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## UPDATE 1-Alabama county extends sewer-debt standstill

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(Adds details, background, byline)

By [Verna Gates](#)

BIRMINGHAM, Ala., Oct 30 (Reuters) - Alabama's Jefferson County on Thursday agreed to extend to Dec. 8 a standstill agreement against default penalties with Wall Street creditors owed \$3.2 billion of soured sewer debt.

The county commission, which also authorized a \$10 million payment on general obligation warrants so bargaining on that debt can continue, approved the sewer-debt standstill, or forbearance, by a vote of 3-to-2 during a public meeting.

Jefferson County, which is home to Birmingham, Alabama's biggest city, has been struggling to restructure with bankers, liquidity providers and bond insurers the mostly variable-rate sewer debt it says it can no longer afford.

The county has repeatedly threatened to file what could be the largest municipal bankruptcy in U.S. history if a deal cannot be worked out.

Creditors and the state's governor, Bob Riley, have struck a tentative agreement for Jefferson County calling for \$1 billion of debt forgiveness in exchange for higher sewer-service rates and other concessions. The concessions, however, face substantial local opposition, including from state legislators who must approve some elements.

The county last month missed a scheduled \$20 million payment on the 2001 warrants due JPMorgan Chase (JPM.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Bayerische Landesbank Gironzentrale (BLGGgg.F: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and has been bargaining since then under a standstill agreement. Officials said on Thursday that a warrants forbearance, which had been due to expire on Friday, would now continue as long as talks go on.

"If we don't work on our sewer debt, the other creditors know they won't have a chance," said Bettye Fine Collins, president of the Jefferson County Commission. (Writing by Michael Connor in Miami; Editing by Leslie Adler)

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