MOODY'S
INVESTORS SERVICE

# Rating Action: Moody's upgrades to Aaa Union County, NC's $330.8M GO debt

Global Credit Research - 16 Nov 2015

**Assigns Aaa rating to $47.1M GO Refunding Bonds, Series 2015**

New York, November 16, 2015 --

Moody's Rating

Issue: General Obligation Refunding Bonds, Series 2015; Rating: Aaa; Sale Amount: $47,120,000; Expected Sale Date: 12-10-2015; Rating Description: General Obligation

Opinion

Moody's Investors Service has upgraded to Aaa from Aa1 the rating on Union County NC's $330.8 million of outstanding general obligation debt and to Aa1 from Aa2 the rating on the county's $72.9 million of outstanding certificate of participation/limited obligation bonds. Concurrently, Moody's has assigned a Aaa rating to the county's $47.1 million General Obligation Refunding Bonds, Series 2015.

SUMMARY RATING RATIONALE

The highest quality Aaa rating reflects the sizeable tax base benefiting from its location adjacent to Charlotte (Aaa stable), the well-managed financial position with ample reserves and liquidity, and elevated debt ratio with above average payout.

The Aa1 rating reflects the essential nature of the financed assets, adequate legal provisions for bondholders, and strong long-term credit characteristics of the county itself.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO DOWN

- Failure to maintain structural balance, resulting in deteriorated financial position

- Weakening of regional economy leading to significant tax base loss and decreased wealth

- Significant new debt beyond current expectations

- Non-appropriation on the county's COPs/LOBs

OBLIGOR PROFILE

Union County serves a growing population of 215,956 in the south central region of North Carolina drawing it's strength from the expanding Charlotte metro region.

LEGAL SECURITY

The general obligation bonds are secured by the full faith, credit and resources of the county, and will be payable from ad valorem taxes, which may be levied with virtually no limitation as to rate or amount.

The COPs/LOBs are secured by installment payments from the county subject to annual appropriation, and by recourse to school buildings in the event of non-appropriation. The essential nature of the pledged assets mitigates the risk of non-appropriation by the county, and that other legal provisions adequately protect bond-holders. In the event of non-appropriation, the county would lose two needed school buildings, which provides solid collateralization of approximately 100% of outstanding principal under the Trust Indenture. The county will make payments under the Installment Purchase Contract directly to the Trustee, at least five days prior to debt service payment dates. Further strengthening security, the county has covenanted to include the appropriation in its preliminary budget, and it must be removed from the annual budget by an affirmative vote of the county commission. Under the Installment Purchase Contract, title insurance will also be secured by the county.

USE OF PROCEEDS

Proceeds from Series 2015 bonds will refinance General Obligation School Bonds, Series 2007D, General Obligation School Bonds, Series 2009A, and General Obligation Refunding Bonds, Series 2009B for an estimated 3.8 of net present value savings with no extension of final maturity.

PRINCIPAL METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the Lease-Backed rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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