

**IDAHO HOUSING AND FINANCE ASSOCIATION
STATEMENT OF POLICY AND RULES CONCERNING ISSUANCE OF BONDS
FOR ECONOMIC DEVELOPMENT PROJECTS**

During the 2007 Session of the Idaho Legislature the Idaho Housing and Finance Association (“IHFA”) was granted the legislative authority to issue bonds and make loans for economic development projects and to extend the borrowing and administrative powers of IHFA to include receipt and administration of private sources of financial assistance for economic development. This Statement of Policy and Rules sets forth general guidelines and standards for such financings.

I. Legislative Intent. It is the intent of the said legislation that IHFA utilize its bond financing and administration expertise to facilitate access to tax-exempt financing currently permitted under U.S. Treasury regulations and federally taxable financings to promote higher rates of employment, encourage the development of new jobs, maintain and supplement the capital investments in industry and commerce that currently exist in Idaho. In addition, the legislative intent is to encourage future employment by ensuring future capital investment, attract environmentally-sound industry and commerce to the state, to protect and enhance the quality of natural resources and the environment, to promote the production and conservation of energy and to facilitate financing of economic development projects without using state funds or lending the credit of the state of Idaho. Further, the legislation does not intend for IHFA to finance projects which are or will become government facilities and which could be financed by or through a governmental entity and therefore, such projects are ineligible under IHFA’s current guidelines.

II. Economic Development Project(s) Definition. “Economic development project or projects” is defined as any commercial or industrial project including, without limitation, any manufacturing, processing, production, assembly, warehousing, solid waste disposal, recreation, office, research and development, energy or other business project owned by one or more persons or other legal entities, any costs relating thereto including, without limitation, costs for buildings, land, equipment, furnishings, interest, costs of operation, financing, architectural, engineering and other professional costs and other related costs, as well as any working capital costs or expenses for such businesses.

III. Public Purpose Review. IHFA will conduct an informal review of each economic development project proposed for financing to determine that such project will serve the objectives provided for in the enabling legislation. Also, for all tax exempt bonds, a public hearing will be held as required under the Internal Revenue Code of 1986 (the “Code”) to receive public testimony regarding the proposed financing, and the proposal will be submitted to the Governor for his approval as required under the Code. For taxable bonds, IHFA may require a public hearing upon the recommendation of the President and Executive Director or Chief Financial Officer.

IV. Application. Prior to obtaining a Statement of Intent under V. below or an approval under VI. below each sponsoring entity seeking financing must have submitted an application

to IHFA on such form as it may require describing the project to be financed, the organization, the public purpose and benefit, the amount of the financing, and such other matters as staff may deem relevant. The sponsoring entity must also pay the applicable application fee prior to obtaining a Statement of Intent or an approval. A qualified applicant shall be a legal entity or one or more persons qualified to do business under Idaho law.

V. Statements of Intent. After reviewing the application for financing, the President and Executive Director or the Chief Financial Officer of IHFA, may issue a Statement of Intent, which allows certain expenses for the Project to be reimbursed from tax exempt IHFA bond proceeds, if such bonds are issued, for purposes of the Code, and shall retain such statement in the Project file. Issuance of the bonds which are the subject of a Statement of Intent shall be subject to the final approval of the IHFA Board of Commissioners.

VI. Financing Approvals. All economic development project financings shall be approved by IHFA's Board of Commissioners. Authorized Officers for signing and executing related documents shall be designated in applicable Board authorizing resolutions. With the approval of the President and Executive Director or Executive Vice President and Chief Financial Officer, the sponsoring entity may elect whether to proceed with a single approval by the IHFA Board of Commissioners (using VI.B. below) or a two-step approval process (using both VI.A. and VI.B. below).

A. Initial Approval. Under this approval, the Board of Commissioners would approve the project to be financed subject to such conditions as the Board may require and would acknowledge that if such conditions are met, bonds are expected to be issued at a later date. Prior to adopting this resolution there are to be required (1) the application, (2) a letter of intent to provide financing from a bond purchaser, underwriter, letter of credit bank or other financial institution or other similar evidence of available financing acceptable to IHFA, (3) a public hearing as required for TEFRA for tax exempt bonds under the Code unless deferred by IHFA until following the initial approval, or for taxable bonds, if required by IHFA, (4) a financing plan and (5) staff due diligence as to the public purpose and public benefit and confirmation that there is no recourse or liability to IHFA.

B. Final Approval. Under this approval, the Board of Commissioners would give its approval to issuance of the bonds and approve the execution of the various bond documents. This could be by approval of the specific financial terms of the bonds or approval of certain parameters for such terms (such as limitation on interest rate, amounts, maturity, etc.). Prior to adopting this resolution, all of the requirements for VIII.A. apply except for the TEFRA hearing and approval if the bonds are taxable bonds and no hearing has been required by IHFA, plus a formal commitment, term sheet or similar evidence from the bond purchaser, underwriter, letter of credit bank or other financial institution and near final drafts of financing documents are required.

VII. Nonrecourse Financing. IHFA may only engage in economic development bond financing as long as the bond or note provides that the financing is nonrecourse to IHFA, that there is to be no liability to, and no claims against, IHFA, its commissioners, officers or employees and its assets are not at risk as a result of the transaction and as long as all costs of

the transaction are paid for by the parties benefiting from the financing. The initial purchaser or underwriter of the Bonds shall acknowledge language in the bond documents to this effect. There shall be indemnification of IHFA by the borrower/sponsoring entity organization against any losses or expenses that IHFA may incur arising out of the transactions and indemnification by the underwriter or purchaser to the extent deemed necessary and practicable by the President and Executive Director or Executive Vice President and Chief Financial Officer.

VIII. Financing Alternatives. There shall be at least the following alternative permitted methods of financing:

A. Public Retail Issuance. Bonds may be issued by IHFA and sold to the public through the retail bond market or other placement provided the above policy issues have been met. Such bonds must be rated at least as high as the general obligation rating of IHFA either on a stand alone basis or through an unconditional and irrevocable letter of credit or other credit enhancement acceptable to IHFA (with a trustee selected by IHFA rated at least as high as the general obligation rating of IHFA, with all parties and documents subject to the approval of IHFA. IHFA must approve all parties to the transaction. IHFA, in its discretion, may impose additional requirements for such a transaction or may require that the transaction proceed as a Limited Offering (below) upon the recommendation of the President and Executive Director or Chief Financial Officer.

B. Limited Offering.

1. Transactions Rated at Least BBB. IHFA would permit issuance of its bonds, to be sold to qualified institutional buyers or other accredited investors under the federal securities laws and without a letter of credit or other credit enhancement, provided that the above policy issues in I - VII have been met and provided further that 1) the bonds are rated at least BBB; 2) the bonds are issued in minimum denominations of at least \$25,000; and 3) the underwriter or purchaser certifies that all bonds have been sold to qualified institutional buyers or other accredited investors as defined by the federal securities laws. If bonds are rated at least as high as a rating on the general obligation bonds of IHFA, the authorized denominations may be \$5,000.
2. Transactions Rated below BBB or Unrated Transactions. IHFA would also permit issuance of its bonds, to be sold to qualified institutional buyers or other accredited investors and without a letter of credit or other credit enhancement, provided that the above policy issues in I through VII have been met and provided further that 1) the bonds are only placed with qualified institutional buyers or accredited investors within the provisions of the federal securities laws; 2) are in minimum denominations of at least \$100,000 or \$25,000 if the bonds are purchased by an investment manager or similar entity and placed in accounts of accredited investors or qualified institutional buyers that the entity actively manages, and if such bonds are sold outside of such account system, the denominations are increased to at

least \$100,000 or to \$250,000 if no future qualified investor restrictions are to be imposed; and 3) the bonds will be subject to transfer only to qualified institutional buyers or accredited investors as provided in the investor letter, mentioned below. Transfer shall only occur upon certification by the bond transferor or transferee that all such conditions have been met and/or acceptance of a bond containing language to that effect. Each purchaser of bonds or its investment manager or similar representative at bond closing shall provide an investor letter representing and acknowledging that said purchaser meets all requirements as a “qualified institutional buyer” or an “accredited investor” under applicable federal security laws, that none of the assets or revenues secure the bonds, that the bonds are payable solely from the revenues and assets of the sponsoring entity borrower, that the purchaser has reviewed all the information regarding such assets and revenues it needs to decide to purchase the bonds and that IHFA is to incur no liability or claim for liability arising out of the bond transaction. The bond shall contain similar provisions which shall bind all future bond purchasers. IHFA must approve all parties to the initial transaction which may be by adoption of the initial or final bond resolution. Alternatively, in bond transactions where the minimum denomination is at least \$250,000, there is no requirement that future bond purchasers be bound by those provisions applicable to purchasers of bonds at initial closing.

C. In order to better implement the intent of this Policy and upon receipt of reasonable evidence, the President and Executive Director or Executive Vice President on a case by case may waive any of the above requirements as long as it is determined that such waiver will not prevent substantial compliance with this Policy.

D. In any event, all bonds must be exempt from registration with the SEC under applicable securities laws.

In addition to payment of all transaction expenses, the sponsoring entity in each case shall pay to IHFA an origination fee and a servicing/compliance fee based on a minimum and sliding scale depending on the transaction size which shall be determined and approved by IHFA, subject to any IRS limitations, on a transaction by transaction basis.