



Overview of Bond Financing

Bond financing differs from conventional financing in that the underlying obligation, rather than being a note or mortgage, is a bond issued by a governmental entity.

Development authorities, including the Development Authority of Clayton County, were created by the General Assembly for the purpose of promoting trade, commerce, industry, and employment opportunities for the public good and the general welfare and to promote the general welfare of the State. Obligations issued by the Authority are exempt from taxation by the State of Georgia and its local subdivisions. Interest paid on such obligations is exempt from State income taxes, and in certain limited circumstances, federal income tax. Bonds exempt from federal income tax are referred to as tax-exempt financing, while bonds on which interest is subject to federal income tax are referred to as taxable bond financing.

Mechanics of a Bond Issue

Insofar as the Development Authority of Clayton County is concerned, the procedure for obtaining a bond are fairly simple, although subject to some time constraints. Prior to any involvement of the Authority, there should be a determination by a company that it really wishes to locate its business within the boundaries of Clayton County. The exact location within the County, whether in an unincorporated area or inside the city limits of one of the ten municipalities is immaterial, as the Authority has jurisdiction over the entire area of the County. Once this determination is made, preliminary discussions should be had between the company and its financial advisor and/or banker concerning the financial feasibility of the project and whether or not the company has or can raise sufficient capital and credit to do the necessary financing. The Authority does not provide and public funds or grants and does not provide any credit enhancement or placement services for the bonds.

If there is a determination that the project should be located within Clayton County and that there is sufficient credit, the company should file an application for an Inducement Resolution with the Authority. Copies of the application together with three years' financial statements should be furnished to each member of the Authority, the Authority secretary and counsel directly, preferably at least one week prior to a meeting of the Authority. Authority meetings are generally scheduled on the second Monday of each month at 4:00 p.m. in the County Commissioners' conference room at 112 Smith Street in Jonesboro, Georgia. In emergency situations, special meetings may be called at the request of the company.

The applicant and/or his attorney should appear before the Authority at the hearing on the Inducement Resolution. The Resolution itself is drafted by the counsel for the Authority, and when adopted serves as indication of intent on the part of the Authority to issue bonds. The inducement process is vital in the bond procedure since it is the first opportunity that all members of the Authority have to be officially informed of the project and to pose any questions which they have concerning the same.

Following the adoption of an Inducement Resolution, the company should continue financial discussions with its underwriter or banker. When an agreement is reached as to financial terms, bond counsel, if they have not already been engaged, should be engaged to draft documents which will be circulated to all interested parties. After discussion, these documents may be revised at the request of any party who is interested.

While documents are being discussed, proceedings should be started to institute the public hearing required by the TEFRA law. These can be initiated by furnishing counsel for the Authority with a copy for an ad, together with a deposit of \$500.00 for publication cost. The Authority counsel arranges for publication and for the public hearing, and completes necessary documentation to secure elected official approval. Counsel for the Authority also arranges to have the documentation executed by the Chairman of the Clayton County Commission.

Following the TEFRA approval, application may be made for a bond allocation. This is executed by the company and the Authority, through its counsel, and furnished to the State Department of Community Affairs, together with a copy of the Inducement Resolution, TEFRA proceedings and an application fee of \$250.00. The application is submitted to the State Department of Community Affairs and is generally granted routinely.

At this stage, all of the paperwork should have been completed, and there is presented to the Development Authority at another public meeting a final bond resolution. This is adopted by the Authority, and court validation proceedings are filed by the Authority counsel. Notice of the proceeding is advertised once a week for two weeks in the News Daily and a hearing held in the week following the second publication (this takes approximately ten calendar days). A validation is generally entered at the hearing, and following this, there will be a pre-closing and closing of the transaction.

In taxable issues, the procedure is much the same as described above, except there is not requirement for a TEFRA notice and documentation and no requirement for a bond allocation. These are purely federal tax law requirements and are not applicable in taxable issues.

For further information regarding the Development Authority of Clayton County and its activities, contact Economic Development by phone at 770-477-4450 or via email at Econ.Dev@co.clayton.ga.us.