ownership Counterclaims were the subject of any of the granting clauses in the Sewer Warrant Indenture. The County also argued that the Released Escrow Funds and the Supplemental Transactions Fund were not delivered to or deposited with the Sewer Warrant Trustee, and that the 2005 Construction Fund was not delivered to or deposited with the Sewer Warrant Trustee “as additional security” (Sewer Warrant Indenture § 2.1(III)), but rather was to be returned to the County when the County exercised its right to replace the Sewer Reserve Fund with the Syncora DSRF Policy and the Assured DSRF Policy. The County further argued that section 13.3 of the Sewer Warrant Indenture did not expand the granting clauses in section 2.1, and that the Receiver Order did not create any interest in property beyond those created by the Sewer Warrant Indenture.

In response, the plaintiffs/counterclaim defendants in the Severed Sewer Adversary Proceeding filed a cross-motion for summary judgment. The plaintiffs argued that the Sewer Warrant Trustee had a lien on the disputed funds under sections 2.1 and 14.7 of the Sewer Warrant Indenture, and that there was a statutory lien on the funds pursuant to Chapter 28, Title 11 of the Alabama Code, and that regardless of any lien, the funds were restricted. In addition, the plaintiffs argued that the Receiver Order found that the Sewer Warrant Trustee had a first-priority lien on all “Funds of the [Sewer] System” in its possession, and that the County was barred by *res judicata* from challenging that finding.

The Bankruptcy Court heard oral argument on the parties’ cross motions for summary judgment. No ruling has been issued. On June 12, 2013, in accordance with the Sewer Plan Support Agreements, the County filed a motion to stay all proceedings in the Severed Sewer Adversary Proceeding, including any ruling on the parties’ cross motions for summary judgment. By order dated June 28, 2013, the Bankruptcy Court stayed all proceedings in the Severed Sewer Adversary Proceeding until the earlier of (1) the Effective Date of the Plan, or the effective date of some other chapter 9 plan of adjustment that incorporates the provisions of and is otherwise materially consistent with the Sewer Plan Support Agreements, and (2) the date of termination of any Sewer Plan Support Agreement.

#### **E. The Rate-Related Stay Relief Motions**

In March 2012, FGIC filed a Motion to Lift or Condition the Automatic Stay. FGIC sought either (1) relief from the stay to allow the Receiver to set new sewer rates or (2) an order conditioning the continuance of the automatic stay on the County’s raising sewer rates by July

requests declaratory relief regarding the Sewer Warrant Trustee's rights and duties under the Sewer Warrant Indenture and statutory and constitutional law. Among other relief, the Sewer Warrant Trustee (1) seeks authorization to accelerate, in its discretion, some of the Sewer Warrants, without accelerating certain Sewer Warrants insured by Assured and FGIC; (2) requests instructions regarding the application of funds received by the [Sewer Warrant](#) Trustee after acceleration of some, but not all, Sewer Warrants; (3) asks the Bankruptcy Court to consider whether, if an insurer is unable to perform its obligations under a Sewer DSRF Policy, the Sewer Warrant Trustee may make multiple draws on the Sewer DSRF Policies before drawing on the Sewer Wrap Policies; (4) seeks a declaration that reimbursement of amounts paid by the Sewer Warrant Insurers on account of draws on the Sewer DSRF Policies are subordinate to the payment of the Sewer Warrants; and (5) requests a declaration that obligations to honor draws under the Sewer Insurance Policies continue after all or certain of the Sewer Warrants have been accelerated. The Sewer Warrant Trustee later dismissed, without prejudice, its claim for declaratory relief with respect to whether reimbursements of amounts paid by Sewer Warrant Insurers on account of draws upon the Sewer DSRF Policies are subordinate to the payment of Sewer Warrants.

The County timely answered the complaint in the Declaratory Judgment Action. The County's answer includes the following assertions: (a) section 13.2(a) of the Sewer Warrant Indenture provides that the Sewer Warrant Trustee shall accelerate all Sewer Warrants upon the occurrence of a payment default under section 13.1(a), notwithstanding anything in the supplements to the Sewer Warrant Indenture or in the Sewer Warrants to the contrary; (b) any order or judgment in the adversary proceeding should be without prejudice to the County's rights regarding the proper characterization, allocation, or application of any funds disbursed by the Sewer Warrant Trustee, or otherwise received by any Sewer Warrant holder, after the first occurrence of an Event of Default under section 13.1(a) of the Sewer Warrant Indenture; (c) the County reserves all rights with respect to whether certain Sewer Warrant Insurer consent provisions contained in supplements to the Sewer Warrant Indenture may be exercised in a manner that overrides the mandatory acceleration provision of section 13.2(a) of the Sewer Warrant Indenture; (d) the entire indebtedness of the County to all the holders of Sewer Warrant was accelerated by the filing of the County's bankruptcy petition; (e) any order or judgment in the adversary proceeding should be without prejudice to the County's rights regarding the proper characterization, allocation, or application of any funds disbursed by the Sewer Warrant Trustee, or otherwise received by any Sewer Warrant holder, postpetition; (f) any and all reimbursements to Sewer Warrant Insurers for fees, expenses, claims and draws upon the Sewer DSRF Policies are contractually and statutorily subordinate to the payment of debt service on the Sewer Warrants; and (g) the Sewer Warrant Insurers' respective obligations to honor draws upon the Sewer DSRF Policies and the Sewer Wrap Policies continue after any or all of the Sewer Warrants have been accelerated.

In lieu of answering the Sewer Warrant Trustee's complaint, Assured moved to dismiss the Declaratory Judgment Action for lack of subject matter jurisdiction under Rule 12(b)(1) of the Federal Rules of Civil Procedure and for failure to state a claim under Rules 8(a) and 12(b)(6) of the Federal Rules of Civil Procedure. Syncora also moved to dismiss the Declaratory Judgment Action, asserting that FGIC was a necessary and indispensable party to

operate a hospital. Based upon the same reasoning as the denial of stay relief, the Bankruptcy Court dismissed the City's and the Mayor's complaint against the County and the County Commissioners. The Bankruptcy Court's rulings on these issues have become final.

## **H. Other Adversary Proceedings**

In addition to the Net Revenues Adversary Proceeding, the Severed Sewer Adversary Proceeding, and the Declaratory Judgment Action, there are other adversary proceedings that have been filed in connection with the Case, which are discussed in turn below.

### **1. Wilson Adversary Proceeding**

As discussed in Section III.E.1 above, FGIC removed one count of the Wilson Action to federal court, which had the effect of creating the Wilson Adversary Proceeding. The Bankruptcy Court has entered an order that the automatic stay of 11 U.S.C. § 362(a) applies to the Wilson Adversary Proceeding, thereby prohibiting the plaintiffs from engaging in discovery or otherwise pursuing the Wilson Adversary Proceeding without seeking relief from the automatic stay. Neither the Bankruptcy Court nor the parties have taken any subsequent action in the Wilson Adversary Proceeding.

The County maintains that the claims asserted in the Wilson Action and the Wilson Adversary Proceeding, to the extent they have any validity at all, are claims that rightfully belong to and can be brought and settled only by the County. The claims asserted in the Wilson Action and the Wilson Adversary Proceeding effectively seek to either have monies returned to the County or obtain declarations concerning the County's liabilities or lack thereof. The County – and not the plaintiffs in the Wilson Action and the Wilson Adversary Proceeding – has standing to pursue these claims. The County contends that the settlements, compromises, and validations contained in the Plan, including the validation and allowance of the Sewer Debt Claims, the amount of the New Sewer Warrants issued, and the validation of the Approved Rate Structure, will render the Wilson Adversary Proceeding and the remaining count in the Wilson Action pending in the State Court moot or otherwise resolved as of the Effective Date, and the County intends to have the Wilson Adversary Proceeding and the remaining count of the Wilson Action pending in the State Court dismissed in connection with confirmation of the Plan.

The plaintiffs in the Wilson Action disagree with the County's description of the Wilson Action provided above and elsewhere in the Disclosure Statement. Attached as Exhibit 12 and incorporated by reference is the Wilson Action plaintiffs' description of their claims. The County disagrees with the characterizations in Exhibit 12. The parties reserve all rights, claims and defenses.

### **2. Bennett Action**

On behalf of a putative class of individual and corporate sewer ratepayers of Jefferson County, fifteen named plaintiffs filed suit against the County and fourteen other defendants.

The plaintiffs in the Bennett Action disagree with the County's description of the Bennett Action provided above and elsewhere in the Disclosure Statement. Attached as Exhibit 13 and incorporated by reference is the Bennett Action plaintiffs' description of their claims. The County disagrees with the characterizations in Exhibit 13. The parties reserve all rights, claims and defenses.

### **3. Moore Oil Adversary Proceeding**

Moore Oil Co., Inc. ("Moore Oil") filed a complaint in the Bankruptcy Court against Jennifer Champion, as Treasurer of the County (the "Treasurer"), thereby commencing Adversary Proceeding No. 12-00060-TBB (the "Moore Oil Adversary Proceeding"). In its complaint, Moore Oil alleged that the Treasurer breached a constructive trust by failing to remit to Moore Oil excess bid proceeds from a tax sale and thereby caused damages to Moore Oil. The County moved to dismiss the Moore Oil Adversary Proceeding on the basis that the claims asserted therein were prepetition causes of action that should be handled through the bankruptcy claims administration procedures, not as a separate adversary proceeding. The Bankruptcy Court agreed and dismissed the Moore Oil Adversary Proceeding.

### **4. LBSF Adversary Proceeding**

LBSF filed a complaint in the Bankruptcy Court against the Sewer Warrant Trustee and the County, thereby commencing Adversary Proceeding No. 12-00149-TBB (the "LBSF Adversary Proceeding"). In its complaint, LBSF requests that the Bankruptcy Court enter a judgment declaring the LBSF Periodic Payment Claim, in the alleged principal sum of \$1,002,754.42 (exclusive of interest), stands in *pari passu* and in parity with debt service on the Sewer Warrants, and that the Sewer Warrant Trustee is obligated to make provision for payment to LBSF of that entire principal sum, plus interest.

LBSF, the Sewer Warrant Trustee, and the County entered into a joint stipulation providing that the County shall not be required to answer or further respond to the LBSF complaint, but shall be bound by any ruling in the LBSF Adversary Proceeding on the issue of whether the Sewer Warrant Trustee is required to treat "the periodic payment component of the Lehman debt," as described in the LBSF complaint, in parity with debt service on the Sewer Warrants. The County otherwise reserved all rights, claims, and defenses, including, without limitation, with respect to the allowance or treatment, in a plan or otherwise, of all Claims of LBSF against the County. The Sewer Warrant Trustee has filed its answer to the LBSF complaint, and the County understands that discovery is underway.

The County entered into a Sewer Plan Support Agreement with LBSF on July 23, 2013. That Sewer Plan Support Agreement provides for the settlement and resolution of the disputes in the LBSF Adversary Proceeding under and pursuant to the Plan. More specifically, as contemplated by the referenced Sewer Plan Support Agreement, the Plan classifies any Claims arising from the Series 2002-C LB Sewer Swap, other than the LBSF Periodic Payment Claim, in Class 1-E among the Sewer Swap Agreement Claims; the LBSF Periodic Payment Claim is classified in Class 1-D among the Other Specified Sewer Claims. As part of the treatment of Allowed Class 1-D Claims, LBSF will receive a Cash recovery of \$1,250,000.00 on the

office or storage space or renew any existing lease or rental agreement for office or storage space in or about the municipality where such leased facilities are located until after all such vacant space in the leased facilities shall have been filled. Additionally, the County has covenanted in the New Bessemer Lease and the Bessemer Stipulation that, so long as the Bessemer Lease Warrants are outstanding and rental payments under the New Bessemer Lease remain to be paid, the County will not relocate the County's Bessemer courthouse or jail to any alternative facility unless the New Bessemer Lease is expressly amended to provide that such alternative facility made a part of the leased premises thereunder. The parties agreed that these covenants shall survive the termination of the New Bessemer Lease.

If the County elects not to renew the New Bessemer Lease for a successive one-year term prior to the payment in full of the Bessemer Claims, it is possible that the facilities financed by the Bessemer Lease Warrants could not be sold for an amount sufficient to satisfy in full the Bessemer Claims or be re-let for sufficient rentals to make the regularly-scheduled debt service payments on account of the Bessemer Lease Warrants. If such event occurs, then no assurances can be given that sufficient funds will be available from the PBA to satisfy in full the Bessemer Lease Warrants.

**b. Other Risk Factors Discussed in the Official Statement relating to the Bessemer Lease Warrants Issued by the PBA**

The PBA issued an official statement in connection with its issuance of the Bessemer Lease Warrants. That official statement included a discussion of risk factors relating to such warrants. Among the risk factors discussed by the PBA therein was the tax-exempt status of the Bessemer Lease Warrants and the possibility that the tax status of such warrants could be affected by post-issuance events. The County is not the issuer of the Bessemer Lease Warrants and has no knowledge of any such post-issuance events that have adversely affected or may have adversely affected the tax-exempt status of such warrants; however, as discussed in such official statement, this has been and remains a risk factor with respect to such Bessemer Lease Warrants. Any party with an interest in any of the Bessemer Lease Warrants is encouraged to refer to such official statement of the PBA for the discussion of this risk factor contained therein.

**D. Additional Factors to Be Considered**

**1. The County Has No Duty to Update**

The statements contained in this Disclosure Statement are made by the County as of ~~July 29, 2013~~, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The County has no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

**2. No Representations Outside This Disclosure Statement Are Authorized**

No representations concerning or related to the County, the Case, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this

Class 1-D	Other Specified Sewer Claims
Class 2-A	Series 2004-A School Claims
Class 2-B	Series 2005-A School Claims
Class 2-C	Series 2005-B School Claims and Standby School Warrant Claims
Class 2-D	School Policy – General Claims
Class 2-E	School Surety Reimbursement Claims
Class 5-A	Series 2001-B GO Claims and Standby GO Warrant Claims
Class 5-D	GO Policy Claims
Class 5-E	GO Swap Agreement Claims
Class 6	General Unsecured Claims
Class 7	Bessemer Lease Claims

**2. Classes 3-A, 3-B, 4, 5-B, 5-C, and 8 Will Be Deemed to Accept the Plan, While Classes 1-E, 1-F, and 9 Will Be Deemed to Reject the Plan**

The Plan provides that legal, equitable, and contractual rights of holders of Allowed Class 3-A Claims (Board of Education Lease Claims), Allowed Class 3-B Claims (Board of Education Policy Lease Claims), Allowed Class 4 Claims (Other Secured Claims, including Secured Tax Claims), Allowed Class 5-B Claims (Series 2003-A GO Claims), Allowed Class 5-C Claims (Series 2004-A GO Claims), and Allowed Class 8 Claims (Other Unimpaired Claims) are unaltered by the Plan, provided that all such Claims shall remain subject to any and all defenses, counterclaims, setoff or recoupment rights of the County with respect thereto. Accordingly, such Claims are not Impaired by the Plan, are deemed to accept the Plan, and thus will not receive Ballots.

Any party that disputes the County's characterization of its Claim as not Impaired may request a finding of impairment from the Bankruptcy Court in order to obtain the right to vote, but such party must promptly take action to request such a finding and arrange for the Bankruptcy Court to hold a hearing and adjudicate such request no later than ~~seven (7)~~ calendar days prior to the Ballot Deadline (*i.e.*, no later than ~~September 30, 2013~~).

Holders of Class 1-E Claims (Sewer Swap Agreement Claims), Class 1-F Claims (Other Standby Sewer Warrant Claims), and Class 9 Claims (Subordinated Claims) shall neither receive any Distributions nor retain any property under the Plan on account of such Claims.

Therefore, these classes of Claims are deemed to reject the Plan, and the holders of such Claims will not receive Ballots.

### **3. Voting Rights with Respect to Contingent Claims and Unliquidated Claims**

If a Claim for which a proof of Claim has been timely filed is (a) marked or identified as Contingent or Unliquidated on its face or (b) does not otherwise specify a fixed or liquidated amount, then, in accordance with the Plan Procedures Order, such Contingent or Unliquidated Claim will be temporarily allowed for voting purposes in the amount of \$1.00. If a Claim has been estimated or otherwise allowed for voting purposes by an order of the Bankruptcy Court, or by an agreement between the County and the Creditor estimating or otherwise allowing a Claim for voting purposes, then, in accordance with the Plan Procedures Order, such Claim will be temporarily allowed for voting purposes in the amount so estimated or allowed by the Bankruptcy Court. If the automatic stay has been modified by an order of the Bankruptcy Court at least fifteen (15) calendar days before the Ballot Deadline to permit a Claim to be adjudicated, in whole or in part, in another court (including an appellate court), then such Claim will be temporarily allowed in the amount of \$1.00.

### **4. Voting Rights with Respect to Disputed Claims**

If, among other things, the County has Filed an objection to or request for estimation of a Claim on or before ~~September 13, 2013~~, then, in accordance with the Plan Procedures Order, such Claim will be temporarily allowed or disallowed for voting purposes in accordance with the relief sought in the objection. If an objection does not identify the proposed amount of a Claim (e.g., if the Claim remains subject to estimation or liquidation), then such Claim will be temporarily allowed in the amount of \$1.00. If such objection seeks to disallow the Claim in full and such objection is not resolved prior to ~~September 13, 2013~~, such Claim will be temporarily disallowed for voting purposes.

### **5. Solicitation, Balloting, Tabulation, Notices, and Confirmation Procedures**

On August ~~7~~, 2013, after due notice and a hearing, the Bankruptcy Court entered its *Order Approving: (a) the Form, Scope, and Nature of Solicitation, Balloting, Tabulation, and Notices with Respect to the "Chapter 9 Plan of Adjustment for Jefferson County, Alabama (Dated July 29, 2013)"; and (b) Related Confirmation Procedures, Deadlines, and Notices* [Docket No. ~~1975~~] (the "Plan Procedures Order"). The Plan Procedures Order sets forth, among other things, the procedures pursuant to which votes and certain elections with respect to the Plan will be solicited and tabulated. The County and its designated agents shall solicit and tabulate the votes and elections with respect to its Plan in accordance with the procedures approved in the Plan Procedures Order.

### **6. Ballot Record Date**

The Ballot Record Date for determining which Creditors are entitled to vote on and make elections under the Plan is ~~August 6~~, 2013. Therefore, only those Creditors in a Class entitled to vote on the Plan (in accordance with the provisions of the Plan and the Plan

Procedures Order) and holding Claims against the County as of the Ballot Record Date are entitled to vote on the Plan and make elections with respect to the Plan.

## **7. Ballots**

If your Claim is not classified in one of the Voting Classes, you are **not** entitled to vote on the Plan and you will not receive a Ballot. If your Claim is in a Voting Class and you are otherwise eligible to vote on the Plan, you will receive a Ballot with respect to that Claim.

In voting to accept or to reject the Plan, please use only the Ballot sent to you with this Disclosure Statement, and please carefully read the voting instructions on the Ballot for an explanation of the applicable voting and election procedures and deadlines.

If, after reviewing this Disclosure Statement, you believe that you hold an Impaired Claim and that you are entitled to vote on the Plan, or if you are a holder of a Claim in one of the Voting Classes and did not receive a Ballot, received a damaged or illegible Ballot, or lost your Ballot, or if you are a party in interest and have any questions concerning this Disclosure Statement, any exhibit hereto, the Plan, or the voting procedures in respect thereof, please contact the Ballot Tabulator by email at [JeffersonCountyInfo@kccllc.com](mailto:JeffersonCountyInfo@kccllc.com), or by telephone at (866) 967-0677, or by mail at Jefferson County Ballot Processing, c/o Kurtzman Carson Consultants LLC, (Attention: Jefferson County Ballot Processing), 2335 Alaska Avenue, El Segundo, CA 90245, or by accessing the website of the Ballot Tabulator at [www.jeffersoncountyrestructuring.com](http://www.jeffersoncountyrestructuring.com). The cost of additional copies must be paid by the person ordering them.

Please note that counsel for the County cannot and will not provide Creditors or other third parties with any legal advice, including advice regarding how to vote on the Plan or the effects of confirmation of the Plan.

## **8. Ballot Deadline**

**In order to vote to accept or to reject the Plan or to make an election with respect to the Commutation Election, your Ballot must be completed and returned to the Ballot Tabulator so that it is actually received by the Ballot Tabulator no later than 5:00 p.m. prevailing Central time, on ~~{October 7, 2013}~~ (the “Ballot Deadline”). If your Ballot is not timely received by the Ballot Tabulator, it will not be counted. Ballots sent by facsimile or by email will not be accepted by the Ballot Tabulator and will not be counted in tabulating votes accepting or rejecting the Plan or tabulating Commutation Elections under the Plan.**

**Neither Ballots received after the Ballot Deadline, nor Ballots returned directly to the County, the County’s counsel, or the Bankruptcy Court rather than to the Ballot Tabulator, shall be counted in connection with confirmation of the Plan or any Commutation Elections under the Plan.**

**If you are instructed by an Institutional Nominee to return your Ballot to the Institutional Nominee, then you must return such Ballot to the Institutional Nominee by the deadline (if any) set by such Institutional Nominee so that such Institutional Nominee**

beneficial holders, then the County or the Ballot Tabulator shall use reasonable efforts to reconcile discrepancies with the Institutional Nominee.

The transfer of any Sewer Warrants after the Ballot Deadline shall not constitute “cause” or otherwise provide a basis under Bankruptcy Rule 3018(a) for the transferee of such Sewer Warrants to change the effects, including any deemed effects, with respect to the Commutation Election as a result of a Ballot returned by the transferor. **Such transferee shall be bound by the Commutation Election made or not made (or deemed to be made or not made) by the transferor.**

Sewer Warrant Claims may not be withdrawn from the election account after your Institutional Nominee has tendered them at DTC. Once your Sewer Warrants have been tendered, no further trading will be permitted with any Sewer Warrant Claims held in the election account. If the Plan is not confirmed, DTC will, in accordance with its customary practices and procedures, return all Sewer Warrants held in the election account to the applicable Institutional Nominee for credit to the account of the underlying beneficial owner.

#### **b. Rescission of Deemed Election Procedures**

The Plan includes a Rescission of Deemed Election that is available **only** to Creditors that (a) held Claims with respect to the Series 2003-C-9 Through C-10 Sewer Warrants as of the Ballot Record Date and (b) would otherwise be deemed to have made the Commutation Election because they either do not return a Ballot, do not indicate an election on any Ballot that is returned by the Ballot Deadline, or return a Ballot by the Ballot Deadline and indicates both an election to make and an election not to make the Commutation Election (“Deemed Commuting Holders”). Deemed Commuting Holders that satisfy these two requirements will receive a Rescission of Deemed Election Notice through their Institutional Nominee, which (i) will inform them of their option to effect the Rescission of Deemed Election and (ii) will include a form to allow the Deemed Commuting Holders to make the Rescission of Deemed Election. Deemed Commuting Holders that wish to effect the Rescission of Deemed Election will be instructed to fully execute the Rescission of Deemed Election form as soon as practicable after the Ballot Deadline and to forward copies of such Rescission of Deemed Election form to their Institutional Nominee in sufficient time to allow such Institutional Nominee in turn to process and deliver the Rescission of Deemed Election to the Ballot Tabulator, to the County, and to Assured, so that the Rescission of Deemed Election form is actually received by each of them on or before **November 5, 2013 at 5:00 p.m. (prevailing Central time)** (the “Rescission Deadline”).

The Rescission of Deemed Election Notice will be disseminated only to Deemed Commuting Holders that (i) held such Claims as of the Ballot Record Date and (ii) would otherwise be deemed to have made the Commutation Election. The Rescission of Deemed Election will be available only with respect to the Commutation Election and will not affect any votes on the Plan or any other releases or certifications that the Deemed Commuting Holders may have effected through the execution of Ballots. Holders of Series 2003-C-9 Through C-10 Sewer Warrants that affirmatively checked the applicable box on their respective Ballot indicating whether or not they were making the Commutation Election on or before the Ballot

- With respect to Class 1-F, no Class of equal rank shall receive any Distributions or retain any property under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 1-F Claims.
- With respect to Class 2-A, all Classes of equal rank shall receive similar or identical treatment under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 2-A Claims.
- With respect to Class 2-B, all Classes of equal rank shall receive similar or identical treatment under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 2-B Claims.
- With respect to Class 2-D, all Classes of equal rank shall receive similar or identical treatment under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 2-D Claims.
- With respect to Class 2-E, all Classes of equal rank shall receive similar or identical treatment under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 2-E Claims.
- With respect to Class 6, no Class of equal rank shall receive any Distributions or retain any property under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 6 Claims. Notably, the treatment of Claims in Classes 5-A, 5-B, 5-C, and 5-D under the Plan is not unfairly discriminatory vis-à-vis Class 6 because General Unsecured Claims do not enjoy any rights in the context of the application of section 215 of the Alabama Constitution with respect to the proceeds of the Special Tax, and that material difference in nonbankruptcy rights justifies the separate classification and differing treatment of Claims in Classes 5-A, 5-B, 5-C, and 5-D under the Plan.
- With respect to Class 9, no Class of equal rank shall receive any Distributions or retain any property under the Plan on account of Claims in such Class, and thus there is no prospect of unfair discrimination against Class 9 Claims.

**As noted above, with respect to any Impaired Class of Claims that fails or is deemed not to accept the Plan, the County requests that the Bankruptcy Court confirm the Plan by “cramdown” in accordance with Bankruptcy Code sections 1129(b)(1), (b)(2)(A), and (b)(2)(B). The County also has reserved the right to modify the Plan to the extent, if any, that confirmation of the Plan under Bankruptcy Code sections 943(b) and 1129(b) requires such modifications.**

#### **F. Confirmation Hearing and Process for Objections to Confirmation**

The Bankruptcy Code requires that the Bankruptcy Court hold a hearing regarding whether the County has fulfilled the confirmation requirements of Bankruptcy Code section 943(b). The Confirmation Hearing has been scheduled to begin on ~~November 12, 2013~~, at

**9:00 a.m.** (prevailing Central time) before the Honorable Thomas B. Bennett, United States Bankruptcy Court, ~~505-20~~Robert S. Vance Building, 1800 5<sup>th</sup> Street~~Street~~Avenue North, Birmingham, Alabama 35203. This Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the continuation date made at the Confirmation Hearing, at any subsequent continued Confirmation Hearing, or pursuant to a notice filed on the docket for the Case.

Any party in interest in the Case – including any Creditor that voted (or was deemed to have voted) to accept or to reject the Plan – may File an objection to or a statement in support of confirm Objections, if any, to the confirmation of the Plan must (a) be in writing; (b) be in the English language; (c) state the name and address of the objecting party and the amount and nature of the claim or interest of such party; (d) state with particularity the basis and nature of any objection to the Plan; (e) include any evidence in support of any objection; and (f) be filed, together with proof of service, with the Bankruptcy Court and served on the County and the Special Notice Parties so that they are actually received no later than **October 7, 2013 at 4:00 p.m. (prevailing Central time)**. **IF ANY OBJECTION TO CONFIRMATION OF THE PLAN IS NOT FILED AND SERVED STRICTLY AS PRESCRIBED HEREIN, THE OBJECTING PARTY MAY BE BARRED FROM OBJECTING TO CONFIRMATION OF THE PLAN AND MAY NOT BE HEARD AT THE CONFIRMATION HEARING.**

The County and other parties in interest will have the opportunity to file their respective responses to objections to confirmation of the Plan, if any, on or before **November 5, 2013**, and the County shall file and serve the Plan Ballot Summary, the County's documentary evidence in support of confirmation of the Plan, and any supplement to the County's omnibus reply to any objections to confirmation of the Plan on or before **November 8, 2013**.

Information about the Plan solicitation procedures, and additional copies of the Plan, Disclosure Statement, Disclosure Statement Order, the approved forms of Ballots, the Plan Procedures Motion, and the Plan Procedures Order, are available at [www.jeffersoncountyrestructuring.com](http://www.jeffersoncountyrestructuring.com). Copies of the Plan, Disclosure Statement, Disclosure Statement Order, the approved forms of Ballots, the Plan Procedures Motion, and the Plan Procedures Order are available upon request by contacting KCC either by email at [JeffersonCountyInfo@kccllc.com](mailto:JeffersonCountyInfo@kccllc.com), or by telephone at (866) 967-0677, or by mail at Jefferson County Ballot Processing, c/o Kurtzman Carson Consultants LLC, (Attention: Jefferson County Ballot Processing), 2335 Alaska Avenue, El Segundo, CA 90245. Copies of the Plan, the Disclosure Statement, the Disclosure Statement Order, the Plan Procedures Motion, and the Plan Procedures Order are also available for review and download at the Bankruptcy Court's website, [www.alnb.uscourts.gov](http://www.alnb.uscourts.gov). Alternatively, these documents may be accessed through the Bankruptcy Court's "PACER" website, <https://ecf.alnb.uscourts.gov>. A PACER password and login are needed to access documents on the Court's "PACER" website. A PACER password can be obtained at <http://www.pacer.gov>.

## **XV. RECOMMENDATION AND CONCLUSION**

**For the reasons more fully set forth above, the County believes that Plan confirmation and implementation are superior to any potentially feasible alternative.**

DATED AS OF: ~~July 29~~ August \_\_, 2013

JEFFERSON COUNTY, ALABAMA

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By: W.D. Carrington  
Its: County Commission President

Filed by:

/s/ J. Patrick Darby

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