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INVESTORS SERVICE

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January 18, 2013

Mr. Steven Chapman
County of Winnebago
464 Elm Street
Rockford, IL 61101

Dear Mr. Chapman :

We wish to inform you that on January 17, 2013, Moody's Investors Service reviewed and assigned a rating of

- Aa2 to WINNEBAGO (COUNTY OF) IL, General Obligation Alternate Refunding Bonds (Public Safety Sales Tax Alternate Revenue Source), Series 2013A

- Aa2 to WINNEBAGO (COUNTY OF) IL, General Obligation Alternate Refunding Bonds (Matching Tax and Motor Fuel Tax Alternate Revenue Sources), Series 2013B

- Aa2 to WINNEBAGO (COUNTY OF) IL, General Obligation Refunding Debt Certificates, Series 2013C

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure of current financial and statistical information.

Moody's will monitor this rating and reserves the right, at its sole discretion, to revise or withdraw this rating at any time in the future.

The rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's Rating Desk.

In accordance with our usual policy, assigned ratings are subject to revision or withdrawal by Moody's at any time, without notice, in the sole discretion of Moody's. For the most current rating, please visit www.moodys.com.

Should you have any questions regarding the above, please do not hesitate to contact me or the analyst assigned to this transaction, David Levett at 312-706-9990.

Sincerely,

Rachel Cortez

Rachel Cortez

CC:

Ms. Barbara Chevalier
Speer Financial

MOODY'S INVESTORS SERVICE

New Issue: Moody's assigns Aa2 rating to Winnebago County's (IL) $37.6 million GO Alternate Refunding Bonds, Series 2013A; $7.0 million GO Alternate Refunding Bonds, Series 2013B; and $7.6 million GO Refunding Debt Certificates, Series 2013C

Global Credit Research - 17 Jan 2013

Maintains Aa2 rating on $148.4 million of post-sale GO debt

WINNEBAGO (COUNTY OF) IL
Counties
IL

Moody's Rating

ISSUE		RATING
General Obligation Alternate Refunding Bonds (Matching Tax and Motor Fuel Tax Alternate Revenue Sources), Series 2013B		Aa2
Sale Amount	$6,985,000	
Expected Sale Date	01/28/13	
Rating Description	General Obligation	
General Obligation Alternate Refunding Bonds (Public Safety Sales Tax Alternate Revenue Source), Series 2013A		Aa2
Sale Amount	$37,580,000	
Expected Sale Date	01/28/13	
Rating Description	General Obligation	
General Obligation Refunding Debt Certificates, Series 2013C		Aa2
Sale Amount	$7,580,000	
Expected Sale Date	01/28/13	
Rating Description	General Obligation	

Moody's Outlook

Opinion

NEW YORK, January 17, 2013 --Moody's Investors Service has assigned a Aa2 rating to Winnebago County's (IL) $37.6 million General Obligation Alternate Refunding Bonds (Public Safety Sales Tax Alternate Revenue Source), Series 2013A; $7.0 million General Obligation Alternate Refunding Bonds (Matching Tax and Motor Fuel Tax Alternate Sources), Series 2013B; and $7.6 General Obligation Refunding Debt Certificates, Series 2013C. Moody's maintains the Aa2 rating on previously issued general obligation debt. Post-sale the county will have $148.4 million in general obligation debt outstanding.

SUMMARY RATINGS RATIONALE

The Series 2013A and Series 2013B bonds are payable from certain special taxes, but are also secured by the county's general obligation unlimited tax pledge. The Series 2013C certificates are secured by a limited general obligation pledge and do not benefit from a dedicated levy. The Series 2013A bonds will advance refund a portion of the county's General Obligation Alternate Bonds (Public Safety Sales Tax Alternate Revenue Sources), Series 2005A and General Obligation Alternate Bonds (Public Safety Sales Tax Alternate Revenue Source), Series 2006A for savings. The Series 2013B bonds will advance refund the county's General Obligation Alternate Bonds

(Matching Tax and Motor Fuel Tax Alternate Revenue Source), Series 2006B for savings. The Series 2013C debt certificates will advance refund a portion of the county's General Obligation Debt Certificates, Series 2006D for savings. The Aa2 rating reflects the county's sizable tax base which has experienced recent declines; healthy reserves despite recent draw downs; and moderate debt profile. The county's general obligation limited debt certificates are rated the same as its general obligation unlimited tax debt due to county's strong financial profile with healthy General Fund reserves and solid liquidity.

STRENGTHS

- Solid financial profile with healthy reserves, despite recent declines

- Sizable tax base with local economy experiencing positive trends in the manufacturing sector

CHALLENGES

- High dependence on volatile economically sensitive revenues

- Declines in assessed valuations and above average unemployment

DETAILED CREDIT DISCUSSION

TAX BASE REMAINS SIZEABLE DESPITE RECENT DECLINES; UNEMPLOYMENT RATE REMAINS ELEVATED DESPITE RECENT IMPROVEMENT

We expect declines in the county's sizeable $13.3 billion tax base will begin to moderate as a result of recent positive trends in the local manufacturing economy, which has been challenged in recent years. Located in north-central Illinois (GO rated A2 / negative outlook) along the Wisconsin (Aa2 / stable outlook) border, Winnebago County's economy and tax base are closely tied with the City of Rockford (Aa3), which is the county seat. Approximately 52% of the county's population is located in the city of Rockford and approximately 40% of the county's tax base is derived from the city's tax base. The county's equalized assessed valuation declined 7.2% from 2009 to 2011 primarily due to depreciation in housing values and foreclosures. Officials estimate valuations declined an additional 6.8% in 2012.

Manufacturing is the backbone of the local economy with nearly 20% of the workforce employed in manufacturing. The county's exposure to the automobile industry and manufacturing pressured local employment during the economic downturn. In 2008, General Motor's (corporate family rated Ba1 / positive outlook) closed a plant in nearby Janesville, Wisconsin and there were significant staffing reductions at Chrysler's Belvidere plant located 15 miles from Rockford. The county's unemployment rate peaked at 15.2% in 2010. However, recent trends in the sector have been favorable including the recent completion of a 638,000 square foot expansion at the Belvidere Plant and an increase in plant operations to three shifts. Woodward, an aircraft components supplier, is constructing a manufacturing facility near Rockford that is expected to employ 1,500. The unemployment rate in the county has improved to 10.9%, but remains higher than the state (8.4%) and national (7.5%) averages, as of October 2012.

The county continues to work towards diversifying its regional economy to include a stronger presence in the transportation and logistics, food processing, and high-tech manufacturing industries. The county is in the process of extending water and sewer service and making road improvements to attract development at an industrial park. Rockford's sizeable health care foot print has traditionally been a source of some stability with Swedish American Health System, Rockford Health System, and OSF St. Anthony each employing more than 2,000 people. The Global Industrial Trade Park is adjacent to the airport and is the operational site of several cargo transportation companies. A key tenant includes a regional United Parcel Service (senior unsecured rated Aa3/ stable outlook) sorting hub. Hamilton Sundstrand, an aerospace manufacturer, is also a significant employer in the county, with 2,000 employees, and is reportedly stable. Resident income levels are average with per capita income and median family income estimated at 95% and 88% of US medians, respectively, from 2006 to 2010, in the American Community Survey.

EXPENDITURE REDUCTIONS IMPLEMENTED TO MAINTAIN HEALTHY GENERAL FUND RESERVES; EXPOSURE TO ECONOMICALLY SENSITIVE REVENUES

We expect the county's financial position to continue to remain stable as a result of expenditure reductions implemented in response to revenue declines. Between fiscals 2008 and 2010, the county posted three consecutive operating deficits, reducing the county's General Fund balance from a sizable $15.8 million or 28.8%

of General Fund revenues in fiscal 2007 to a still sound $10.5 million or 19.7% of revenues at the end of fiscal 2010. The drawdown in reserves was driven by declines across most major revenues, including sales taxes, interest earnings, state-shared income taxes and personal property replacement tax allotments. In response, the county began to aggressively implement a number of cost control efforts in 2009, including layoffs, early retirements, reduced workweeks, furlough days and other reductions. As a result of those efforts and favorable variances in personal property replacement taxes provided by the state, the county posted an operating surplus of $1.4 million in fiscal 2011 bringing the General Fund balance to $11.9 million or an ample 25.7% of revenues. Liquidity was also solid with $6.5 million in cash and equivalents. Although audited financial statements are not yet available, officials estimate that the county ended fiscal 2012 with an operating surplus of $1.4 million due primarily to favorable budget-to-actual variances in revenues including the inheritance tax.

The county's other major governmental operating fund, the Public Safety Sales Tax Fund, accounts for the collection and use of a 1% sales tax for public safety that is primarily utilized to support jail operations. That fund had a large fund balance of $16.3 million, or 59.6% of revenues at the fiscal 2011 year-end. The balance was largely liquid with $10.4 million in cash and investments. The county's two major enterprise funds account for its nursing home and animal services operations. Both funds ended fiscal 2011 with solid financial results including adequate reserves and positive net income. Officials report that the state has recently increased delays in Medicaid payments, but liquidity in the Nursing Home Fund remains adequate for cash flow.

Historically, economically sensitive revenues have caused volatility in General Fund results. Sales tax receipts are the county's second largest revenue stream, comprising 18% of fiscal 2011 General Fund revenues. Due to the general economic conditions, total sales tax revenues declined by $1.9 million or 18% from fiscal 2007 to fiscal 2010 across all funds. The more recent trend has been favorable with a 2% increase in sales tax receipts in 2011 and a 3% growth in fiscal 2012. General Fund intergovernmental revenue, which includes state-shared income taxes and personal property replacement tax allotments, is the county's largest revenue source at 29% of General Fund revenues. Intergovernmental revenue had moderate declines and delays with the economic downturn, but has also begun to recover. The county participates in three agent-multiple-employer defined benefit pension plans, the Illinois Municipal Retirement Fund (IMRF), Elected County Officials Personnel (ECO) and the Sheriff's Law Enforcement Personnel (SLEP).

MANAGABLE DEBT BURDEN WITH RAPID PRINCIPAL RETIRMENT

The county's debt burden will likely remain manageable given its limited future debt plans. The county's overall debt burden is average at 3.7% of full value and it's direct debt level is moderate at 1.2% of full value. Principal amortization is above average at 77% retired within ten years. Debt service as a percent of expenditures is elevated, but manageable at 21% in fiscal 2011. All of the county's debt is fixed rate and long term, and the county is not a party to any derivative agreements.

WHAT COULD MOVE THE RATING UP

- Diversification and enhancement of the economic base, leading to improved employment trends and strengthening of the demographic profile

-Significant growth in fund balance and liquidity

WHAT COULD MOVE THE RATING DOWN

- Reemergence of operating deficits resulting in further decline in reserves

- Economic deterioration resulting in erosion of the tax base or socio economic profile

KEY STATISTICS

2010 census population: 295,266 (6% increase from 2000)

2011 Full value: $13.3 billion (5 average annual increase of 0.8%)

2006-2010 Per capita income: $59,814 (95% of US)

2006-2010 Median family income: $24,088 (88% of US)

Fiscal 2011 General Fund balance: $11.9 million (25.7% of revenues)

Direct debt burden: 1.2%

Overall debt burden: 3.7%

Payout of principal: (10 years): 76.6 %

Post-sale total general obligation debt outstanding: $148.4 million

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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