

Recovery Zone Bonds

- Suitable for government financing of buildings and equipment purchases
- Volume cap for government bonds up to \$18,338,000
- Suitable for industrial, retail, recreational, office development and equipment purchases
- Volume cap for private activities up to \$27,050,000
- Projects approved by the County Board by inducement resolution
- Applications submitted to County Finance Committee



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Recovery Zone Economic Development Bonds



County of McHenry

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Recovery Zone Bonds

The American Recovery and Reinvestment Act of 2009 authorized counties to issue a new type of bond under the Build America Bond provisions of the "Act." This new financing facility is called Recovery Zone Economic Development Bonds and Recovery Zone Facility Bonds. Under this new federal authority, McHenry County is empowered to issue, on its own behalf, for capital projects of the county, up to \$18,338,000 in low interest bonds—or—private activity bonds for commercial, recreational and industrial real estate development or equipment purchases up to \$27,507,000.

How does the financing work? McHenry County received volume cap in the amounts noted above. This volume cap allocation will be made available by an inducement resolution adopted by the County Board for qualified projects for both government and businesses in McHenry County.

Why choose this method of financing? Recovery Zone bonds offer a low cost financing vehicle. The federal government has authorized a 45% refund of the federal taxes payable on the bonds. This federal tax credit can be taken by the borrower or by the bondholder as an annual tax refund.

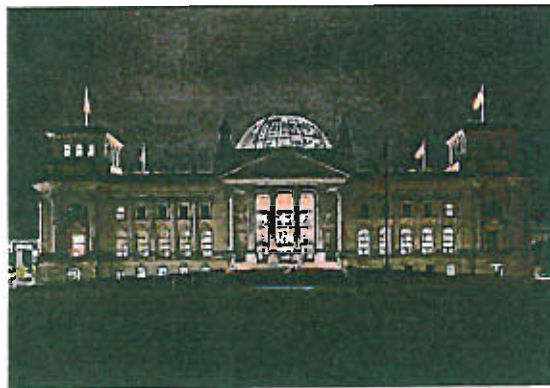
All Recovery Zone Bonds are issued as taxable bonds at taxable bond rates less the federal tax refund which reduces the effective interest rate on the bonds.

Recovery Zone Economic Development Bond Program

McHenry County is empowered to further allocate some or all of its \$18,338,000 volume cap to units of government in McHenry County. A letter of interest explaining in full detail the project that the unit of government wishes to finance should be directed to Mr. John Labaj at the McHenry County Government Center. All requests will be reviewed by the Finance and Audit Committee.

Recovery Zone Facility Bonds

McHenry County is empowered to allocate volume cap to private manufacturing, office and retail activities in McHenry County. The Recovery Zone Bonds can be used for the construction of new or expanded buildings and for the purchase of equipment used in the trade or business. McHenry County will provide an application to the business interested in this form of low cost financing and the Finance and Audit Committee will review all requests. Approved projects will be authorized to use Recovery Zone Facility Bond financing through the adoption of an inducement resolution by the County Board. A third party lender will underwrite the financing and either purchase the bonds or sell them in the capital markets to investors. The same 45% federal income tax refund on the bonds is available either to the issuer to defray interest costs or to the bondholders who purchase the bonds.



Example:

Bond underwriters tell us that 20 year tax exempt bonds of an average A-rated Illinois municipality with AAA bond insurance would carry an interest rate of 4.50 %. Taxable bonds would carry an interest rate of approximately 6.50%. Once the tax credit is applied, the effective interest rate on such taxable bonds would be 3.57% generating an equivalent interest savings of .93% and 2.93% respectively.

The federal tax refund may either be taken by the issuer or by the bondholder.

(All Recovery Zone Bonds are issued as taxable bonds under this program.)

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