

Idaho Bond Bank Authority
Post-Issuance Tax Compliance Procedures
For Tax-Exempt Bonds

March 13, 2012

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds (“Bonds”) issued by the Idaho Bond Bank Authority (the “Authority”) so as to ensure that the Authority complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds. The Authority reserves the right to use its discretion as necessary and appropriate to make exceptions or request additional provisions as circumstances warrant. The Authority also reserves the right to change these policies and procedures from time to time.

General

Inasmuch as the Authority is a responsible conduit issuer authorizing the issuance of Bonds eligible borrowers (each, a “Borrower”), the Authority now identifies post-issuance tax compliance procedures for all Bonds issued by the Authority for Borrowers, as well as the Authority’s expectations of and requirements for all Borrowers concerning these procedures. For tax-exempt bonds issued by the Authority, each loan (each “Loan”) to each Borrower will be a tax-exempt obligation, as evidenced by an unqualified opinion of bond counsel to each Borrower. Ultimate responsibility for all matters relating to Authority financings and refinancings rests with the Authority Executive Director (the “Executive Director”). Ultimate responsibility for all matters relating to Loans rests with the corresponding officer at each Borrower.

Post-Issuance Compliance Requirements

External Advisors / Documentation

The Executive Director and other appropriate Authority personnel and the corresponding personnel of each Borrower shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in an Authority and Borrower resolutions, Tax Certificates and / or other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds or the Loan, as appropriate.

The Executive Director and other appropriate Authority personnel and the corresponding personnel of each Borrower also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Whenever necessary or appropriate, the Authority shall engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

Role of the Authority as Bond Issuer

Unless otherwise provided by Authority resolutions, unexpended Bond proceeds shall be held by the Authority, and the investment of Bond proceeds shall be managed by the Executive Director. The Executive Director shall maintain records regarding the investments and transactions involving Bond proceeds held by the Authority or the Trustee for the bonds. Funds transferred to the Borrower shall constitute expending Bond proceeds for the purposes of the Authority. Any investment of funds by the Borrower or Borrower’s Trustee is the responsibility of the Borrower. As such, all record retention and other responsibilities associated with Borrower proceeds is the sole responsibility of the Borrower.

If an Authority resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

Arbitrage Rebate and Yield

The Authority will loan out all proceeds to underlying Borrowers at issue. As such, the requirement for arbitrage rebate and yield calculations will not be applicable.

The Authority will consult annually with bond counsel and tax counsel to confirm the applicability of arbitrage rebate and yield calculations. If at any time it is determined that these requirements are applicable, the Authority shall do the following:

- the Authority shall engage the services of a Rebate Service Provider, and the Authority or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;
- upon request, the Executive Director and other appropriate Authority personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;

- the Executive Director and other appropriate Authority personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and
- during the construction period of each capital project financed in whole or in part by Bonds, the Executive Director and other appropriate Authority personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

For working capital financings, if any, the Authority shall follow procedures set forth in the applicable Tax Certificate and/or instructions delivered at bond or note closing.

The Authority shall retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements”.

Use of Bond Proceeds

Except for the obligation of the Authority to maintain records regarding the Loans made for Bond proceeds, it is the Authority’s policy that the Borrower shall be responsible for:

- monitoring the use of Loan proceeds and the use of Loan-financed assets (e.g., facilities, furnishings or equipment) and the use of output or throughput of Loan-financed assets throughout the term of the Loan (and in some cases beyond the term of the Loan) to ensure compliance with covenants and restrictions set forth in applicable Authority and Borrower resolutions and Tax Certificates;
- maintaining records identifying the Loan and the assets or portion of assets that are financed or refinanced with proceeds of each Loan;
- consulting with Bond Counsel and other professional expert advisers in the review of the Loan and any contracts or arrangements involving use of Loan-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable Authority and Borrower resolutions and Tax Certificates;
- maintaining records regarding the Loan and for any contracts or arrangements involving the use of Loan-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable Authority and Borrower resolutions and Tax Certificates;
- meeting or conferring at least annually with personnel responsible for the Loans and Loan-financed assets to identify and discuss any existing or planned use of Loan-financed, assets or output or throughput of Loan-financed assets, to ensure that the Loan

and those uses are consistent with all covenants and restrictions set forth in applicable Authority and Borrower resolutions and Tax Certificates.

- taking timely remedial actions under section 1.141-12 of the Treasury Regulations (or other remedial actions authorized by the Commissioner of the IRS under Section 1.141-12(h) of the Regulations) to prevent from being considered “deliberate actions” any actions of the Borrower which cause the conditions of the private business tests or the private loan financing test to be met resulting in the Loan becoming a private activity bond.

All relevant records and contracts shall be maintained as described below and in the applicable Tax Certificate. The Borrower, in the Tax Certificate relating to the Loan and/or other documents finalized at or before the issuance of the Bonds, shall designate an officer or employee responsible for the tasks listed above.

Investment of Bond Proceeds

Investment of bond proceeds maintained by the Authority shall remain in compliance with the arbitrage bond rules and rebate of arbitrage as supervised by the Executive Director.

- Guaranteed investment contracts (“GIC”) will be purchased only using the three-bid “safe harbor” of applicable Treasury regulations, in compliance with fee limitations on GIC brokers in the regulations.
- Other investments will be purchased only in market transactions.
- Calculations of rebate liability will be performed annually by outside consultants.
- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.
- Identify date for first rebate payment at time of issuance. Enter in records for the issue.

The investment of all proceeds received by the Borrower is the responsibility of the Borrower to supervise and maintain compliance with the arbitrage bond rules and rebate of arbitrage.

Record Keeping Requirements

Unless otherwise specified in applicable Authority resolutions or Tax Certificates, the Authority shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the Authority at or in connection with closing of the issue of Bonds; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

Unless otherwise specified in applicable Authority resolutions or Tax Certificates, it is the Authority's policy that the Borrower shall be responsible for maintaining the following documents for the term of each Loan (including refunding obligations, if any) plus at least three years:

- a copy of all material documents relating to capital expenditures financed or refinanced by Loan proceeds, including (without limitation) loan documents for the Authority's pooled loans to municipalities and construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Loan proceeds and records identifying the assets or portion of assets that are financed or refinanced with Loan proceeds;
- a copy of all contracts and arrangements involving private use of Loan-financed assets or for the private use of output or throughput of Loan-financed assets; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

The Borrower, in the Tax Certificate relating to the Loan and/or other documents finalized at or before the issuance of the Bonds, shall designate an officer or employee responsible for retaining the records listed above.