IDAHO BOND BANK AUTHORITY
UNDERWRITING POLICIES

A. PURPOSE

To ensure transparency in the bond issuance process, to minimize the all-in interest and issuance cost of bonds issued, to provide fair access to participation in the Idaho Bond Bank Authority's ("IBBA") bond issues, to encourage active involvement in placing IBBA bond issues, to encourage the sharing of the latest ideas and trends in the financial markets, and to encourage further development of the financial services industry in Idaho, the IBBA will pursue the following policies when issuing Idaho Bond Bank Authority Revenue Bonds or any other bonds of the IBBA.

B. GOALS

The goal of these Underwriting Policies is to provide guidance to the IBBA Board of Directors, IBBA staff, local government borrowers and members of the Idaho public finance community regarding the IBBA's approach to selecting the method by which it sells its bonds and the process for selecting underwriters when the IBBA issues its bonds through the negotiated method of sale.

C. IMPLEMENTATION

These Underwriting Policies shall be implemented by the Idaho Bond Bank Authority Board and may, at times, be amended by the Board if the Board determines such amendment to the policies is necessary.

METHOD OF SALE

Overview

The IBBA is committed to issuing bonds in the manner most beneficial to the IBBA's clients. This means that the IBBA's initial preference will be to issue bonds on a competitive sale basis but the IBBA will offer bonds on a negotiated sale basis when it is in the interest of the IBBA's clients to do so.

Considerations in Utilizing the Negotiated Method of Sale

Reasons for issuing bonds on a negotiated basis include, but are not limited to, underlying borrower preference, out-of-the-ordinary bond structures with targeted investor appeal, recognition of a unique market opportunity brought to the IBBA by an underwriter, the need to issue bonds into an uncertain market, structural complexity, unique modeling requirements integral to issuance of the bond, and changes in markets that preclude successful competitive sales. The IBBA will, when issuing negotiated issues, report to the Authority's Board the reasons for issuing bonds on a negotiated basis rather than a competitive basis, and the reasons for selecting a specific underwriter or underwriters for the issue(s).

Underwriter Selection

A. *Underwriters and the Underwriter Pools for Negotiated Sales* - Rather than selecting underwriters through a Request for Proposal process a particular financing, financial institutions will be pre-qualified by the IBBA's Board to be in the IBBA's underwriter pool. Underwriters for negotiated bond issues will be selected from the underwriter pools.

B. *Pre-Qualification for IBBA Underwriter Pool* - Financial institutions can pre-qualify for the IBBA Pool in the following two ways:

(1) if they have (a) won a competitive bond sale issue for a IBBA bond issue within the most recent three years; (b) if they have provided the cover bid for a competitive bond issue within the most recent year; or (c) have been active in sourcing new IBBA loans within the most recent three years; or

(2) if they meet any two of the following tests: (a) maintain a physical presence in the State of Idaho as a commercial bank, have a physical office in Idaho devoted to investment banking activities, or have a physical retail office or offices in Idaho serving municipal bond investors; (b) are currently an important relationship bank for the IBBA in terms of providing credit and banking facilities to the IBBA; (c) have obtained a national or regional reputation as an issuer for pooled bond funds similar to the IBBA; or (d) at the discretion of the IBBA Board, have provided useful ideas and opportunities for IBBA Bond issues .

C. *Selection of Underwriters for Negotiated Bond Issues* - Should a particular series of bonds be issued as a negotiated sale, underwriters will be selected by the IBBA staff and approved by the IBBA Board based on the following criteria: 1) most competitive pricing; 2) origination of an idea that will directly result in a bond issue structure that benefits or works to the advantage of the IBBA and its clients; 3) unique placement capabilities with investors for bond issues with the characteristics of the proposed bond issue; 4) ability to provide modeling or structuring capabilities integral to success of the bond issue; 5) performance in bidding on IBBA competitive bond sales; 6) level of activity in sourcing of IBBA infrastructure loans for the IBBA; or, 7) a request from the underlying borrowing entity to include a specific pre-qualified underwriter.

D. *Negotiated Bond Issuance Pricing* - The senior manager for a negotiated bond sale will be chosen, in part, based on the most cost effective pricing proposal submitted for the proposed structure. Pricing will be evaluated on the lowest cost combination of: 1) Average Takedown; 2) Management Fee; and, 3) Estimated Expenses. If due to the unique nature of the prospective bonds to be issued, only one financial institution is a candidate to be senior manager, the IBBA will seek to limit the combination of Average Takedown and Management Fee of the bond's cost of issuance to no more than $5 per $1,000 of par. $5 per $1,000 is a target, not a cap. The IBBA recognizes that more complex transactions may warrant higher fees.