

**Arizona Housing Finance Authority**

**Procedural Pamphlet**

**Pertaining to Bonds for Multifamily Residential Rental Projects**

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## **1. Introduction.**

The Arizona Housing Finance Authority ("Authority") a body corporate and politic, acting for the benefit of the residents of rural Arizona, in order to assist the Arizona Department of Housing ("Department") in providing safe, affordable and decent housing to the residents of Arizona. The Authority was established by Arizona Revised Statutes Section § 41-3903 et seq.

The Authority is governed by a board of up to seven directors appointed by the Governor of Arizona. The powers of the Board include: a) issuing Bonds for projects consisting of multi-family residential rental projects in rural areas of the State, b) issuing bonds to finance residential dwelling units in rural areas of the State and (c) establishing mortgage credit certificate programs to finance residential dwelling units in the rural areas of the State.

The State of Arizona is not responsible for any obligation incurred by the Authority. All Bonds issued by the Authority are its own obligations, payable only in accordance with the terms of the Bonds, and are not obligations general, special, or otherwise of the State of Arizona. Bonds of the Authority are not legal debts of the State of Arizona and are not enforceable against the State. Payment of the Bonds shall not be enforceable out of any funds of the Authority other than the income and revenue specifically pledged and assigned to, or in trust for the benefit of, the holder or holders of such Bonds. All costs and expenses of the Authority are to be paid from Bond proceeds and other monies of the Authority. The Authority has no taxing power.

The Authority may issue bonds which are sold in a public offering or privately placed with Sophisticated Investors. This Procedural Pamphlet establishes the procedures by which an Applicant will apply to the Authority for the issuance of Bonds to finance multi-family residential rental projects.

## **2. Expert Certifications and Compliance with Other State and Federal Procedures.**

The Authority will require every participant involved in the issuance of the Authority's Bonds to exercise the standard of care and diligence necessary to protect the Authority from the civil and criminal liabilities that may accrue to it as an issuer of Bonds, including liability related to fraudulent statements or material omissions contained in any Official Statement or Legal Proceedings relative to the issuance and distribution of the Bonds. Therefore, the Applicant, its legal counsel, Placement Agents or Underwriters and their counsel, Accountants and Bond Counsel are advised that the Authority and its Board will not take risks, adopt Legal Proceedings, or approve Official Statements unless experts, who are in a position to determine the true facts, will certify as to the adequacy and correctness of the information and data therein contained or the Applicant procures insurance to protect the Authority, its Board and the State of Arizona. "Experts" in this instance means 1) Accountants, 2) Bond Counsel, 3) Applicant's counsel, 4) Placement Agents or Underwriters and their counsel, 5) municipal securities dealers and 6) Borrower's counsel. Full indemnities will be required in a form satisfactory to the Authority's Counsel, from the Applicant and, if the Applicant is not financially satisfactory to the Authority, such other party benefiting from the issuance of the Bonds and the Placement Agent or Underwriter.

The Authority and its Board will require that any municipal securities broker or municipal securities dealer engaged by the Applicant, or by the Authority, or otherwise participating in the issuance and distribution of securities to be issued by the Authority, comply with all applicable state and federal securities laws. The Authority will require such parties to establish and certify to their compliance with such laws; these laws include, if applicable, the 1933 Act, the 1934 Act,

the 1939 Act and the Arizona Blue Sky Law and all applicable rules and regulations adopted thereunder.

**3. Definitions.** As used herein:

*"Accountant"* means an independent certified public accountant as the term is defined in the 1933 Act.

*"Affiliate"* means any Concern sharing among common ownership, management or control.

*"Allocation Plan" or "Qualified Allocation Plan" or "QAP"* The Qualified Allocation Plan is a federally mandated plan, adopted annually by the State, that sets forth the criteria and basis for the allocation by the State of low income housing tax credit.

*"Applicant" or "Borrower"* means a Concern, and its successors and assigns submitting an Application to the Authority and seeking to have Bonds issued for its benefit to purchase, construct, improve, rehabilitate, equip or acquire one or more Projects.

*"Application"* means a filing with the Authority of an application and other information, substantially in the form required by the Department for Projects to be reviewed pursuant to A.R.S. Section 35-726(E), upon which the Authority may base its decision to consider preliminary and final approval of the issuance of Bonds.

*"Appraiser"* means an independent third party member of the Appraisal Institute (MAI) qualified and licensed to render an appraisal.

*"Arizona Blue Sky Law"* means Arizona Revised Statutes, Title 44, Chapter 12, as amended.

*"Authority"* means the Arizona Housing Finance Authority.

*"Authority's Counsel"* means legal counsel representing the Authority.

*"Board"* means the Board of Directors of the Authority.

*"Bond" or "Bonds"* means any or all of the Bonds to be issued by the Authority for a Project.

*"Bond Counsel"* means an acceptable firm of attorneys, specializing in tax-exempt municipal bonds, with a proven national reputation in the field of municipal finance, satisfactory to the Authority to render an unqualified opinion on the legality of the Bonds and on such other matters as are agreed upon and also to draft or be responsible for drafting the Legal Proceedings leading to the issuance of the Bonds. Bond Counsel shall have an attorney-client relationship with the Authority.

*"Bond Purchaser"* means the Concern or Concerns that have agreed to purchase some or all of an issue of the Authority's Bonds for investment and not with a view to public distribution.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Concern"* means any natural person, group of natural persons, general or limited partnership, restricted limited liability partnership, association, corporation, limited liability company,

syndicate, joint venture, joint stock company, trust, governmental body, or any agency or political subdivision thereof or any other form of legal entity.

"Costs" means costs incurred in the purchase, construction, improvement, rehabilitation, equipping or acquisition of a Project, including architectural and engineering fees, construction permit fees, and other costs, fees, and expenditures associated with the issuance of the Bonds such as financing fees, costs of issuance, reserve funds, capitalized interest, bond discounts, underwriter fees, and credit enhancement costs.

"Debt Service Coverage Ratio" means net operating income of the Project plus any other income irrevocably pledged to the payment of debt service of the Bonds divided by debt service on the Bonds.

"Department" means, the Arizona Department of Housing.

"Escrow Structure" means a financing structure in which ninety percent (90%) or more of the proceeds of the Bond are not available to be used to pay the Costs of the Projects for any period of time during which the Applicant attempts to obtain credit enhancement or satisfy any other conditions precedent to the use of all of the Bond proceeds for Costs of the Project.

"Financial Advisor" means Department employees or any Concern employed by the Authority to review the demand and feasibility of the Project, the public purpose and benefit of the Project, and the financial aspects, and other relevant aspects, of the information provided related to the Project, the Applicant, the Guarantor, and the credit enhancement and any related parties Applications.

"Guaranty" means either guaranty of payment of any Bond, debt service, loan or operation expense or guaranty of collection.

"Indenture" means the indenture of trust, trust agreement or similar instrument, agreement or resolution between the Authority and the Trustee or Bond holder which is executed in connection with the issuance of the Bonds.

"Legal Proceedings" includes, in part, the following documents relating to the issuance of the Bonds:

- A. Any indenture, trust agreement or bond resolution.
- B. Any loan agreements, lease agreements, financing agreements or similar instruments agreements or resolutions signed by the Borrower, including but not limited to all documents pertaining to subordinate, interim, junior and permanent financings.
- C. Any note, mortgage, deed of trust, security agreement, financing statements, or other instrument or credit facility securing the Bonds.
- D. Any proposed Official Statement.
- E. The form of Bond.
- F. If applicable, deed, Regulatory Agreement, or such other document which provides for compliance by the Project with the Code.

- G. The bond purchase or placement agreement or contract.
- H. Any Guaranty or commitment to provide a Guaranty and any investment agreements.
- I. Copy of the indemnity agreements, affidavits of publication and the form of all opinions to be rendered in connection with the issuance of the Bonds, including but not limited to the opinions of Bond Counsel, Borrower's counsel, Guarantor's counsel, Trustee's counsel, credit enhancer's counsel, Underwriter's or Placement Agent's counsel and tax credit counsel.
- J. The form of an Accountant's letter, if one is to be issued.
- K. The arbitrage certificate or tax regulatory agreement (if applicable).
- L. Firm commitment letter(s) for all credit enhancers and tax credit syndicators, containing all conditions imposed on the closing.
- M. Property management agreement.
- N. Continuing disclosure agreement or undertaking.
- O. Conditional Financial Commitment letter(s) for construction and other permanent financing, grants, and equity sources, containing at a minimum, the amount of financing, interest rate of the loan, term and amortization term of the loan and, to the extent known, conditions for approval.
- P. Investor suitability letter for each Bond Purchaser in a form satisfactory to the Authority (for Bonds rated less than "A" or not rated).
- Q. Drafts of any instruments which the Authority must adopt or approve or which are described or referenced in the Official Statement.
- R. Such other proceedings, documents, opinions and instruments to which the Authority is a party or a beneficiary and any other proceedings or opinions as the Authority shall require.

*"Low and Moderate Income"* means the income level for purposes of Section 142(d) of the Code as adjusted for household size.

*"1933 Act"* means the Securities Act of 1933, as amended.

*"1934 Act"* means the Securities Exchange Act of 1934, as amended, and regulations of the U.S. Securities and Exchange Commission pertaining to the marketing and transfer of municipal securities and the rules of the Municipal Securities Rulemaking Board.

*"1939 Act"* means the Trust Indenture Act of 1939, as amended.

*"Official Statement"* means a prospectus, limited offering memorandum, private placement memorandum or offering statement concerning the Bonds to be sold to provide financing for the

Project, and where a sale by competitive public bidding is concerned, it also includes a notice of the sale of the Bonds.

*"Placement Agent"* means any Concern, acting as the agent to the Authority that assists in the private placement of the Authority's Bonds with Sophisticated Investors.

*"Project"* means any land, improvements thereon, any building or other improvement, and all real and personal property related thereto, whether or not now in existence or under construction, located in the State which are suitable to be used for multifamily residential dwelling units.

*"Property"* means any land, improvements thereon, buildings and any improvements thereto and any other real or personal property deemed necessary in connection with a Project.

*"Rating Agency"* means any nationally recognized securities rating agency acceptable to the Authority.

*"Regulatory Agreement"* means the Regulatory Agreement, Land Use Restrictive Agreement, and/or Declaration of Restrictive Covenants among the Authority, the Trustee, and the Applicant.

*"Related Concern"* means any Concern of which the Borrower beneficially owns 25% or more, either directly or through one or more Related Concerns.

*"SEC"* means the U.S. Securities and Exchange Commission.

*"Sophisticated Investor"* means an "investment company" under the Investment Company Act of 1940, as amended, a "qualified institutional buyer" within the meaning of Rule 144A of the 1933 Act, an "accredited investor" as defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission or such other entity approved by the Authority. Unless expressly waived by the Authority, each such Sophisticated Investor must execute an investor suitability letter in a form satisfactory to the Authority.

*"State"* means the State of Arizona.

*"Trustee"* means the Concern retained by the Authority to serve as trustee under the Indenture.

*"Underwriter"* means any Concern which has purchased or plans to purchase the Authority's Bonds with a view to the public distribution of any of such Bonds or participates or has a participation in the direct or indirect underwriting of such distribution.

#### **4. Application Procedure.**

**4.1. General Requirements.** Bonds of the Authority are available to for-profit and non-profit entities for the purposes of financing or refinancing the Costs to acquire, rehabilitate, or construct Projects. The Authority requires each Applicant to provide evidence of its ability to own, develop, construct, acquire, rehabilitate, operate, manage and maintain the Project. As part of providing this evidence, all Applicants must make a full and complete Application in accordance with the requirements of this Procedural Pamphlet before the Authority will evaluate whether to grant preliminary and final approval of the Project and the Bonds. The form of Application submitted for final approval shall be the form of application required by the Department for Projects reviewed pursuant to A.R.S. Section 35-726(E). By making an

Application, the Applicant will be deemed to know and understand the Authority's guidelines as outlined herein. An Application shall be submitted by the Applicant or on behalf of the Applicant by the Underwriter or Applicant's authorized representative. An Application will be treated as complete for the preliminary approval notwithstanding the absence of those matters to be set forth under Tabs E,G(2) if such information is not available to the Applicant, H,J,M, V,W and X. The information, reports and Legal Proceedings required by Tabs E, G(2), H, J, M, V, W, and X must be submitted fifteen (15) business days before the meeting at which final approval is requested.

#### **4.2. Recommended Consultations.**

**4.2.1. Legal Counsel.** The Code imposes different requirements for tax-exempt financing through the use of Bonds depending upon whether the Project is owned by a profit or non-profit entity; the Project is an acquisition or new construction Project; or if the Project is a "qualified residential rental facility," as defined by the Code, or some other type of other facility. Applicants of this type of financing are encouraged to seek legal counsel to determine eligibility for tax-exempt financing. The Authority reserves the right to request a legal opinion addressing eligibility issues.

**4.2.2. Bond Counsel and Underwriter.** The issuance costs associated with Bonds can be substantial. The Authority recommends that an Applicant consult with Bond Counsel, a financial advisor and an Underwriter prior to commencing the Application process.

#### **4.3. Submission to the Authority.** Applications must be delivered to:

Arizona Housing Finance  
Authority Attn: Dirk Swift  
1110 W. Washington, Suite 310  
Phoenix, Arizona 85007

Applications, and additional information required for final approval, must be received no fewer than fifteen (15) business days prior to the meeting at which preliminary or final approval, as applicable, is requested.

**4.4. Format Requirements.** The Authority requires all Applicants to submit to the Authority three (3) hard copy complete Applications, one (1) CD and one (1) electronic submittal of the complete application, along with the required fees. Copies of the Application will be distributed to other persons as the Authority deems necessary. Hard copy application material must be in binders, 8-1/2 x 11 format, side bound, indexed and tabbed to correspond with the enumeration prescribed below. Applications shall also mean the completed Excel spreadsheet, referred to as "Form 3". Legal Proceedings and items of significant volume (such as market demand studies, feasibility reports and appraisals) may be submitted as separate bound items.

TAB	DESCRIPTION	INFORMATION REQUIRED
A.	Cover Letter	<p>All applicants must include a cover letter that summarizes the scope of the Project. Include the following:</p> <ul style="list-style-type: none"> <li>• Project Description, including Special Characteristics</li> <li>• Public Benefit</li> <li>• Ownership Experience</li> <li>• Target AMGI and Rent Structure, including applicable set-asides</li> <li>• Anticipated Debt Service Coverage Ratio (through the later of first 5 years or stabilization)</li> <li>• Market Demand <ul style="list-style-type: none"> <li>○ Existing market conditions that make the project feasible</li> <li>○ Market information that supports the demand for the Project</li> </ul> </li> <li>• Other pertinent information that would be helpful in considering the application</li> </ul> <p>If requesting LIHTC, insert the remaining documents requested in Section 2.9(A) at this tab.</p>
B.	Bond Application	<p>Complete the Arizona Department of Housing Multi-Family Revenue Bond Application (04/2013) as posted at the following link.  <a href="http://www.azhousing.gov/ShowPage.aspx?ID=457&amp;CID=16">http://www.azhousing.gov/ShowPage.aspx?ID=457&amp;CID=16</a></p> <p>If requesting LIHTC, complete, execute and insert behind the application, executed copies of IRS Form 8821, "Tax Information Authorization", for the Borrower and every team member with a Controlling Interest in the Project, authorizing ADOH as "Appointee" to receive from the IRS available information regarding any person with a Controlling Interest in the Borrower and the conduct of its business with the IRS relating to the Low-Income Housing Tax Credit Program. Such information received from the IRS may be used by ADOH in its sole discretion to disqualify an application pursuant to the QAP.</p>
C.	Legal Entity 1023 Application	<p>Evidence that Borrower is an existing legal entity and in good standing authorized to transact business in Arizona, along with 501(c)3 determination letter and 1023 application, if applicable. Include information from Tabs 6 of the QAP. If applying for 501(c)(3) bonds, include information requested in Tab 7 of the QAP.</p>
D.	Compliance Certificate	<p>A compliance certificate in a form substantially similar to the form prescribed by the Authority/Department as attached hereto.</p>
E.	CPA Opinion	<p>If requesting LIHTC, provide on CPA letterhead and substantially similar form to Exhibit B to the QAP, an opinion which includes all reductions to eligible basis such as solar</p>

		credits and grants.
F.	IRC §42 Legal Opinion	If requesting LIHTC, provide a legal opinion pursuant to Section 2.9(E) of the QAP.
G.	Project Financial Information	<ol style="list-style-type: none"> <li>1. Project pro forma income and expense statements for five (5) years, including debt service coverage ratios of the bonds. The financial statements should clearly state all material assumptions.</li> <li>2. The past three (3) years income and expense statements for an existing Project.</li> <li>3. A complete and accurate description of the terms and provisions of all bonds and other financial encumbrances or commitments, including but not limited to debt service schedules.</li> <li>4. All commitment letters and term sheets from credit enhancers as required under Tab Z 11 below.</li> <li>5. In the case of an Escrow Structure, a complete list of all conditions that must be satisfied in order for all bond proceeds to be spent on Project costs and the date each condition is expected to be satisfied.</li> </ol> <p>If requesting LIHTC, insert documents required under Section 2.9(K) and 2.9(N) of the QAP under this tab. Where there are conflicting provisions, the more stringent shall apply.</p>
H.	Appraisal	An appraisal that is completed in conformance with the definition provided under the definition “D” above and Tab Section 2.9(I)(1)(a-c) of the QAP.
I.	Evidence of Site Control	Provide documentation described in Section 2.9(I)(2) of the QAP. If requesting LIHTC, also include environmental reviews required under Section 2.9(I)(3).
J.	Permissive Zoning	Provide documentation described in Section 2.9(J) of the QAP.
K.	Market Study	Provide Market Demand Study that meets the requirements of Exhibit L, Market Demand Study Guide as outlined in the QAP.
L.	Drawings and Plans	If requesting LIHTC, insert documentation described in Sections 2.9(O) and 2.9(P) of the QAP.
M.	Property Condition Report	Provide a Capital Needs Assessment in accordance with Section 2.9(X).
N.	Borrower’s Structure	A list identifying all executive or managing officers, directors and general partners of the Borrower. The application must include a detailed explanation in the event that any such officer, director, general partner or officer, director or general partner of Borrower or any Related Concern has been convicted – or is currently under indictment or complaint alleging commission – of a felony or of a misdemeanor involving moral turpitude in any court of any state or of the courts of the United States or Canada or is now or ever has been charged or convicted of any civil, administrative or criminal offense regarding or arising from the conduct of the

		<p>business of the Borrower, or Related Concern, or from the issuance, sale or solicitation of any type of security.</p> <p>An organizational chart showing the structure of the ownership entity, and what percentage of ownership each entity will possess.</p> <p>If applying for 4% LIHTC, include information from Section 2.9(H) here, omitting Section 2.9(H)(1)(f).</p>
O.	Borrower's Financial Information	<ol style="list-style-type: none"> <li>1. Borrower, Borrower's general partner's if Borrower is a partnership, or Borrower's managing member's if Borrower is a limited liability corporation, financial statements (audited, if available) for the previous three (3) years or for the full life of the Borrower (or general partner or managing member) if the Borrower has not been in business three (3) full years.</li> <li>2. Borrower, Borrower's general partner's if Borrower is a partnership, or Borrower's managing member's if Borrower is a limited liability company, most recent quarterly statement (audited, if available).</li> <li>3. Borrower, Borrower's general partner's if Borrower is a partnership, or Borrower's managing member's if Borrower is a limited liability corporation, annual reports (audited, if available) for the past three (3) years or for the full life of the Borrower (or general partner or managing member) if the Borrower has not been in business for three (3) full years.</li> </ol>
P.	Periodic Reports	If the Borrower, or Related Concern, is required to file periodic reports or disclosure statements under the 1934 Act or any similar law in any state or under any other similar law of the United States, a copy of the most recent report must be attached. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
Q.	Performance Statements	The application must include: (1) a statement describing any pending applications for tax-exempt bonds to finance Projects within the United States for the Borrower or any Related Concern, (2) a statement describing any outstanding private activity bonds issued to finance Projects within the United States for the Borrower or any Related Concern, and (3) the status of construction of any such Projects. The statement should list facilities mentioned in connection with this paragraph by location, and indicate the amount of bonds for each location and describe any past or current defaults or breaches suffered by each such Project. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
R.	Borrower's Rating	If the Borrower is rated or listed by any published rating agency, such facts must be noted and a copy of any current

		rating sheet or sheets must be attached. If the Borrower, or Related Concern has previously been rated and such rating has either been lowered or suspended, the application must so state. If the Borrower is a corporation with stock which is actively traded by the public, the application must state the most recent market price, and the high and low market price of such stock for the preceding calendar year, as such prices can be reasonably determined. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
S.	Registration Statement	If, within nine (9) months prior to making the application, the Borrower has filed a registration statement under the 1933 Act or the Arizona Blue Sky Law, or if the Borrower is not required to register with SEC or the State of Arizona but has filed a similar statement with another federal agency relative to the issuance of a security, or the Borrower has qualified an indenture under the 1939 Act, or the Borrower has filed a disclosure statement or periodic report pursuant to the 1934 Act and the statement contains information required by this procedural pamphlet to be included in an application, a copy of such statement in the application together with an affidavit of an officer or general partner of the Borrower in a position to know the facts, stating that no material change has occurred since the statement or report was filed or registered or if material changes have occurred, listing such changes and supplying the current data. The changes must be cross referenced by number to the page, paragraph or section of the statement or report and also underlined or otherwise noted in red ink on the copy of such statement or report submitted to the Authority. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
T.	Third Party Guarantor	If the Borrower expects to have a Third Party Guarantor guarantee the bonds or the security underlying the bonds, the Guarantor must also file an application setting forth all data required as if such Guarantor was, in fact, the Applicant. No additional fees will be charged for filing of the Guarantor's application. The requirements of this section shall not apply to a Third Party Guarantor which is the United States or any agency or instrumentality thereof or an entity whose obligations are rated "A" or better by one or more national rating agencies, which is providing credit enhancement in the form of a letter of credit, insurance policy or surety bond. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
U.	Statement of Pending Litigation	A statement describing any pending litigation either by or against the Borrower, its subsidiaries or any Related Concern. If litigation of any nature is pending or threatened concerning either the Project, proposed site, or the bonds sought to be

		issued, such litigation must be noted. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
V.	Volume Cap Allocation	Evidence or receipt of an allocation of the state ceiling, if such allocation is required. (If not applicable, insert a page with "Not Applicable" printed on it at this tab.)
W.	Governmental Approval	Prior to final action by the Authority, the Borrower shall submit evidence of final approval of the Project by any other governing body or governmental unit that has in any manner approved the Project or the Bonds.
X.	Indemnities	<p>An executed, notarized indemnity and hold harmless letter, in a form acceptable to the Authority, clearly providing as follows:</p> <ul style="list-style-type: none"> <li>A. The Borrower and Underwriter (or placement agent) must indemnify, defend, and hold harmless the Authority, the Department and the State, including any Directors, its managers, staff, employees, agents, counsel and other members of the Authority, Department or State (collectively, the "Indemnified Parties") for, from and against any and all claims, liabilities, costs, expenses, allegations and suits relating to the Project, the issuance and sale of the Bonds including any fraud or misrepresentations or omissions contained in the proceedings or pertaining to the financial condition of the Borrower or financial projections for the Project which, if known, might be considered a material factor in its decision whether or not to buy the bonds.</li> <li>B. The Sophisticated Investors and the Underwriter (or placement agent) waive due diligence on the part of the Authority, the Department, the State and the Indemnified Parties, and must rely solely on statements and representations of the Borrower and their own investigation of the facts. Further, the Sophisticated Investors and Underwriter (or placement agent) shall hold harmless the Authority, the Department, the State and the Indemnified Parties, for, from and against any claim they may have against the Authority, the Department, the State or the Indemnified Parties, arising from any action taken or that could have been taken in connection with the authorization, issuance or sale of the bonds or in any statement or representation which induced the bond owner to purchase the bonds.</li> <li>C. If in the determination of the Authority or Department, the Borrower has limited financial resources, the Authority may require a Guarantor or other financially suitable entity related to the</li> </ul>

		<p>Borrower to execute and deliver to the Authority an indemnity acceptable to the Authority under which the Guarantor agrees to indemnify, defend, and hold harmless the Authority, the Department, the State and Indemnified Parties from and against all errors or omissions of every nature whatsoever contained in any legal proceedings or any Official Statement or other official representation pertaining to the issuance of the bonds. The indemnity must be submitted to and approved by the Authority prior to closing.</p>
Y.	<p>Supporting Documents</p> <p><i>(Draft form of Bond Documents)</i></p>	<ol style="list-style-type: none"> <li>1. Any trust indenture or agreement, resolution or similar trust instrument;</li> <li>2. Any loan agreement or financing agreement;</li> <li>3. Any proposed Official Statement;</li> <li>4. If applicable, deed, regulatory agreement or such other document which provides for compliance by the Project in serving persons whose income is 60% or less of the area median income;</li> <li>5. The bond purchase agreement or bond placement agreement;</li> <li>6. Any Guaranty or commitments to provide a Guaranty;</li> <li>7. Sources and Uses of funds for the Project illustrating the cost of issuance, Underwriter's discount, bond premium, credit enhancement, legal fees, consulting fees and so forth. If the Project is utilizing 4% LIHTC, the Sources and Uses must also demonstrate that 50% or more of the Project's aggregate basis is "financed" by the tax-exempt obligation.</li> <li>8. The form of Bond Counsel's opinion;</li> <li>9. The form of an Accountant's letter, if one is to be issued;</li> <li>10. The Arbitrage Certificate (if applicable);</li> <li>11. Firm Commitment letter(s) for all credit enhancements and guarantees. Reasonable and customary conditions imposed on the closing will be permitted.</li> </ol> <p>Conditional Financial Commitment letter(s) for construction and other permanent financing, grants, and equity sources shall be conditionally committed at the time of the application. These letters must be included with the application. A Conditional Financing Commitment shall contain the minimum of:</p> <ul style="list-style-type: none"> <li>• The amount of financing;</li> <li>• The interest rate of the loan;</li> <li>• The term and amortization term of the loan; and</li> <li>• The contact person's name and phone number.</li> </ul> <p>Bonds which are rated less than "A" or not rated must submit</p>

		<p>an investor suitability letter for each bond purchaser in a form satisfactory to the Authority. In addition to the terms outlined, the privately placed Bonds must include the following terms;</p> <ul style="list-style-type: none"> <li>• Minimum denominations of \$100,000 on the Bonds; and</li> <li>• Bonds may only be transferred to Sophisticated Investors executing the investor letter.</li> </ul> <p>12. Such other proceedings as the Authority and/or Department shall require;</p>
Z.	Public Benefit	The benefit to the public if the Project provides rental housing for persons of low and moderate income or encourages rental housing in redevelopment areas as defined in §36-1471.
AA.	Affidavit	To be executed by a general partner, managing partner, one officer or one director listed under Tab N above stating that all facts and statements contained in the application and the attachments are true and correct to the best of such general partner's, managing partner's, officer's or director's knowledge and belief that he knows of no material adverse fact relating to the Applicant and/or Borrower having authority to make such statement and the application is made in accordance with these guidelines and the Applicant consents to all investigations deemed reasonably necessary by the Authority as set forth therein.

**4.5. Application Fee.** Each Applicant submitting an Application must pay the Authority a non-refundable application fee of \$5,000. If the Authority denies approval of the Project for any reason, including the omission of material information or submission of ambiguous financial information, the Authority will not refund any portion of the fees paid pursuant to this section.

**4.6. Security Deposit - Authority Review, Advisors' and Counsels' Fee.** In addition to the application fee, the Applicant must deposit \$7,500 with the Authority at the time the application is submitted. The amounts deposited with the Authority shall be applied by the Authority to pay the costs and expenses incurred by the Authority, including the fees of its legal counsel and its financial advisor, relative to the review of the Application. Upon the Authority's rejection or approval of the Application, whether at preliminary or final approval, the Authority will determine its costs and expenses and the costs of its legal counsel and financial advisor. If the final costs exceed the amount deposited, the Applicant is obligated to pay the additional amount promptly upon receipt of a written request from the Authority. Should the final costs be less than the amount deposited, the difference will be refunded to the Applicant. Additionally, the Applicant shall pay all of the Authority's costs and expenses and all the costs and expenses of the Authority counsel, financial advisor and agents for services rendered in connection with the Applicant's Project incurred after the sale of the proposed Bonds.

**4.7. Pre-Approval Fees for Changes in Application.** Prior to final approval of the Project by the Authority, the Applicant may request that a non-material change be made in accordance with Section 9.1 of this Procedural Pamphlet. Filing of any change that the

Authority (in its sole discretion) determines are material shall be construed as a filing for approval of a new Project and the Applicant shall pay a resubmission fee of \$5,000.

**4.8. Request for Records by Public.** The Application, files, and records of the Applicant (and any Guarantor) filed with the Authority are public records and will be available for inspection by the public. Upon request by the public, the Authority shall provide access to the application and any Applicant files or records submitted to the Authority. Thus, the Applicant, by filing the Application, agrees that any information delivered to the Authority by or on behalf of such Applicant is not privileged and may be disclosed to the public. By making the Application, the Applicant is expected to have disclosed any and all matters that could be in any way material to the proposed financing at the date of application.

**4.9. Withdrawal of Application.** If the Applicant is not able to provide complete information as required by the Application within sixty (60) days after the date the Application is submitted, then the Authority will deem the Application withdrawn by the Applicant.

**4.10. Reapplication.** If an Application is rejected, the Applicant may resubmit a new Application but must submit all required fees and security deposits with the new Application.

## **5. Preliminary Approval.**

**5.1. Review of Application.** The Authority shall analyze the Application to determine whether the Application is complete and whether the Application and its Applicant have provided the information requested in the form of the Application. The Authority may request orally or in writing that the Applicant revise or resubmit certain materials that do not meet the stated criteria or otherwise provide sufficient detail. The Applicant must respond by the due date stated to the Applicant or the Application will be considered incomplete and be rejected.

**5.2. Authority Review.** The Authority will refer the Application to the Authority counsel, financial advisors and such other person as it deems necessary for their review. At least two weeks prior to the Authority's meeting at which its Application is to be considered, the Applicant should contact the Authority's counsel and financial advisors regarding the sufficiency of the information furnished.

**5.3. Applicant Presentation.** The Authority requires that a representative of the Applicant be present and, if requested, to make an oral presentation to the Authority at any meeting at which its Application, an amendment to its Application, a request for the extension of preliminary approval previously given to its Application, or any other matter involving its Application is to be considered. The oral presentation may cover any aspects of the Project or its financing. The Applicant must have representatives able to respond to questions concerning the Project and its financing present at all meetings at which the Application is considered by the Authority. Such representatives must be prepared to answer any and all questions propounded by the Authority, its counsel or financial advisors concerning matters relating to the Project, to the issuance of the Bonds, the information contained in the financial statements, or any other matters deemed pertinent. If a representative is not present or the answers appear inadequate, the Authority may postpone the action requested until the Authority is satisfied with the answers notwithstanding that any agreements or approvals or understandings that may have been indicated to the Applicant, the Placement Agent, or the Underwriter that action would be taken on or before any certain date.

If there is a Guarantor, such Guarantor may likewise present an authorized representative of the Guarantor for similar interrogation at the same meeting. The Authority, at its discretion, may record questions propounded and the answers thereto.

**5.4. Determination of Preliminary Approval or Rejection.** Applications which are determined to be both complete and eligible shall be submitted to the Board for possible approval. Applications that are not complete or do not meet the eligibility criteria shall be rejected. The Authority shall adopt a resolution either conditionally granting or denying preliminary approval with respect to each Application. If the Authority gives preliminary approval for the financing of the Project, the Applicant will be so notified in writing. The preliminary approval may be subject to such conditions as the Authority, in its discretion, may require. The Authority's preliminary approval will expire in 180 days or such other time period as the Authority may direct in its proceedings unless within that time final approval has been granted by the Authority or an extension of preliminary approval has been obtained.

**5.5. Extension of Preliminary Approval.** The Applicant may request an extension of preliminary approval by submitting to the Authority no fewer than 10 business days prior to the meeting at which the extension is requested by filing at the same address as required for filing an Application, a non-refundable extension fee of \$500. and three (3) copies of a notarized affidavit requesting an extension and setting forth: (a) the date preliminary approval was granted; (b) the extension period requested; (c) the number of extensions previously granted; (d) the reasons for delay in the Project and; (e) any update of information in the application that, due to the passage of time, is no longer accurate. Current compliance with all applicable provisions of this Procedural Pamphlet is required for consideration by the Authority of a request for extension. Extensions of time in which to seek final approval ordinarily shall be granted for a period of up to 180 days after the expiration date of the original preliminary approval. The Authority reserves the right to deny requests for extension as well as the right to grant longer extensions on an individual Project basis.

**5.6. Amendments to and Transfers of Preliminary Approval.** The Applicant may request an amendment to preliminary approval by submitting three (3) copies of the requested amendment to the Authority no fewer than fifteen (15) business days prior to the meeting at which consideration of the amendment is requested. Any request for amendment of the principal amount of Bonds to be issued, the Applicant's equity contribution or any information contained in the Sources and Uses Section of the Application must include an analysis which sets forth the information originally submitted the proposed challenges, and a line item justification for each such change. Amendments to preliminary approval may be requested in conjunction with a request for final approval, provided, however, that all information in support of the amendments is provided to the Authority as set forth herein.

The Applicant may request a transfer of preliminary approval by submitting the fee required by Section 4.7 of this Procedural Pamphlet, three (3) hard copies, one CD and one electronic version of each of the following items to the Authority no fewer than fifteen (15) business days prior to the meeting at which consideration of the transfer is requested:

1. Letter from the Applicant requesting the transfer of the preliminary approval;
2. Request for transfer by the proposed transferee;
3. A revision of the Application, setting forth all information regarding the proposed transferee which is required of an original Applicant; and

4. The Form of Affidavit and indemnity required by the Application, signed by the proposed transferee.

The Authority reserves the right to designate as a new Application any transfer of preliminary approval which incorporates substantive changes from the size, nature, design, use and/or intent of the Project as originally approved, subject to all fees, policies and requirements applicable to new Applications.

**5.7. Rejection and Application of Security Deposit.** After issuing a notice of rejection, the Authority will determine the amount of its costs and expenses and will reduce the Applicant's security deposit by this amount. If the Authority's costs and expenses are less than the security deposit then the difference will be refunded to the Applicant. The Applicant must pay the Authority for any costs in excess of the security deposit. The application fee is nonrefundable.

## **6. Final Approval.**

**6.1. Request and Documentation.** Applicant may request final approval of the Project and the Bond financing by submitting to the Authority, not less than fifteen (15) business days before the meeting at which final approval is requested, the following items:

**6.1.1. Written Request.** The Applicant must provide the Authority with a written request for the Authority's final approval of the Project.

**6.1.2. Final Application.** The Applicant must provide the final terms, Legal Proceedings and provisions of financing, complete and final Application, including updated sources and uses of funds, final commitment letters and sales procedures. The Authority will consider granting approval to the Project if its Legal Proceedings contain "not to exceed" or other limits on the following items: interest rate, amount of issue, redemption features and term of the Bonds. The feasibility of the Project will be analyzed using the maximum limits allowed by the documents or such other terms as the Authority deems reasonable.

**6.1.3. Application Information.** The Applicant must submit all information required by the Application.

**6.1.4. Public Hearing and Jurisdiction Approval.** Section 147(f) of the Code requires that before final approval of private activity Bonds can be granted, a public hearing must be held granting all interested parties an opportunity to express opposing views. Bond Counsel will be responsible for the publication of the notice of the hearing as required by law. Public hearings are conducted by Authority's counsel or staff. Bond Counsel and Applicants should contact Authority's staff to schedule a public hearing.

Bond Counsel or the Applicant are responsible for providing all notices and obtaining all approvals required by A.R.S. Section 41-3906B. Written approvals of the applicable jurisdictions required by A.R.S. Section 41-3906B shall be submitted to the Authority.

**6.2. Final Approval by the Authority.** The Authority shall adopt a resolution either granting or denying final approval of each Application. Current and complete compliance with all applicable provisions of this Procedural Pamphlet and the Application is required for hearing by the Authority of a request for final approval and adoption of the Legal Proceedings.

Except with respect to a Carryforward Project, the Authority's final approval will expire on the 90<sup>th</sup> day following final approval unless the Bonds have been issued or an extension of final approval has been approved by the Authority on or before that date.

**6.3. Request for Reimbursement of Costs.** After granting final approval or denial of final approval, the Authority will determine the amount of its costs and expenses and will reduce the Applicant's security deposit by this amount. If the Authority's costs and expenses are less than the security deposit then the difference will be refunded to the Applicant. The Applicant must pay the Authority for any costs in excess of the security deposit. Notwithstanding the foregoing, the Applicant agrees to pay the additional costs and expenses incurred in connection with the Project incurred after the sale of the Bonds, as contemplated by Section 4.6 hereof.

**6.4. Issuance of Bonds.** The Applicant must deliver the relevant Bonds with the Authority's approval prior to 90 days after granting final approval.

**6.4.1. Public Offerings.** It is the Authority's policy that Bonds which are to be publicly offered shall receive an investment grade rating of "A" or higher from a Rating Agency, or be secured by credit enhancement issued or confirmed by a Concern rated as "A" or higher.

**6.4.2. Private Placements.** Any Bonds not rated or rated in a category less than an "A" shall be sold in a private placement in minimum denominations of \$100,000. and shall be purchased, and transfer restricted to, Sophisticated Investors. The Authority requires, as well, the delivery by the initial investor of an investor suitability letter satisfactory to the Authority. Unrated Bonds owned and held to maturity by the Applicant of Related Concern or the seller of a Project may be approved by the Authority in its sole discretion.

**6.4.3. Closing.** Bond Counsel must submit to the Authority after closing a certificate of closing in the form prescribed by the Authority with a treasurer's or Trustee's receipt attached thereto.

**6.4.4. Reimbursement of Expenses.** The Applicant must have paid the Authority for any excess costs or expenses it incurred that were greater than the security deposit.

**6.5. Extension of Final Approval.** Except with request to a Carryforward Project, the Applicant may request an extension of final approval by submitting to the Authority an extension fee of \$500. and three (3) copies of a notarized affidavit requesting the extension and explaining the reasons for delay of the Project, the number of extensions previously granted, and the duration of the extension requested. Extensions may be granted for up to 90 days. The Authority reserves the right to deny requests for extension as well as the right to grant longer extensions as it deems appropriate. The Authority will notify the Applicant of its decision in writing.

**6.6. Annual Assessment.** As a condition to the issuance of the Bonds, the Applicant must agree to pay an annual fee to the Authority, in advance, calculated at a rate not to exceed 10 basis points on the outstanding principal amount of the Bonds with such fee to be collected semi-annually by the Trustee and remitted to the Authority. The Authority reserves the right to establish a different fee structure for Bonds that are anticipated to be repaid within three years of issuance.

## **7. Responsibilities of Parties.**

**7.1. Additional Public Purpose Responsibilities.** The Authority may impose additional public purpose conditions upon the Applicant such as:

1. The Applicant's obligation to utilize its excess cash flow from the Project's operations to provide for tenant services at the Project;
2. A covenant from the Applicant that any affiliated project management company limit or subordinate its project management fees during the term that the Bonds are outstanding;
3. Additional Project set aside requirements for Low and Moderate Income tenants in excess of that mandated by the Code;
4. The Applicant's establishment of a rental differential program in order to ensure that the rents charged Low and Moderate income tenants are beneath that charged to market rate tenants; or alternatively, that the Applicant will elect to pay a fee to the Authority at closing.

**7.2. Notice of Proposed Offering.** A "notice of proposed offering" is required to be filed with the Arizona Corporation Commission, Securities Division, in connection with Bonds offered for public sale by means of an Official Statement, unless specifically exempt pursuant to Section 44-1843.01, Arizona Revised Statutes. The Applicant and the Underwriter are jointly responsible for this filing.

**7.3. Underwriter's Responsibilities.** Accuracy of the Official Statement will be the joint responsibility of the Applicant and the Underwriter. The Underwriter or Bond Purchaser shall have the responsibility of assuring itself that the statements attributed to the Applicant in any Official Statement or private placement sale agreement are substantially true and correct and that there are not material misrepresentations of facts contained in, or omission of material facts from, the Official Statement. By agreeing to act as Underwriter, the Underwriter shall be deemed to know of and have read this procedural pamphlet and to have agreed to its terms.

**7.4. Accountant's Statement or Letter.** If the Official Statement includes a balance sheet or annual financial statement of the Applicant or Guarantor and the Applicant or Guarantor has acquired a manually executed statement or letter from the Accountant or Accountants who reviewed, prepared, or certified the financial statements, allowing other parties to rely on such statements and to incorporate the statements in the Official Statement, then such statement or letter must also be addressed to the Authority to allow the Authority to rely on such statements. If the Accountant provides a form of comfort letter addressed to a third party relative to inquiries made by such Accountant or named personnel of the Applicant prior to the closing, such comfort letter shall also be addressed to the Authority.

**7.5. Continuing Disclosures.** The Authority shall require that the Applicant covenant to assume the ongoing disclosure obligations required by SEC Rule 15c2-12 in a form and substance satisfactory to the Authority and the Underwriter.

**7.6. Allocation of Private Activity Bonding Authority.** The Applicant or Bond Counsel shall be responsible for preparing and filing with the Arizona Commerce Authority all applicable requests for allocations, requests for extensions, notices of intent, and certificates of closing pertaining to the allocation of private activity volume cap to the Project as may be required by any federal or state statutes or executive orders of the Governor of Arizona.

**7.7. Title Insurance.** When liens on or revenues from operations of real property secure the Bonds, the closing may be conditioned upon proof of issuance of a title insurance policy insuring ownership of the Project in the name of the Concern who is required to hold legal title to the Project throughout the term of the Bonds. Title insurance policies are to be for the benefit of the Authority and must be issued by title insurance companies doing business in the State which are acceptable to the Authority. It will be the responsibility of the Applicant to acquire for and pay for such policies. It is advisable for the Applicant to order a preliminary title report as soon as possible after preliminary approval.

**7.8. Filings and Recordings.** Bond Counsel shall be responsible for all recordings and filings made with the County Recorder, Secretary of State or the Internal Revenue Service, as applicable at the time the Bonds are issued and as contemplated by the Legal Proceedings. Bond Counsel shall be responsible for the recording and filing of all UCC-1 continuation statements.

**7.9. Arizona Conflict of Interest Statutes.** The Department and its members are covered by Arizona's Conflict of Interest Law (A.R.S. § 38-501 et seq.). Other Concerns should take every precaution available to them to learn of any possible conflict between themselves, the Authority, Board members, officers or employees of the Authority or Department or any "relative" (as defined in the Conflict of Interest Law) of any of the foregoing which might prohibit the Authority or Department from completing its duties on behalf of the Authority, especially where construction or other contracts may be signed before the Bonds are authorized or issued.

## **8. Eligibility & Reservation of Rights**

**8.1. Eligibility.** To be eligible for financing of a Project by the Authority through the issuance of Bonds, the Applicant shall satisfy the following criteria.

**8.1.1. Administratively Complete.** The Application is complete. It is the Authority's policy to deny approval of any Project or Bonds that omits material information or submits ambiguous or incomplete financial information.

**8.1.2. Sufficient Cash Flow.** The Project will generate cash flow sufficient to meet operating and capital expenses and service the debt on any Bonds.

**8.1.3. Capacity.** The Applicant or the owner of the Project has the capacity to own, develop, construct, acquire, rehabilitate, operate, manage and/or maintain the Project.

**8.1.4. Minimum Debt Service Coverage.** The Applicant demonstrates strong credit worthiness and an ability to repay the obligation by having a Debt Service Coverage Ratio that meets requirements set out in the Allocation Plan or, if this ratio is less than that set out in the Allocation Plan, the Applicant has provided sufficient evidence that the Bond Purchaser or lender has clearly assumed any risks of repayment.

**8.1.5. Escrow Structure.** The Applicant demonstrates that the use of an Escrow Structure does not significantly delay the Applicant's release of Bond proceeds and that the Applicant had not used an Escrow Structure to issue Bonds primarily to meet any time deadlines imposed by the state private activity bond ceiling process, A.R.S. 35-901, *et seq.* or as a hedge against any market conditions. Applications with Escrow Structures utilized primarily to capture State volume cap for the proposed Project will not be approved. Any Escrow Structure that does not, in the opinion of the Authority, have the reasonable likelihood of releasing Bond proceeds to pay Costs in six (6) months will not be approved by the Authority.

**8.1.6. Municipal Consent.** The Authority has requested and received written consent to the Project from the governing body of the city, town, county or tribal government or an official authorized by the city, town, county or tribal government.

**8.1.7. Indemnification.** The Applicant and Borrower must hold the Authority, the members of its Board, the State of Arizona, including the Department and the officers, attorneys, accountants, Authority's counsel, financial advisors, staff, employees and independent contractors of the Authority and State, (collectively the "Indemnified Parties") harmless for, from, and against: (i) any fraud or misrepresentation or omissions contained in the Legal Proceedings or pertaining to the financial condition of the Applicant which, if known to the owner of any Bond, might be considered a factor in its decision whether to purchase the Bonds; (ii) any injury to or death of any person or damage to property in or upon the Project, or growing out of or connected with the use of the Project; or (iii) violation of any agreement or condition of the Legal Proceedings. In this connection, the Applicant and Borrower must execute and deliver to the Authority an indemnity and hold harmless agreement in a form acceptable to the Authority.

As a further condition to the Closing, the Applicant and any Guarantor may be required to execute and deliver to the Authority an indemnity agreement, in form and substance acceptable to the Authority under which each of the Indemnified Parties are indemnified and held harmless for, from, and against all errors or omissions of every nature whatsoever contained in any of the documents comprising the Legal Proceedings or any Official Statement or other official representation or inducement made by the Authority pertaining to the Bonds.

Additionally, the Applicant may be required to provide security for its indemnification obligation to the Authority in the form of a pledge or trust agreement encumbering liquid assets or by the posting of a letter of credit incurring to the Authority's benefit in an amount to be determined by the Authority. The indemnity agreement and form of security therefor must be submitted to and approved by the Authority prior to the Closing.

**8.1.8. Other Funding Requirements.** Applicants that plan to combine Bond proceeds with Low Income Housing Tax Credits shall also have met the requirements of the current State Allocation Plan.

**8.2. Reservation of Rights.** Until the Bonds are issued, the Authority reserves the right to, without liability or obligation to the Applicant or any other Concern directly or indirectly related to the Project or the Bonds:

1. Request additional information to determine if the Applicant meets the eligibility criteria;
2. Reject the Application in whole or in part;
3. Reject the Application as being incomplete;
4. Reject the Applicant's choice of Accountant, Underwriter, Trustee, Bond Counsel, or Appraiser;
5. Reject the Project in whole or in part;

6. Require corrections, deletions, changes, additions, or amendments to the Official Statement or to any of the documents comprising the Legal Proceedings;
7. Postpone, from time to time, consideration of the Application;
8. Impose conditions in addition to those set forth in this procedural pamphlet;
9. Waive conditions or requirements set forth in this procedural pamphlet;
10. Impose any other reasonable requirements as conditions precedent to the issuance of its Bonds.

**9. Requests to the Authority.** The Applicant may submit the following requests to the Authority. The Authority reserves the right to approve or deny, in its sole discretion, requests. The Authority will notify the Applicant in writing of its decision.

**9.1. Requests for Changes.** Prior to the Authority's final approval of the Project, the Applicant may request that the Authority approve an immaterial change which includes but is not limited to a change in the ownership of the Project or a change in the name of the Applicant. The Applicant shall submit a written request for these types of changes with the payment of the \$500. fee under and with three (3) copies of the proposed change. The Authority, in its sole discretion, shall determine if the change is material or non-material. The filing of a material change or amendment shall be construed as a filing for approval of a new Project and the Applicant shall submit a new application fee and security deposit. The Authority has the sole discretion to determine if a change is immaterial or material.

**9.2. Requests for Delay of Preliminary Approval or Rejection.** The Applicant may request that the Authority delay its preliminary approval or rejection of the Application if the Applicant is concerned about the ability to obtain private activity bonding authority. This request should be in writing.

**9.3. Request for Extension.** The Applicant may request, pursuant to Section 5.4 of this Procedural Pamphlet, an extension of the preliminary approval's 180-day validity period at any time during this period.

**9.4. Request for Reconsideration.** An Applicant whose Project is denied may file a request for reconsideration with the Authority, in writing, within 30 days of the date of the Board of Directors' determination.

**10. Ongoing Obligations and Continuing Compliance.** Applicant must comply and maintain its compliance with federal and State statutes and regulations relating to the financing and operations of Projects financed by the Authority including but not limited to: continuing disclosure as required by Rule 15c2-12; compliance with all covenants and conditions pertaining to the preservation of the tax exempt status of interest paid on the Bonds; and, if applicable, compliance with all covenants and conditions pertaining to low income housing tax credits. The Applicant shall also comply with the following conditions imposed by the Authority.

**10.1. New Construction.**

**10.1.1. Construction Escrow.** The Legal Proceedings for all projects must contain provisions acceptable to the Authority that require a construction escrow account when

construction is either contemplated or is ongoing and the Bonds are issued. The Legal Proceedings must provide for the retention of the construction fund by a Trustee or depository selected for that purpose, who may be the Trustee, and all payments only on a draw or "as completed" basis with a small (5% - 10%) reserve against final completion of the Project. Such escrows will be structured on a case-by-case basis and may be incorporated into any bond resolution or Indenture or may be established under a separate document.

**10.1.2. Site Sign.** For all Projects where construction is contemplated or in progress when the Bonds are issued, a sign must be posted at the Project site which states that the Project has been financed through the Arizona Housing Finance Authority. The sign shall be placed at a location that is clearly visible from the main roadway adjacent to the Project land. The Authority shall approve the size and design of the sign before the sign is posted.

**10.2. Transfer of Project.** The Applicant or Borrower will be required to submit information to the Authority on any transfer in order for the Authority to determine if a transfer fee will be imposed. The amount of any transfer fee will be determined by the Board of Directors, in its sole discretion.

**10.3. Submission of Information.** By submission of an Application, Applicant agrees to provide the Authority with semi-annual continuing program compliance information concerning the Project's continuing compliance with the terms of the Regulatory Agreement. Additionally, the Applicant shall submit an audited financial statement within 90 days after the Project's fiscal year end.

**10.4. Annual Review.** At its sole expense, the Applicant must also agree to retain accountants or other third parties acceptable to the Authority and on behalf of the Authority (the "**Compliance Agents**"). These Compliance Agents shall conduct an annual review of the Project's compliance with the provisions of the Regulatory Agreement for so long as the Bonds are outstanding. The Compliance Agent shall annually report its findings to the Authority in writing and shall be available for any questions that the Authority may have on its report.

**10.5. Documentation Maintenance.** The Applicant must maintain documentation of its compliance with federal and State statutes and regulations including verifications of tenant eligibility and these records, along with all books, accounts and other Project records, must be available for inspection by the Authority's staff during regular business hours. The Applicant shall send supporting records to the Authority upon its written request.

## **11. Miscellaneous.**

**11.1. Minimum Requirements.** This Procedure Pamphlet will be considered to set forth minimum requirements and the Authority reserves the right to add additional requirements on a case-by-case basis.

**11.2. Modification and Waiver.** Notwithstanding any terms or provisions of this Procedural Pamphlet, the Authority shall consider modification or waiver of any policy or requirement set forth in this Procedural Pamphlet upon a showing of good cause.

**11.3. Notice of Section 38-511.** In accordance with the provisions of Arizona Revised Statutes Section 38-511, any agreement entered into by the Authority must contain language notifying the reader of the existence of this statute. The notice may be the following form:

*Notice of Section 38-511 – Cancellation.* Notice is hereby given of the provisions of Arizona State Statute Section 38-511. By this reference, the provisions of this statute are incorporated herein to the extent of their applicability to contracts of the nature of this agreement under the law of the State.

**11.4. Taxpayer Identification Number.** The Authority's Employer Identification Number is 41-2069862.

**11.5. Service of Process.** The Authority will not agree to receive service of process in any state other than Arizona.

**Compliance Certificate  
to the  
Arizona Housing Finance Authority ("Authority")**

The undersigned Bond Counsel, relying solely on the representations of the Applicant of the Bond proceeds, hereby certifies that the requirements and policies set forth in the procedural pamphlet of the Authority have been complied with in connection with the following Bond issue,

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except in the manner and for the reasons described in Exhibit A and in the Application filed by the Applicant with the Authority, both of which are attached hereto and incorporated herein.

This financing does (does not) involve an Escrow Structure, as that term is defined in the procedural pamphlet of the Authority.

Type or Print Name of Law Firm Serving as Bond Counsel	Type or Print Name of Applicant
By:	By:
Type or Print Name of Attorney Responsible for Case	Type or Print Name of General Partner Of Applicant
By:	By:
Signature of Attorney Responsible for Case	Signature of General Partner or Officer If General Partner is a corporation
(Type or Print Name of Signer)	(Type or Print Name of Signer)
Its	Its
(Type or Print Title of Signer)	(Type or Print Title of Signer)