

Information Provided Courtesy of Daniel J. Bronfman, President, Growth Capital Associates, Inc.

The Process

The IDB issuance process involves a number of steps, most of which can be pursued concurrently with the bank credit approval process. The finance team will take primary responsibility for completion of these additional requirements. The entire process can be easily completed within 90 days and from the borrower's standpoint should not be much different than a conventional financing. The most frequent source of delay is, in fact, the letter of credit bank's credit approval process.

The Industrial Development Bond Program finance team consists of experienced professionals that have worked on IDB transactions for many years. CEDA has assembled a finance team that includes all of the professionals necessary to complete an IDB issue, including underwriter, remarketing agent, bond counsel, trustee and financial advisor. The bonds will be rated a nationally recognized rating agency.

How It Works

The financing structure is fairly simple. An industrial development authority will issue bonds and loan the proceeds to the Company. The Company's obligation to repay the loan is secured by a direct-pay Letter of Credit.

The initial term of the Letter of Credit will typically be less than the term of the bonds, which could be as long as thirty years. Renewal or replacement of the Letter of Credit will keep this structure in place until final repayment of the bonds.

The issuer of the bonds will depend upon a number of considerations, including the desire for local participation. Cities, counties, and certain state agencies are empowered to establish such authorities, as well as to join with other agencies to form such authorities.

The authority will receive proceeds at closing from the sale of bonds to the underwriter, which in turn are disbursed to the Company. The rate on the bonds is adjustable and is reset weekly by the Underwriter in its capacity as Remarketing Agent.

How To Proceed

If it appears that the company meets the basic eligibility tests, contact one of the sponsors for confirmation. Companies contemplating the expenditure of funds within a short period, be it from cash or an interim loan, should move quickly to preserve a subsequent reimbursement of those expenditures. After a preliminary tax analysis is completed, a short form application is prepared on the company's behalf for submission to the appropriate issuing authority.