IDAHO HOUSING AND FINANCE ASSOCIATION
STATEMENT OF POLICY AND RULES CONCERNING ISSUANCE OF BONDS FOR NONPROFIT FACILITIES

During the 1997 Session of the Idaho Legislature the Idaho Housing and Finance Association ("IHFA") was granted the authority to issue bonds and make loans for nonprofit facilities to be owned by nonprofit organizations. A nonprofit organization is defined as qualified under the laws of Idaho as a nonprofit corporation. 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 on behalf of qualified Idaho nonprofit organizations to facilitate access to tax exempt financing currently permitted under U.S. Treasury regulations and federally taxable financings not otherwise available to nonprofit corporations.

Further, IHFA believes that except for projects where a governmental entity will assume ownership of the project in order to maintain the facilities indefinitely without charge to the nonprofit organization, or are facilities owned or used consistent with its nonprofit purpose by a nonprofit corporation recognized by a state institution of higher education as its college or university foundation, 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. Housing Eligibility. Housing is a qualified use for nonprofit facilities' tax exempt financing. In most cases, IHFA's residential housing programs will provide the most advantageous funding opportunities for a prospective borrower. However, in some cases, the nonprofit facilities financing may be the most appropriate resource for funding a project.

III. No Religious Facilities. IHFA cannot finance religious nonprofit facilities under the limitations of the Idaho Constitution.

IV. Public Purpose Review. IHFA will conduct an informal review of nonprofit facilities proposed for financing to determine that such facilities will serve a public purpose as provided in the enabling legislation. Also, 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.

V. Application. Each nonprofit organization seeking financing must have submitted an application to IHFA on such form as it may require describing the facilities to be financed, the organization, the public purpose and benefit, the amount of the financing, and such other matters as staff may deem relevant. A qualified applicant shall be a nonprofit corporation qualified to do business under Idaho law.

VI. Annual Compliance. IHFA will require that for each project financed the nonprofit owner submit annually a certified statement setting forth the compliance of the project with all tax and other financing covenants applicable to the project. IHFA shall have the right to review and monitor the same for compliance.

VII. Internal Revenue Regulations Section 150-2(d) – Official Statement of Intent. After reviewing the application of the nonprofit corporation for financing, the President and Executive Director or the Chief Financial Officer of IHFA, may issue an IRS defined Statement of Intent, which allows the nonprofit to begin accruing project expenses for possible reimbursement from bond proceeds, if a bond issue is approved by the Association and if bonds are ultimately issued for a qualified project. An IRS required Statement of Intent is solely for the purpose of meeting IRS Code requirements and is not an indication, in any way, that the project has met the Association's financing requirements or is receiving initial or final approval from the Association's Board of Commissioners.

VIII. Financing Approvals. All nonprofit facilities 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 nonprofit organization may elect whether to proceed with a single approval (using VIII.B. below) or a two-step process for approval (using both VIII.A. and VIII.B. below) by the IHFA Board of Commissioners.

A. Initial Approval. Under this approval, the Board of Commissioners would approve the project to be financed and would acknowledge that if applicable 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 under the Code unless deferred by IHFA until following the initial approval, (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, 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.

IX. Nonrecourse Financing. IHFA may only engage in nonprofit 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 nonprofit 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.

X. 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 general 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 any rating on 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 III above 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 reduced to $5,000.

2. Transactions Rated below BBB or Unrated Transactions. IHFA would 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 IX above 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 a 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 of IHFA secure the bonds, that the bonds are payable solely from the revenues and assets of the nonprofit 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.

XI. Nonrecourse Financing. IHFA may only engage in nonprofit 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 Bank Qualification. At the beginning of each calendar year, IHFA will review its expected non-profit bond issuance activity for the coming year. This review will include historical trends, financing proposals in process, and potential non-profit bond uses. If IHFA staff and legal counsel determine that calendar year bond issuance is reasonably expected to be less than $10 million, non-profit bonds will be issued as bank qualified until such expectation changes or until the beginning of the next calendar year. If IHFA staff and legal counsel determine it is reasonable to expect a bond issuance level greater than $10 million, then bonds will be issued as non-bank qualified unless it is later determined that the $10 million level will not be exceeded.

In addition to payment of all transaction expenses, the nonprofit organization 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 on a transaction by transaction basis.