

**STANDARD
& POOR'S**

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reference no.: 724125

June 9, 2005

County of Monmouth
One East Main Street - 3rd Floor
Hall of Records
P.O. Box 1256
Freehold, NJ 07728
Attention: Mr. Mark Acker, Finance Director

Re: ***US\$30,000,000 County of Monmouth, New Jersey, General Obligation Bonds, Series 2005D, dated: Date of Delivery, due: December 1, 2020***

Dear Mr. Acker:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "AAA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would

Mr. Mark Acker

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facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
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By: Steven J. Murphy
Managing Director

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enclosures

cc: Ms. Monika Conley, Senior Managing Director
Public Resources Advisory Group

STANDARD &POOR'S

Standard & Poor's Ratings Services Terms and Conditions Applicable To U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of

information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Publication date: 10-Jun-2005
Reprinted from RatingsDirect

Summary: Monmouth Cnty, NJ

Primary Credit Analyst(s): Harold Burger, New York (1) 212-438-7983; harold_burger@standardandpoors.com
Secondary Credit Analyst(s): Richard J Marino, New York (1) 212-438-2058; richard_marino@standardandpoors.com

Credit Profile

US\$30 mil GO bnds ser 2005D
due 12/01/2020
AAA

Sale date: 16-JUN-2005

AFFIRMED
Monmouth Cnty, NJ
Outstanding GO bnds
AAA

Monmouth Cnty Imp Auth, NJ
Outstanding cap equip lse prog
bnds & rev rfdg bnds
(Monmouth Cnty)
AAA

OUTLOOK: STABLE

Rationale

The 'AAA' rating on Monmouth County, N.J.'s series 2005D GO bonds reflects the county's:

- Strong local economy anchored by the services, retail trade, and health care industries;
- Substantial and rapidly growing tax base;
- Wealth and income levels that exceed both state and national levels;
- Consistently strong financial position, evidenced by regular operating surpluses and high current fund balances; and
- Manageable overall debt burden.

The series 2005D bonds are secured by the county's full faith and credit GO pledge. Proceeds of the bonds will be used to finance the acquisition of various open space parcels within the county.

Monmouth County (current population, 636,298) is in central New Jersey and neighbors Mercer, Middlesex, Burlington, and Ocean counties. The county is an affluent residential community and increasingly serves as a major commuting hub for the greater New York City area employment base. As of this year, approximately 83% of the county's assessed valuation (AV) consisted of residential properties. Significant job opportunities also exist within the county, primarily in the services and retail trade sectors. The county's tax base is also diverse, as the 10 leading taxpayers comprised just 2% of 2004's net taxable AV. The county's 2005 market value totals \$90.1 billion, which translates to a strong \$141,659 per capita. Furthermore, wealth and income levels in the county are above average, as per capita and median household effective buying incomes are 145% and 143% of the national level, respectively.

Since Standard & Poor's Ratings Services' rating review in March 2005, the Department of Defense released its Base Realignment and Closure (BRAC) proposed list that includes a recommendation to close Fort Monmouth, which is a military installation in the eastern portion of the county and the county's second-largest employer. According to the BRAC recommendation list, the closure of Fort Monmouth would result in the elimination of nearly 5,300 civilian and military jobs in the county. Additionally, under the recommended BRAC list, Naval Weapons Station Earle, which is also located in the county, would be realigned, potentially resulting in a net loss of just 61 positions. County management indicates that any potential base closure would be done over time, and that the Fort Monmouth property could be redeveloped for private use. Standard & Poor's will continue to monitor the developments surrounding the BRAC proposals, although Monmouth County's local economy is strong and should be able to weather any fallout tied to the possible closure of Fort Monmouth.

The county's financial operations have been consistently strong. Audited results for fiscal 2003 (year-end Dec. 31) indicated a \$7.4 million operating surplus, which pushed the unreserved current fund balance to \$75.7 million, or 18.5% of expenditures and 18.2% of revenues. Unaudited fiscal 2004 figures place the current fund closing with a \$3.0 million operating surplus and an ending unreserved current fund balance of \$78.7 million, which translates

to 18.1% of expenditures and 18.0% of operating revenues. The county has managed to steadily increase its current fund balance through strong revenue performance related to sustained economic and tax base development, along with conservative budgeting practices. The adopted fiscal 2005 budget is balanced at \$435.5 million and represents a 4.7% increase over the 2004 adopted budget. The fiscal 2005 budget includes a \$42.0 million current fund appropriation, a 3.4% property tax levy increase, and a 3.8% appropriation increase for salaries. The county presently anticipates fiscal 2005 closing with break-even operations or a slight current fund balance reduction.

When factoring in net underlying municipality debt of \$1.45 billion, Monmouth County's estimated overall debt burden is manageable at \$2,887 per capita and 2.00% of market value. Amortization is very rapid, with roughly 82% of new and outstanding debt retired in 10 years and 100% retired by 2020. The county anticipates issuing approximately \$45 million next year as part of its six-year capital improvement program (CIP).

(For further information on Monmouth County, N.J.'s general credit characteristics, please refer to the most recent full analysis on the county on RatingsDirect.)

Outlook

The stable outlook reflects the expectation that the county's local economy will continue to diversify and grow. In addition, it is expected that the county's strong financial position, as primarily measured by healthy current fund balance reserves, will be maintained, and that the county will prudently manage its CIP and debt position.

Complete ratings information is available to subscribers of RatingsDirect, Standard & Poor's Web-based credit analysis system, at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search.

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