

TAXABLE BOND FINANCING

The purpose of this program is to provide small- and medium-sized companies access to public capital markets normally available to larger companies. The principal advantage of using taxable bond financing is access to long-term (perhaps 10–20 years), fixed-rate or variable rate financing. Since banks generally consider a long-term loan to be five (5) years, the annual cash flow difference to a company utilizing taxable bonds can be considerable.

Since the IRS does not restrict the uses of taxable bond proceeds, the taxable bond vehicle can be utilized to provide more comprehensive financing than tax-exempt bonds. In addition, interest received from a federally taxable bond issued by a Michigan governmental entity is exempt from Michigan state and local taxes.

ELIGIBILITY

The project must be compatible with the Michigan Strategic Fund's (MSF) economic development mission.

The taxable bond program can provide financing for up to 100 percent of the cost of a project including fixed assets, cost of issuance and working capital. All projects eligible prior to the 1986 Tax Reform Act are eligible for this program including commercial, air pollution control and water pollution control facilities. (Please note: Per MSF Board Resolution 2005-258, no projects shall be approved by the MSF Board for solid or hazardous waste disposal facilities which serve the general populace. Also, MSF Board Resolution 2005-300 defines standards for financing Concentrated Animal Feeding Operations [CAFOs].) Those previously eliminated from tax-exempt financing, such as industrial facilities exceeding \$10 million, nursing homes operated by for-profit corporations, recreational facilities, automobile sales and service facilities and restaurants are eligible.

APPLICATION PROCESS

The following steps summarize the action necessary to obtain taxable bond financing through the Michigan Strategic Fund:

Step 1: Applicant prepares an application and submits it to MSF staff by the first day of the month to be on the agenda for that month's MSF meeting. The applicant describes the company, the project to be financed and the proposed method for financing the bond issue.

Step 2: Eligible projects are placed on the MSF monthly agenda for consideration. (Please note: MSF Board meetings are generally held the fourth Wednesday of the month in Lansing. The applicant may be asked to make a brief presentation to the MSF Board describing the project.)

Step 3: Financing documents prepared by counsel are reviewed and accepted by all parties to the transaction.

Step 4: When the financing is ready for issuance, the project is brought back to the MSF for adoption of a bond authorizing resolution and, if approved, closing soon after.

MSF FEE SCHEDULE

The application fee is non-refundable and required when the evaluation request is filed. The fee structure is: \$500 for \$10 million or less; \$1,000 for over \$10 million.

The issuance fee is required on or before the closing of the project financing. The fee structure for projects up to \$10 million is: 1/8 of 1%. For projects over \$10 million, the issuance fee is \$12,500 + 1/16 of 1% on the amount over \$10 million. The minimum issuance fee is \$2,000. The maximum issuance fee chargeable to not-for-profit corporations is \$40,000. Payment may be made by check to the Michigan Strategic Fund or by wire transfer.

For more information, contact the Michigan Economic Development CorporationSM (MEDC) Customer Assistance Center at 517.373.9808.