

## Deal Spotlight: Tax Increment Financing

### Midlothian Development Authority, Texas

\$35,000,000 (Series A)

Ratings: AA (S&P)

UW: Stone & Youngberg LLC

FA: Southwest Securities, Inc.

Dated Date: 1/1/07

Midlothian Development Authority (the “Authority”) issued \$35 million of bonds secured by contract tax increment revenues of Reinvestment Zone Two (the “Zone” or the “Project Area”). The bond proceeds were used to refund the Authority’s 1999 and 2001 debt and pay the costs of issuance. These Series A bonds were issued as Senior Lien Obligations. Meanwhile, approximately \$7 million of Series B Subordinated Lien Obligations were issued but not insured by Radian.

The Zone was formed via collaboration between the City of Midlothian and Texas Industries (“TXI”). The Project Area occupies 2,874 acres southwest of the Dallas/Fort Worth MSA. The Project Area is located near the intersection of two main highways and enjoys easy access to two major airports – DFW and Love Field. The location of the Zone near the metropolitan area with access to major road, rail and air travel channels makes it a prime location for distributors.

Incremental assessed value has increased from \$130 million in 2000 to a current assessed value (“AV”) of \$342 million. Midlothian Energy LP and TXI formed the bulk of AV at 59% and 25% of the total AV, respectively. Despite the AV concentration, Radian derived credit comfort from the Project Area’s strong maximum annual debt service coverage at over 2x for the Senior Lien Obligations.

The Authority accessed the market at lower interest rates based on Radian’s AA rating. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Maturity	2016	2021	2026
Coupon	5.00%	5.00%	5.00%
Yield	4.20%	4.36%*	4.45%*
Spread to MMDL High Grade (bps)	+47	+48	+46

\*Priced to the 10-year call.

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