



FY 2008

Private Activity Bond Clearinghouse

Industrial Revenue Bond (IRB)

for 501 (c) (3)- Not for Profit Corporations

Application Information Kit

Lake County Partners, Processing Agent

**For Additional Information, please contact
Frank Brisbois, Vice President of Commercial Lending**

Phone: 847-247-0137, X225

e-mail: fbrisbois@lakecountypartners.com

LCP Website: www.lakecountypartners.com

Industrial Revenue Bonds – Tax Exempt Financing

Executive Summary

- Industrial Revenue Bonds provide a method of financing the capital expenditures of manufacturers and 501(c)(3) non-profit corporations at interest rates that range from 65% to 80% of the borrower's conventional bank interest rates.
- As a result of these lower rates, a non-profit that uses IRBs can realize substantial savings versus conventional loans.
- Lake County Partners acts as a conduit for corporations to access these tax-exempt bonds. By contract, Lake County Partners is Lake County's authorized IRB agent.

Eligibility Requirements

- **IRS certified private, not-for-profit, 501(c)(3) corporations that are financing fixed assets and providing new jobs qualify.**
- **Jobs:** New full-time jobs must be created by the project. There is no set minimum; however, borrowers will be held accountable for their job creation estimates.

What can be financed?

- New Construction
 - New facility
 - Expansion to a currently owned facility
- Existing Facilities
 - Purchase of an existing facility.
- Refunding of existing IRBs can be accomplished within certain restrictions.

Other restrictions:

To qualify for bond financing, a project must also conform to a series of legal requirements. Your Bond counsel and the company's own attorney can provide specific advice.

Issuance Process – Overview

- **Financing Process:** Work with the Bank to develop a financing plan either to enhance the issue with a letter of credit or to purchase the bonds directly.
- **Working with Lake County Partners:** Apply to Lake County Partners for an Inducement Resolution, which is an action by the municipal approving body inducing the company to locate its project/expand its facility within the jurisdiction of Lake County. The Inducement Resolution represents an intention to issue bonds subject to review of the documentation and legal opinion of bond counsel.

- There are strict rules about spending money or signing a binding commitment on a project prior to inducement. **Expenditures made more than 60 days prior to inducement are not eligible for tax exempt financing.**
- **Documentation:** Select bond counsel and authorize draft documentation.
 - Bond counsel, an attorney with expertise in bond law, delivers an opinion upon closing of the bonds regarding the tax-exempt qualifications of the issue. Bond counsel also drafts the majority of the bond documents.
 - Lake County Partners has working relationships with several firms that can act as bond counsel, bank counsel and, if necessary, underwriter's counsel. This packaging of services results in lower expenses for the borrower.
- **Public Approval Process/Final Bond Resolution**
 - Return to Lake County Partners with completed documentation for bond resolution hearing (formal approval).
 - Prior to passage of the bond resolution, a public hearing (TEFRA hearing) is held to give the public an opportunity to speak out on the issue. It is extremely rare for any opposition to be expressed in tax exempt transactions.
- **Closing and Funding the Transaction**
 - All the bond proceeds are drawn down at closing. Funds not immediately needed may be reinvested with the trustee subject to strict limitations on earnings from those investments. Investment earnings cannot exceed interest expenses.
 - The company has up to three years after closing to expend all the bond proceeds. Funds not spent within three years must be used to redeem bonds.

Private Activity Bond Clearinghouse's IRB Application Process

An application is attached. Please fill this out and forward five copies to David Young, the President of **Lake County Partners**. The **Lake County Partners'** IRB Advisory Committee meets to consider IRB Applications. Once your application is considered and approved, it is forwarded onto the host Community's Village/City Board and its committees.

Pre-Submission Requirements:

- You have identified an underwriter for the project
- You have retained a bond counsel
- You have a clear understanding of the project
- You have confirmed that the site's zoning/lot size will facilitate the project

Bond Process:

Do not view these steps as sequential; they can be done concurrently, as long as there is continuous communication between the parties;

- Please answer the questions on the attached application and provide me with five copies, at the above address

- Attach a non-refundable check for \$2,500 to your application, made payable to Lake County Partners.
- Attach a copy of your company's last three years and current interim financial statements to your application; we will keep your financials confidential
- Please be advised that the remainder of your fee will be due when the bond is sold (your total processing fee will equal 1% of the total project amount; there is a \$5,000 minimum fee)
- Staff will review your application and forward its recommendation to the appropriate committees
- Staff will contact you to conduct a site tour as part of their due diligence (where applicable)
- Your application will be scheduled for review at a public hearing and by two the appropriate committees and municipality approval body.
- Concurrent with this process, your Bond Counsel and the Municipal Approval Authority's Counsel, will be working to prepare and approve the required documents, including Resolutions, a Notice of Public Hearing, the Bond Purchase Agreement and the myriad of closing documents required to fulfill the tests of the IRS tax exempt regulations and the demands of a Bond Sale and Closing
- The process of securing an Inducement Resolution can take up to 45-60 days after we receive your application.
- The authorization of the bond expires one year after passage by the Municipal Approving Authority, unless it has been extended or the sale has been initiated. It is the responsibility of the applicant to inform the approving authority of the status of its project and request any necessary extension.

Include a letter of bank commitment, a check for \$2,500, a complete copy of your company's last three years' audited financials and the most recent quarterly financials. These items should be conveyed to the Lake County Partners, 28055 Ashley Circle, Suite 212, Libertyville, IL 60048 (847) 247-0137 with this application.

- Please provide a history of the corporation, date of incorporation, charitable purpose and the services and programs provided to meet that goal, etc.
- Please identify and describe any for-profit affiliates not mentioned above.
- Describe your current service area and number of clients. Also, discuss how the proposed project will affect the quantity and quality of services you currently provide.
- Please enclose a current listing of the organization's board of directors and verification of its 501(c)(3) designation.

8. Project Description:

Provide a complete description and intended purpose of the project. Please include any land acquisition, building construction, renovation, equipment purchases, installation, etc. (attach project estimates). Describe the relationship of the project to the organization's mission and experience.

9. Facility Financing:

- Does the facility possess all licenses and permits for current operations? If no, please explain.

- Is any part of the facility to be used by another public or private entity? If yes, please explain.

- Has an environmental study been performed on the site of the subject facilities? If so, were any environmental risks cited?

10. Present Zoning Classification: _____

Rezoning is contemplated to obtain a classification of _____

No rezoning is necessary; permitted use exists _____

Variances are required (specify) _____

11. Unusual Site Features:
PLEASE EXPLAIN

12. Please identify the current building and/or landowner for any site to be acquired:

Name: _____

Address: _____

City: _____ State _____ Zip Code _____

13. Economic and Community Effect:

Describe the project's overall effect on the surrounding community (i.e., services to the community, environmental effect, employment opportunities, quality of life, etc.).

14. Tax-Exempt financing:

Explain why tax-exempt financing is necessary for this project to be successful.

15. Management:

Please list those persons responsible for the management of the corporation and the management of the project, and their relationships to the corporation. Please provide any relevant information relating to the experience of these persons serving in each capacity.

<u>Name</u>	<u>Title</u>	<u>Date Started with Corporation</u>
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16. Financial Management:

- Describe the organization's current financial condition. Comment on any actions being taken to overcome any adverse trends or, problems. Please enclose three years of audited financial statements, year-to-date financial statements (unaudited) and a budget for the next fiscal year (if available). Also include three years of cash flow projections following completion of the project.

17. Project Costs: Amount of Proposed Bond: \$ _____

<u>Uses of Funds</u>	<u>Total Cost</u>	<u>Bond Amount</u>	<u>Other Sources</u>
Land Acquisition	\$ _____	\$ _____	\$ _____
Building Acquisition	_____	_____	_____
Rehabilitation	_____	_____	_____
New Construction	_____	_____	_____
Machinery/ Equip.	_____	_____	_____
Architectural & Engineering	_____	_____	_____
Legal & Professional	_____	_____	_____
Contingency/Other Refinancing	_____	_____	_____
Capitalized Interest	_____	_____	_____
Total	_____	_____	_____

Sources of Funds	Total Sources
501c3 Bond	\$ _____
Bank Financing	_____
Other ()	_____
Other ()	_____
Other ()	_____
Total	_____

18. Identify other sources of financing:

Include source, amount available, security, terms, etc.

19. Proposed Financing Structure:

Please describe the prospective financing terms for this project including maturity, fixed or variable rate debt, rated or unrated, public offering or private placement.

20. Source of Security:

Identify what sources of revenue will repay the bond. If repayment of the bond is to be guaranteed by a bank or another entity other than the borrower, please list the name and address of the guarantor, and its relationship to the borrower:

21. State Contractual Agreements:

Please describe below any state or federal funding sources that the corporation receives (i.e., state contracts):

<u>Funding Agency</u>	<u>Funding Type</u>	<u>Certification Status</u>	<u>Total Amount Provided (Annual)</u>
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22. Current and Projected Employment

One of the purposes of Industrial Revenue Bonds (IRB) is to create new, full-time jobs and/or assist in the retention of existing jobs. Please be as thorough and accurate as possible in arriving at your estimates.

Employment Categories	Current Employment	1 Year After Project Completion	2 Years After Project Completion
Professional	_____	_____	_____
Clerical and Administrative	_____	_____	_____
Skilled	_____	_____	_____
Unskilled	_____	_____	_____
Other	_____	_____	_____
Total	_____	_____	_____

- List the assumptions used for employment projections:

- If this application pertains to the retention of existing jobs, please state the number of employees to be retained, and explain why these jobs would be eliminated or reduced if the loan is not provided:

- Please estimate the number of construction jobs to be created as a result of this project:

- Estimated number of months construction workers to be employed:

23. Project Development Team;

Please provide information listed below (if known at this time).

A. Development Consultant:

Name

Address

City

State

Zip

(_____)_____
Telephone

B. Architect:

Name

Address

City

State

Zip

(_____) _____
Telephone

C. General Contractor:

Name

Address

City State Zip

(_____) _____
Telephone Contact person
10

D. Other:

Name

Address

City State Zip

(_____) _____
Telephone

24. Other Firms Working On Financing For The Borrower:

A. General Counsel

Name

Address

City State Zip

(_____) _____
Telephone Contact person

B. Bond Counsel

Name

Address

City State Zip

(_____) _____
Telephone Contact Person
11

B. Accountant:

Name

Address

City State Zip

(_____) _____
Telephone Contact Person

C. Financial Advisor:

Name

Address

City State Zip

(_____) _____
Telephone Contact person

D. Underwriter/Placement Agent:

Name

Address

City

State

Zip

(_____) _____

NOTICE: Applicants are hereby notified that the provisions of the Prevailing wage Act (820 ILCS 13011; ILL. Rev. stat. 1991, ch 48, par. 3995-1 et. seq) and the Public Work Preference act may apply to the project, which is the subject of this application. Construction cost estimates should take into account the effect of said Acts.

CERTIFICATION BY APPLICANT

The applicant certifies by signing, the application in the space below that the site for the proposed construction is not located in a SPECIAL FLOOD HAZARD AREA as defined and designated by The Illinois Department of Transportation, Division of Waterways, and that an investigation has been made to determine that it is not in such an area.

Applicant hereby certifies that all information contained above and in exhibits attached hereto is true to his/her best knowledge and belief and is submitted for the purpose of obtaining financial assistance through Lake County Partners.

Date _____

Applicant _____

By _____

Title _____