

Midwestern Disaster Area Bonds (“MDAB’s”) *Frequently Asked Questions - MDAB Benefits and Structure*

1. What are Tax-Exempt MDAB’s?

Midwestern Disaster Area Bonds (“MDAB’s”) represent a new category of Tax-Exempt Municipal Bonds authorized under Federal Law.

IFA will focus on issuing MDAB’s for a variety of Industrial, Commercial, and Public Utility Projects located in 18 Illinois counties designated by the Federal Government including:

- Adams
- Calhoun
- Coles
- Clark
- Crawford
- Cumberland
- Douglas
- Edgar
- Hancock
- Henderson
- Jasper
- Jersey
- Lake
- Lawrence
- Mercer
- Rock Island
- Whiteside
- Winnebago

Please click [here](#) for a comprehensive overview of MDAB’s

2. What are the Benefits of Tax-Exempt MDAB’s?

- a. As with any form of Tax-Exempt Municipal Bond financing, MDAB’s will provide the Borrower with a below-market interest rate that will generally save the Borrower between 1.00% to 2.50% compared to taxable (conventional) rates.
- b. The Borrower obtains credit approval from their Bank just as with a conventional loan (or, if applicable, sells Bonds based on the Company’s underlying Moody’s/S&P/Fitch credit rating).

3. What is the role of the Illinois Finance Authority (“IFA”) in issuing MDAB’s in Illinois?

IFA serves as the conduit issuer that conveys Tax-Exempt Municipal Bond status on prospective qualified MDAB project financings. As a result, the MDAB applicant is able to finance a privately-owned business project with Tax-Exempt Bonds through their Bank (or directly for sale into the national Tax-Exempt capital markets for Borrowers that are rated).

IFA is a non-appropriated, self-funded State Agency that is motivated to help our Borrowers successfully structure and close bond issues. IFA staff members are available to provide assistance, as needed, to help each Borrower expedite their financing from initial contact through closing.

4. What structuring options are available for my company issuing MDAB's for an Industrial, Commercial, or Public Utility Project?

Although there are other prospective financing structures, IFA anticipates the following 3 structures will be the most common for MDAB-financed projects:

- a. **Bank Direct Purchase Structure:** The Borrower negotiates directly with their Bank to obtain a financing commitment to finance their project, just as with a conventional mortgage loan. The Borrower and Bank negotiate the interest rate, term, and collateral, just as a conventional loan. The key difference is that the resulting interest rate is below-market due to IFA conveying Federal Tax-Exempt status on the underlying interest rate.
- b. **Bank Direct Pay Letter of Credit Structure (or "Direct Pay LOC Bank Structure"):** The Borrower negotiates directly with the Bank to obtain a commitment from the Bank to provide an irrevocable guarantee on behalf of the Borrower to repay Bondholders irrespective of whether the underlying Borrower is making payments to the Bank. The MDAB's can be sold to investors by an Underwriter based on the rating of the Direct Pay LOC Bank to investors. Accordingly, the Direct Pay LOC Bank is "lending" its investment grade credit rating to the Borrower.
- c. **Sale of Bonds Based on the Borrower's underlying rating (if applicable):** Public utility companies and other publicly-owned Industrial and Commercial companies that already have investment grade credit ratings may engage an Underwriter and sell Tax-Exempt MDAB's directly into the national capital markets.

5. What next steps should I pursue if I have an Industrial, Commercial or Public Utility capital project in one of the 18 qualifying counties?

Contact your nearest IFA Office (see below) to discuss Midwestern Disaster Area Bond opportunities further.

Our objective is to provide you with guidance through every key step of financing your Midwestern Disaster Area Bond project -- from our initial conversation, to helping you expedite completion of an IFA application, and continuing through documentation to closing. We're available to assist each Borrower and financing team on an as-needed basis.

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Contact: ||Chicago office: 312.651.1300 || Springfield office: 217.782.5792 ||

||Peoria office: 309.495.5959 || Mt. Vernon office: 618.244.2424 ||
