

**POLICIES AND PROCEDURES GOVERNING
NEBRASKA EDUCATIONAL FINANCE AUTHORITY (“Authority”)
BOND ISSUES AND LOANS TO
NEBRASKA PRIVATE UNIVERSITIES AND COLLEGES**
(as revised March 8, 1999)

ARTICLE I

PROCEDURES RELATING TO THE APPLICATION FOR A LOAN

Section 1. Loan application. The applicant shall:

- a. provide the Authority with the information called for on an application form supplied by the Authority.
- b. pay a \$300 application fee to the Authority at the time of making the application (which shall be subject to refund at the Authority’s discretion).

Section 2. Selection of Underwriter. Underwriter(s) for any bond issue shall be appointed by the Authority with the concurrence of the applicant, subject to such terms and conditions as may be specified in writing at the time of appointment.

When so appointed, the Underwriter(s) shall accept the appointment in writing and furnish the Authority with a Letter of Intent setting forth the allocation of all expenses in connection with the Issue by actual or estimated amounts, including but not limited to the following:

- (1) Authority fees and expenses
 - (a) An issuance fee of one half of one percent of the Bond Issue
 - (b) Publication and filing fees
 - (c) Travel expenses of Board members for special meetings
 - (d) Printing expenses, including document reproduction
- (2) Trustee fees
- (3) Authority Bond Counsel fees
- (4) Authority Counsel fees when applicable
- (5) Underwriting discount

Section 3. Selection of Trustee. Whereas the Bond Indenture is an agreement between the Authority and the Trustee for the protection of the bondholders, the Trustee shall be appointed by the Authority with the concurrence of the applicant and the Underwriter (s).

Section 4. Selection of Bond Counsel. In any particular Bond Issue the Authority shall appoint, with the concurrence of the loan applicant, a qualified legal Counsel to serve as Bond Counsel for that particular Bond Issue.

Article II
PROCEDURES RELATING TO THE ISSUING OF BONDS

Section 1. The Institution is to complete and deliver to NEFA the loan application at least thirty (30) days prior to the anticipated bond sale.

Section 2. Drafts of all documents are to be furnished to NEFA at least seven days prior to the marketing of the bonds by the underwriter(s) and at least fifteen days prior to the anticipated bond sale and at least two (2) days prior to the TEFRA hearing, to provide NEFA time to circulate at least a resume of the documents to its Board members.

Section 3. On a single-purpose issue a TEFRA hearing must be held with at least fourteen (14) days prior notice, therefore NEFA must be advised five (5) business days prior to the date publication is to begin.

Section 4. The NEFA Board must be given five days prior notice of a meeting to approve the sale of Bonds.

Section 5. Closing date is to be at the convenience of the Underwriters, subject to three (3) days advance notice to NEFA to provide time for the execution of documents.

Section 6. Review: Sufficient information must be furnished in the Preliminary Official Statement or otherwise for NEFA to evaluate worthiness of the borrowing institution and that the loan is in the best interests of the borrower.

Article III
ADMINISTRATIVE FEE POLICIES

Section 1. Authorization. "The Authority may charge to and equitably apportion among participating private institutions of higher education its administrative costs and expenses incurred in the exercise of the powers and duties conferred by sections 79-2901 to 79-2953" Revised Statutes of Nebraska 1943.

Section 2. Objective. As a non-profit organization, NEFA's objective is to provide funds to loan to the participating institutional borrowers at as low a cost to the borrowers as possible, while, at the same time, insuring its own solvency and survival for at least as long as NEFA has bonds outstanding. The Board, at its discretion, may either increase or decrease its service fees from time to time in order to conform to this stated objective.

Section 3. Income Sources: For purposes of reducing the amounts necessary to be charged to the participating private institutions of higher education, the Authority shall have discretionary power to collect and use interest income, contributions, rebates, refunds, service fees and any other income not designated for other purposes, to assist in the underwriting of its administrative costs. Art. V, Section 2, NEFA Bylaws.

Section 4. Fees: To underwrite its operating expense NEFA has three (3) fees chargeable to the borrowers as follows:

- a. Application Fee.** A one-time Loan Application Fee of \$300.00 payable by the applicant at the time the application is made. If the application is approved and the loan made, this fee will be refunded at the time of closing on the loan.
- b. Issuance Fee.** A one-time Issuance Fee of .5% (.005) of the total principal amount of the Bond Issue payable at the time of the bond closing. This Issuance Fee is to be deposited in an Operating Fund Account and used to fund NEFA's Annual Operating Budget. If the balance in the Operating Fund Account becomes larger than required, the Board, at its discretion, may refund the excess to borrowers proportionately to their number of units of participation.
- c. Institutional Service Fee.** To balance NEFA's annual operating budget, the institutional borrowers shall be assessed a Service Fee in that amount which represents the difference between NEFA's adopted annual expense budget and the total amount of all other sources of Revenue used to fund NEFA's annual Operating Budget.

Each borrower's portion of this assessment shall be proportional to the amount each institutional borrower's loan balance bears to the loan balances of all institutional borrowers.

This Service Fee is to be calculated and payable on a quarterly basis. A partial quarter consisting of 45 days or more occurring at the beginning or end of the loan period shall be treated as a full quarter for purposes of the payment of service fees. This Service Fee shall be subject to adjustment annually.

Section 5. Units of Participation

- a. Units.** Each borrower's share of the funds held in the Operating Reserve Fund at any one time is directly proportional to the total of all issuance fees paid by all borrowers at that same point in time. These shares shall be expressed in terms of "units of participation" with one unit representing \$1,000.00 of issuance fees paid by or allocated to the borrowing institution. (Minutes May 16, 1989)
- b. Excess earnings.** When earnings from the Operating Reserve Fund exceed the amount necessary to cover NEFA's operating expenses, the Board of Directors may distribute a portion of the principal of the Operating Reserve Fund to the beneficiary institutions proportionately to the number of units of participation held by the borrowers. (Minutes: May 16, 1989.)
- c. Dissolution.** Upon NEFA's dissolution, all principal and interest held in the Operating Fund and all other funds held by NEFA after paying or providing for all debts and expenses shall be distributed to the beneficiary borrowing institutions proportionately to their number of units of participation. (Minutes: May 16, 1989)

Article IV
INVESTMENT POLICIES

Section 1. Operating Funds. The Authority shall invest funds needed for immediate disbursement or for annual budget requirements in checking accounts, money market accounts or savings accounts in commercial banks that are members of the Federal Deposit Insurance Corporation not to exceed \$100,000 in any one bank. Funds not needed for immediate disbursement or for current operating requirements shall be limited to investments in the following:

- (a) Direct obligation of the United States of America, including repurchase agreements secured by such obligations.
- (b) Obligations on which payment of the principal and interest are fully guaranteed by the United States of America;
- (c) Interest bearing time deposits (including certificates of deposits in banks which are members of the Federal Deposit Insurance Corporation) not to exceed the applicable Federal Deposit Insurance Corporation insurance with respect to any such deposit;
- (d) Shares of any open-end diversified management investment company registered under the investment company act of 1940, as amended, investing only in securities described above.

Section 2. Any funds pledged to secure a bond issue shall be invested in the manner permitted by the Indenture securing such bonds.

Article V
GENERAL POLICIES

NEFA has the legal responsibility for complying with the Bond Indentures and administering the loans. To carry out this responsibility the following policies and procedures apply:

- a. Inquiries by institutions regarding the securing of loans and all questions with respect to loan administration and the supporting bond issue must be directed to Nebraska Educational Finance Authority, c/o Executive Director, 2120 S. 72nd Street, Suite 429, Omaha, Nebraska 68124. Telephone (402) 397-6482.
- b. Underwriters and their representatives are not authorized to speak for or give out information that would be binding on NEFA.