From: MOODY"S EPI
To: Marshall, Craig;
Subject: Monmouth (County of) NJ
Date: Wednesday, December 01, 2010 4:25:34 PM

MOODY'S ASSIGNS Aaa RATING TO MONMOUTH COUNTY'S (NJ) $83.25 MILLION GENERAL
OBLIGATION BONDS, SERIES 2010; OUTLOOK IS STABLE

TOTAL OF $639.7 MILLION OF COUNTY AND COUNTY-GUARANTEED PARITY DEBT OUTSTANDING, INCLUDING CURRENT ISSUE

Monmouth (County of) NJ
County
New Jersey

Moody's Rating

Issue	Rating
General Obligation Bonds, Series 2010A	Aaa
Sale Amount $29,225,000	
Expected Sale Date 12/02/10	
Rating Description General Obligation ULT	
General Improvement Bonds, Series 2010B and	Aaa
Sale Amount $20,775,000	
Expected Sale Date 12/02/10	
Rating Description General Obligation ULT	
General Improvement Refunding Bonds, Series 2010C	Aaa
Sale Amount $33,255,000	
Expected Sale Date 12/02/10	
Rating Description General Obligation ULT	

NEW YORK, December 1, 2010 -- Moody's Investors Service has assigned a Aaa rating with a stable outlook to Monmouth County's (NJ) $83.25 million General Obligation Bonds, Series 2010, consisting of $29.23 million General Obligation Bonds, Series 2010A, $20.78 million General Improvement Bonds (Federally Taxable Recovery Zone Economic Development Bonds), Series 2010B and $33.23 million General Obligation Refunding Bonds, Series 2010C. The bonds are secured by the county's general obligation unlimited tax pledge. At this time, Moody's has also affirmed the Aaa rating on approximately $639.7 million of previously issued and outstanding county and county-guaranteed debt

obligations.

Proceeds of the Series 2010A and 2010B portions of the current issuance will be used to finance various capital improvements in the county including road repairs, a new county prosecutor's building, a communications building for shared 911 services, a new payroll system and acquisition of farmland easements. The Series 2010C portion of the issuance will refund portions of the county's Series 2002 and 2003A bonds for a total estimated net present value savings of $1.1 million or 3.2% of refunded principal with no extension of maturity. The majority of savings will be taken in fiscal 2011 for budgetary relief.

RATING RATIONALE

The Aaa rating reflects the county's strong financial operations with healthy reserve levels, substantial tax base with slowed but still healthy growth, and favorable debt position. The stable outlook reflects our expectation that the county's substantial tax base will continue to grow, albeit at more moderate rates; wealth levels will remain above state and national norms; reserve levels will remain healthy despite projected near-term declines; and the debt burden will remain nominal.

STRONG FINANCIAL OPERATIONS WITH CONSISTENTLY HEALTHY RESERVES

Despite achieving a modest operating surplus in fiscal 2009 and the projected use of reserves in 2010, Moody's expects the county's financial position to remain strong given a history of well-managed operations that has resulted in multiple years of healthy and stable reserve levels. While the county annually budgets to use more than 50% of its Current Fund balance, it has consistently maintained or increased its fund balance and achieved annual operating surpluses for most of the past decade. This surplus trend began to come under pressure in 2008 due to the underperformance of economically sensitive county clerk fees and investment earnings, which had historically exceeded budget and provided a key source of annual fund balance replenishment. Notably, management's cost cutting efforts and better than expected revenue performance
contributed to essentially flat operations in fiscal 2009 with a modest addition to fund balance. The county has faced continued operating pressure in fiscal 2010, however, due to the state's 4% limitation on raising the property tax levy and the persistent underperformance of county clerk fees and investment earnings and lower cost reimbursements for housing state inmates in county prisons.

In fiscal 2009, the county replenished all $44.85 million of the appropriated reserves and added a modest $115,000 to reserves, resulting in a slight rise

in Current Fund balance to $83.76 million or a healthy 16.4% of Current Fund revenues. Factored into this result was the county's decision to make a $5.1 million one-time draw on two reserve sources outside the Current Fund to fill an expected $5 million budgetary imbalance. Additional actions taken by the county to replenish its reserve appropriation included raising the property tax levy by $8.3 million, laying off 118 employees and negotiating with unions to freeze salaries at 2008 levels. The county also proactively consolidated various services, instituted a hiring freeze for non-essential positions, and cut overtime and pay-go capital in 2009, resulting in $5 million of salary savings that were added to the appropriation reserves at the end of 2009.

The other major sources of the $44.8 million appropriation replenishment in 2009 included $18.3 million of non-budgeted revenue, $15.6 million of lapsed appropriation reserves, and $10.9 million from excess miscellaneous revenues. The $18.3 million of non-budgeted revenues included numerous smaller items, but primarily consisted of approximately $1.9 million of appropriation refunds, $4.5 million of reimbursement from the lease for the reclamation center, $1.2 million of 911 police radio program receipts, and $2.2 million of added and omitted taxes. Interest earnings, which had previously been a significant source of replenishment, were $1.3 million under budget in 2009 (compared to $6 million over budget in 2007).

In fiscal 2010, the county kept its fund balance appropriation steady at $44.9 million, raised the property tax levy by $7.7 million, laid off 50 additional county employees in connection with the closing its youth offender detention center, and slashed departmental budgets by 5% to generate further cost savings. County officials nevertheless project the county will only be able to replenish between $34 and $38 million of the $44.8 million reserve appropriation due to continued underperformance in economically sensitive revenues. These include a projected $1.3 million shortfall in county clerk fees, reflecting continued weakness in the residential property market, $2.5 million in investment income versus $4 million budgeted and a $1.35 million under-budgeting of state inmate reimbursements. Through October, the county had replenished $33.2 million of its reserve appropriation, which would lower the Current Fund balance to a still-adequate 13% of revenues if carried through to year-end. Projected sources of fund balance replenishment are similar to those in 2009, including a projected $15 million in non-budgeted revenues and $19.5 million in lapsed appropriation reserves, among other sources. Officials continue to identify additional areas to improve efficiencies in an effort to cut expenses and keep sufficient appropriation reserves available for cancellation in subsequent years.

While the county continues to finalize the fiscal 2011 budget, county officials currently project a $34 million structural imbalance given the

mismatch created by ongoing revenue declines and continued modest expenditure
increases. Assuming the county's Board of Freeholders approves a 2.6% tax increase in line with 2010, the structural imbalance would drop to $26 million as a result of the projected $8 million of additional revenue generated by the tax increase. The remainder of the gap, officials state, will have to be filled with service cuts and new revenue sources. In pursuit of the former, the Board has created a budget advisory board with a mandate to create a five-year rolling budget for the county (the first such exercise in county history). The advisory board will attempt to separate essential from non-essential county services as part of a process to reconfigure the functions of county government over the long-term with an eye toward making sizable expenditure cuts. The county is also aggressively pursuing grant moneys to supplement traditional revenue sources of the county. The county received $43 million in grants in 2010 versus $32 million in 2009, a significant increase that has helped the county maintain service levels. These challenges notwithstanding, Moody's expects the county's strong management practices to result in effective budget management and the maintenance of sufficient financial flexibility going forward.

GROWTH LIKELY TO REMAIN SLOW IN SUBSTANTIAL TAX BASE; FORT CLOSING IN 2011

Moody's believes the county's substantial $121 billion tax base will continue to grow, albeit at a more modest rate than before the recession given continued softness in the residential real estate market related to the broader economic climate. The county's equalized value increased at a healthy average annual rate of 7.2% from 2004 to 2009, slightly below the state median of 9.3% and primarily capturing market value appreciation. However, appreciation slowed to one-quarter the prior year's rate in 2008 and fell another 1.8% in 2009, reflective of the residential housing market slow down. Assessed value increased at a similarly strong average annual rate of 10.1% over the same time period, indicative of healthy residential and commercial development, but slowed in 2008 to one-fifth of the prior year's rate and also incorporates the revaluations of underlying municipalities in 2009. New development moderated significantly in 2008 and 2009, as indicated by the 25% and 40% declines in residential building permits filed in those years compared to prior year figures. Income levels exceed state medians and are approximately 50% higher than national medians, with 2009 equalized value per capita at a strong $188,674, over two times the national median and almost one and one-half times the state median.

Moody's anticipates that the county will continue to exhibit unemployment rates (8.5% as of August 2010) consistently below the state and national

levels of 9.4% and 9.5%, respectively due to available jobs within the county, as well as in neighboring Middlesex County (GO rated Aa1/negative outlook) and the New York City (GO rated Aa2/stable outlook) metropolitan area, although the slated closure of Fort Monmouth in September 2011 may cause a temporary increase in the medium term. The county's top private employer is Meridian Health Systems, which operates numerous facilities throughout the county, followed by AT&T (senior unsecured rating A2/negative outlook), which was recently acquired by SBC Communications (senior unsecured rating A2/negative outlook).

Fort Monmouth, a U.S. Army base, is the county's second largest employer and has been recommended to close by the federal Base Realignment and Closure (BRAC) Commission. The fort has approximately 4,800 employees and serves as the headquarters for the Army Communications-Electronics Command (CECOM). An additional 6,700 private sector contractors are employed at the base. This large civilian workforce is primarily engaged in research and development of battlefield command, control, and communications technologies. The base is currently scheduled to close by September 2011 and the Fort Monmouth Economic Revitalization Planning Authority (the "Authority") was established to plan the transition and redevelopment of this area. The proposed reuse plan of the fort emphasizes four industries, including alternative and renewable energy, biotechnology, nanotechnology, and information and communications. The closure of the base is expected to have minimal long-term impact on the county's large employment base. The approximately 1,200 acres comprising Fort Monmouth is deemed a significant and valuable piece of developable property given its proximity to New York City and the ocean. The county's redevelopment plan is currently under review by the federal government.

DEBT BURDEN EXPECTED TO REMAIN LOW GIVEN RAPID PRINCIPAL PAYOUT

Moody's believes that the county's modest debt burden will remain low given rapid amortization of principal on county supported GO debt obligation (85.6% retired within 10 years) and moderate future borrowing plans. The county's direct debt burden is a modest 0.3% of equalized valuation, and increases to an average 1.5% after accounting for overlapping debt obligations of underlying municipalities and school districts. Debt service comprised a manageable 9.4% of 2009 expenditures, below the county's policy maximum of 12% and target of 10%. The county's six year capital plan through 2014 calls for $615.9 million of expenditures, with approximately 77% expected to be bond funded. Moody's believes the county's low debt burden coupled with rapid

amortization will allow it to layer in the new borrowings with minimal impact to the county's debt burden. The county has no exposure to variable rate debt or derivative products.

OUTLOOK

The stable outlook reflects our expectation that the county's substantial tax base will remain stable with above average income and wealth levels that exceed state and national norms; the financial position will continue to be well-managed and reflect healthy Current Fund balances despite a recent narrowing and additional pressure from the economic downturn and property tax limitations; and the debt burden will remain nominal.

WHAT COULD MAKE THE RATING GO DOWN:

- Multiple years of declines in Current Fund balance resulting in a material depletion of reserves

- Material declines in wealth

- Material increase in debt

KEY STATISTICS:

2009 Population: 664,916 (8.1% increase since 2000)

2009 Equalized Value: $125 billion

2009 Equalized Value Per Capita: $188,674

1999 Per Capita Income (as % of NJ and US): $31,149 (115% and 144%)

1999 Median Family Income (as % of NJ and US): $76,823 (118% and 154%)

2000 Median Housing Value (as % of NJ and US): $203,100 (119% and 170%)

Unemployment (August 2010): 8.5% (9.3% for NJ and 9.5% for US)

Direct Debt Burden: 0.3%

Overall Debt Burden: 1.5%

Payout of Principal of County GO debt (10 years): 85.6%

2007 Current Fund balance: $87.3 million (17.7% of Current Fund revenues)

2008 Current Fund balance: $83.6 million (16.9% of Current Fund revenues)

2009 Current Fund balance: $83.7 million (16.4% of Current Fund revenues)

Post-sale Parity Debt Outstanding (county and county-guaranteed debt): $639.7 million

PRINCIPAL METHODOLOGY

The principal methodology used in rating Monmouth County, NJ was "General Obligation Bonds Issued by U.S. Local Governments," published on October 30, 2009 and available on www.moodys.com in the Rating Methodologies sub-directory
under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

LAST RATING ACTION

The last rating action was on January 22, 2010 when the Aaa rating with a stable outlook of Monmouth County, NJ was affirmed.

REGULATORY DISCLOSURES

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information and confidential and proprietary Moody's Investors Service information.

Moody's Investors Service considers the quality of information available on the credit satisfactory for the purposes of assigning a credit rating.

Moody's adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

The date on which some Credit Ratings were first released goes back to a time before Moody's Investors Service's Credit Ratings were fully digitized and accurate data may not be available. Consequently, Moody's Investors Service provides a date that it believes is the most reliable

and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

ANALYSTS:
Michael D'Arcy, Analyst, Public Finance Group, Moody's Investors Service
Josellyn Yousef, Backup Analyst, Public Finance Group, Moody's Investors Service
Julie Beglin, Senior Credit Officer, Public Finance Group, Moody's Investors Service

CONTACTS:
Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service
250 Greenwich Street
New York, NY 10007
USA

Copyright 2010 Moody's Investors Service, Inc. and/or its licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S ("MIS") CURRENT OPINIONS OF
THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR
DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT
MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED
FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER
RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE
VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR

HISTORICAL FACT.
CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT
RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR
SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT
FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION
AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF
EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED
TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE
REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED,
REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN
WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY
PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. All information contained herein
is obtained by MOODY'S from sources believed by it to be accurate and reliable.
Because of the possibility of human or mechanical error as well as other
factors, however, all information contained herein is provided "AS IS" without
warranty of any kind. MOODY'S adopts all necessary measures so that the
information it uses in assigning a credit rating is of sufficient quality
and from sources Moody's considers to be reliable, including, when
appropriate, independent third-party sources. However, MOODY'S is not an
auditor and cannot in every instance independently verify or validate
information received in the rating process. Under no circumstances shall
MOODY'S have any liability to any person or entity for (a) any loss or
damage in whole or in part caused by, resulting from, or relating to, any
error (negligent or otherwise) or other circumstance or contingency within
or outside the control of MOODY'S or any of its directors, officers, employees
or agents in connection with the procurement, collection, compilation,
analysis, interpretation, communication, publication or delivery of
any such information, or (b) any direct, indirect, special, consequential,
compensatory or incidental damages whatsoever (including without limitation,
lost profits), even if MOODY'S is advised in advance of the possibility of such

damages, resulting from the use of or inability to use, any such information. The ratings, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR
IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR
FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR
INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

MIS, a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MIS have, prior to assignment of any rating, agreed to pay to MIS for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have
also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Shareholder Relations -
Corporate Governance - Director and Shareholder Affiliation Policy."

Any publication into Australia of this document is by MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657, which holds Australian Financial Services License no. 336969. This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001.

Notwithstanding the foregoing, credit ratings assigned on and after
October 1, 2010 by Moody's Japan K.K. ("MJKK") are MJKK's current opinions of the relative future credit risk of entities, credit commitments, or debt or

debt-like securities. In such a case, "MIS" in the foregoing statements shall be deemed to be replaced with "MJKK".
MJKK is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO.

This credit rating is an opinion as to the creditworthiness or a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be dangerous for retail investors to make any investment decision based on this credit rating. If in doubt you should contact your financial or other professional adviser.