

Deal Spotlight: Tax-Backed Obligations

Sandoval County, New Mexico

PILT Revenue Bonds

\$10,000,000

Rating: AA (S&P)

Underlying Rating: BBB (S&P)

UW: Southwest Securities, Inc.

Dated Date: 3/21/07

Sandoval County (“Sandoval” or the “County”) issued \$10 million of bonds to fund municipal infrastructure, buildings, and other essential governmental functions within the County.

Sandoval is located between central and northern New Mexico. The southern part of the County is urban and lies within the Albuquerque Metropolitan Area. The County consists of 3,707 square miles of diverse geography and six incorporated municipalities, eleven Native Indian reservations and a variety of smaller, unincorporated communities.

The County is the fastest growing and 6th most populous in the State, with a population of 107,600 in 2005 up from 63,319 in 1990. This growth is due to increasing urbanization. The largest percentages of jobs in Sandoval are in manufacturing, wholesale and retail trade.

The bonds are secured by Payments in Lieu of Taxes (“PILT”). PILTs are Federal payments to local governments that help offset losses in property taxes due to non-taxable Federal lands within their boundaries. Congress has appropriated PILT payments each year since the law’s inception in 1976. The Bureau of Land Management allocates payments to a formula which accounts for population, receipt-sharing payments, and the amount of Federal land within the County. Sandoval’s PILT payments have increased at an annual rate of 11.9% since 1999 to a level of \$1.37 million in 2006. Historical PILT payments cover proforma maximum annual debt service at 1.8x.

With an underlying rating of BBB from S&P, the County 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	2015	2020	2026
Coupon	3.625%	4.00%	4.25%
Yield	3.88%	4.25%	4.38%
Spread to MMDL High Grade (bps)	+30	+48	+49

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