

Deal Spotlight: General Obligation

City of Avon, Minnesota

General Obligation Trunk Utility Revenue Bonds

\$2,310,000 (Series B)

\$3,835,000 (Series C)

Rating: Aa3 (Moody's)

Underlying Rating: Baa2 (Moody's)

UW: Morgan Keegan & Co., Inc. (Series B)

UW: Cronin & Company, Inc. (Series C)

FA: David Drown Associates, Inc.

Dated Date: 8/1/07

The City of Avon ("Avon" or the "City") issued \$7.045 million of general obligation trunk utility revenue bonds across three series through a competitive bid offering. The longer of the two series of bonds, Series B and C, were insured by Radian. The third series, with a final maturity of 2013, sold without insurance.

The City is located in Stearns County in the central portion of Minnesota. The City lies approximately 80 miles northwest of Minneapolis and 15 miles west of St. Cloud. Avon has an estimated population of 1,290.

The City's 2007 assessed value of \$102 million increased at an average annual rate of 11.8% over the last five years. The City recently annexed 300 acres of Avon Township, which included commercial and residential development.

The Series B bond proceeds will be used to finance trunk utility improvements within the West Avon area. The Series C bond proceeds will be used to finance street and utility improvements within the Avon Estates subdivision. The Series B Bonds and the Series C Bonds are secured by the general obligation unlimited tax pledge of the City. The Series B bonds are additionally secured by Avon's pledge of revenues from the City's sewer and water utilities. The Series C bonds derive additional security by special assessments on certain properties benefiting from the improvements.

With an underlying rating of Baa2 from Moody's, the City accessed the market at lower interest rates based on Radian's Aa3 rating. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Series	C	C	B
Maturity	2024	2028	2035
Coupon	4.50%	4.70%	5.00%
Yield	4.50%	4.70%	4.75%*
Spread to MMDL High Grade (bps)	+ 21	+ 34	+ 33

* Priced to the 2016 par call.

Key Contacts:

James George, VP • 212 984.9279 • james.george@radian.biz

John DeLuca, SVP, Director of Marketing • 212 984.9222 • john.deluca@radian.biz

This report has been prepared by Radian Asset Assurance Inc. ("Radian") based on information available and believed to be accurate and complete as of the date on which the obligations described above were issued (the "Issuance Date"). Certain information included in this report was obtained by Radian from third-party sources, and Radian does not guarantee the accuracy or completeness of this report as of the Issuance Date or its continued accuracy as of any date subsequent thereto. Radian does not intend to, and disclaims any duty or obligation to, update or revise any information included in this report to reflect new information or future events for any other reason. This report is distributed for information purposes only and nothing contained herein should be viewed as investment advice or as constituting a recommendation to buy, hold or sell the obligations described herein. Radian has insured the obligations described above and received fees for the issuance of a financial guarantee insurance policy covering such obligations.