

## **INDUSTRIAL REVENUE BONDS**

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Industrial revenue bonds (IRBs) provide financing for land, building and equipment for new and expanding manufacturing plants. In addition, certain expenses such as architectural, engineering, legal and administrative fees associated with the sale of the bonds can be paid from the bond proceeds. The bonds are issued by designated local industrial development boards or other state-authorized issuers and are often backed by financial institutions and other intermediaries. Industrial revenue bonds offer financing benefits through both taxable and tax-exempt options.

### **ADVANTAGES**

- Long-term financing.
- 100% financing of project possible.
- Greater flexibility and options than in conventional financing.
- Taxable: savings due to possible exemption from property, sales and use tax.
- Tax-exempt: effective interest rate below conventional rates.

### **USE OF FUNDS**

- Land acquisition and building construction.
- Machinery and equipment.
- Architectural and engineering fees.
- Cost of bond issuance.

### **SOURCE OF FUNDS**

- Banks.
- Institutional investors.
- State Industrial Development Authority.

### **MATURITY TERM**

- Negotiable, depending on project and lender.

### **LIMITS**

- Taxable: no limit.
- Tax-exempt:
  - ◇ \$10 million per single issuance.
  - ◇ \$40 million maximum per company.
  - ◇ Less than 25 percent of bond issue amount allocatable to land purchase costs.
  - ◇ Fifteen percent or more of bond issue amount allocatable to renovation of existing buildings within two years.

### **ELIGIBLE BUSINESSES**

- Manufacturing industry in the 1987 Standard Industrial Classification (SIC) Codes 20-39 and Division F, and Groups 50 and 51.

### **INELIGIBLE USES**

- Refinancing and restructuring existing debt.
- Venture capital and working capital.

**GENERAL**

- Loan conditions may vary depending on lending institution.
- Letter of inducement from local industrial development board required before any project expenditures occur.

**CONTACT**

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