

**IDAHO BOND BANK AUTHORITY
UNDERWRITING POLICIES**

Adopted on March 13, 2012, and Amended on March 18, 2019

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 IBBA 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 IBBA's 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 on 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) either won a competitive IBBA bond sale issue within the last 36 months or provided the cover bid within the last 12 months; or (b) have successfully sourced a new IBBA loan within the last 36 months;
- 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 providing municipal investment banking services or 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; or (c) at the discretion of the IBBA Board, are a reputed underwriter of pooled bond funds or 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:

Underwriter Criteria	Explanation
Past support of IBBA and its clients	<ul style="list-style-type: none"> • Origination of bond issuance ideas and structures. • Past support of IBBA bond issuances.
Marketing and Distribution Capabilities	<ul style="list-style-type: none"> • Marketing strategies specific to IBBA issuances. • Distribution capabilities benefitting IBBA issuances.
History of Competitive Pricing	<ul style="list-style-type: none"> • Prior experience pricing similar bonds at competitive and cost-effective interest rates.
Quantitative Capabilities / Expertise	<ul style="list-style-type: none"> • Ability to perform debt structuring analyses in support of bond issuance.

If a borrowing entity specifically requests the inclusion of an underwriter or underwriters in connection with their borrowing, that request will also be factored into the IBBA's decision in selecting the underwriting syndicate.

- 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.