

Deal Spotlight: Land-Secured Transactions

City of Stockton Financing Authority, California Redevelopment & Housing Projects

\$110,185,000

Series 2006 A, B & C

Rating: AA (S&P)

Underlying Ratings: BBB (Series A & B), BBB+ (Series C) (S&P)

UW: Stone & Youngberg LLC

Dated Date: 7/12/06

The City of Stockton (the “City”) is located in San Joaquin County, 60 miles east of San Francisco and 45 miles south of Sacramento and encompasses 53 square miles. The City, through its Financing Authority, issued three series of bonds to fund redevelopment in six project areas. Series A and B bonds are secured by the tax increment after the housing set-asides from the three mature areas, North, South and Midtown projects. Meanwhile the Series C bonds are secured by the housing set-asides from the areas above as well as the housing set-asides from the Port Industrial, West End and Rough and Ready Island project areas.

This issue represents Radian’s largest tax allocation bond. The Series A includes over \$75 million of tax-exempt bonds; Series B and C are federally taxable and are sized just over \$8 million and just under \$26 million, respectively. The bond proceeds will fund redevelopment in all the project areas and pay for the costs of issuance.

The underlying rating of BBB on the Series A and B bonds is based on the separate credits of the North, South and Midtown project areas. The Series C underlying rating of BBB+ is by virtue of the six merged areas allocating their housing set-asides to it under one agreement.

The combined project areas securing the bonds total roughly 15,000 acres and 29,000 parcels; Assessed Value (AV) totals \$5bn and Incremental Assessed Value (IAV) is \$1.32bn. Maximum annual debt service coverage is 1.25x for all series.

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

Series A Tax-Exempt

Maturity	2031	2034	2037
Coupon	5.25%	5.25%	5.25%
Yield	4.83%	4.86%	4.88%
Spread to MMDL High Grade (bps)	+29	+29	+30

Series C Taxable

Maturity	2016	2037
Coupon	6.15%	6.87%
Yield	6.15%	6.87%
Spread to Treasuries (bps)	+100	+161*

* Compared to the 5 3/8% 2031 Treasury.

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