

# MONTANA

## BOARD OF INVESTMENTS

## BOARD ADOPTED POLICY

POLICY NUMBER: 10.163

EFFECTIVE DATE: June 22, 2023

TITLE: Loan Committee Charter

SUPERSEDES: November 30, 2021

BOARD ADOPTION: November 30, 2021

REVIEWED: June 22, 2023

### I. Loan Committee Charter

#### A. Delegated Authority

1. This Charter delegates authority to Board staff and the Loan Committee (Committee) as follows:
  - a) Board staff may approve federally guaranteed loans of any size.
  - b) Board staff and Committee authority is based upon the aggregate dollar amount of any requested credit under consideration and any remaining credit balance outstanding for any single borrower of all Coal Tax Trust loans.
  - c) Board staff may approve all Coal Tax Trust, INTERCAP, and other loans up to \$1.0 million, provided that the underwriting for such loans complies with all provisions of the relevant loan policies approved by the Board.
  - d) Board staff may authorize enhancement of up to \$1.0 million in Montana Facility Finance Authority Act (MFFA) bonds.
  - e) Board staff may approve all Coal Tax Trust, INTERCAP, and other loans greater than \$1.0 million and up to \$5.0 million only with approval of the Committee.
  - f) All non-federally guaranteed Coal Tax Trust, INTERCAP, and other loans in excess of \$5.0 million must be reviewed and approved by the Committee and recommended to the full Board for final approval.
  - g) Board staff may authorize write-downs to a single borrower of all Coal Tax Trust, INTERCAP, and other loans up to \$1.0 million without approval of the Committee.
    - (1) Board staff shall report write-downs to the full Board at its next scheduled meeting.
    - (2) Coal Tax Trust, INTERCAP, and other loan write-downs greater than \$1.0 million and up to \$5.0 million require Committee approval.
    - (3) Coal Tax Trust, INTERCAP, and other loan write-downs in excess of \$5.0 million shall be reviewed and approved by the Committee and recommended to the full Board for final approval.
  - h) Board staff may authorize enhancement of MFFA bonds greater than \$1.0 million and up to \$5.0 million, only with approval of the Committee. Enhancement of MFFA bonds greater than \$5.0 million shall be reviewed by the Committee and recommended to the full Board for final approval.
2. For purposes of this Charter, loan amounts include only the Board's portion of a participation loan.

#### B. Loan Parameters

1. Commercial maximum loan size is limited by law to ten percent (10%) of the Coal Tax Trust.
2. Value-Added maximum loan size is limited by law to one percent (1%) of the Coal Tax Trust.

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3. Value-Added minimum loan size is set by law at \$250,000.
4. Maximum amount of Value-Added loans outstanding is limited by law to \$70.0 million.
5. Infrastructure maximum loan size is limited by law to \$16,666 per job created.
6. Infrastructure minimum loan size is set by law at \$250,000.
7. Maximum amount of Infrastructure loans outstanding is limited by law to \$80.0 million.
8. Maximum Board participation in commercial loans is eighty percent (80%).
9. Board participation in Value-Added loans is set by law at seventy-five percent (75%).
10. The maximum amount of loans made to an entity for an infrastructure project are limited by law.

#### C. Purpose of Committee

1. Provide the due diligence required for Coal Tax Trust loans and enhancement of MFFA bonds in an amount greater than \$1.0 million.
2. Review and approve Coal Tax Loan Program Policy and Residential Loan Program Policy prior to presentation to the Board.
3. Provide guidance regarding pricing of loans.

#### D. The Committee Is Charged with:

1. Reviewing and taking appropriate action on all staff recommendations for non-federally guaranteed Coal Tax Trust, INTERCAP, other loans, or the enhancement of MFFA bonds in excess of \$1.0 million and up to \$5.0 million.
2. Reviewing staff recommendations for non-federally guaranteed Coal Tax Trust, INTERCAP, or other loans in excess of \$5.0 million and enhancement of MFFA bonds in excess of \$5.0 million and making a recommendation to the full Board.
3. Reviewing staff recommendations to issue additional INTERCAP bonds and recommending to the full Board approval of the recommendation as modified by the Committee.

#### E. Committee Membership

1. The Committee shall consist of at least three (3) Board members.
2. The Board Chair shall:
  - a) Appoint members
  - b) Notify the Board of all appointments as they are made.
  - c) Designate one (1) member of the Committee as its chairperson.
3. The Board Chair may remove a committee member at any time and appoint a replacement to complete the removed Member's term, provided the Board Chair notifies the Board of the removal and the reasons at the time of the removal.

#### F. Committee Structure and Operations

1. Loans, Loan Write-Downs, Securities, and Bond Enhancement greater than \$1.0 Million and up to \$5.0 Million:
  - a) Staff shall provide written recommendations to each committee member.
    - (1) Such documents shall include all pertinent information required by members to fulfill their obligations under this Charter.
    - (2) After reviewing such documents, the Committee must meet as required to perform their obligations under this Charter.
      - (a) In lieu of meeting in person or telephonically, members may e-mail staff with their

input and approval, subject to the “Confidentiality” provisions of this Charter.

- (3) Committee members may require that certain loan, loan write-down provisions, loan participation share (when permitted by law), loan covenants, or security conditions recommended by staff be revised.
- (4) If two (2) committee members do not concur with staff recommendations for loan, loan write-down, or security approval as modified or revised by members, the staff recommendation shall be forwarded to the full Board at a public meeting in which the lender and the borrower may be present.
- (5) If Committee approval is granted via e-mail, such approval shall serve as a written record of approval.

2. Loans, Loan Write-Downs, Securities, and Bond Enhancement Greater than \$5.0 million:

- a) Staff shall provide loan, security, and loan write-down approval recommendations to each committee member.
  - (1) Such documents shall include all pertinent information required by members to fulfill their obligations under this Charter.
  - (2) After reviewing such documents, the Committee must meet as required to perform their obligations under this Charter.
  - (3) Committee members may require that certain loan, loan write-down provisions, loan participation share (when permitted by law), loan covenants, or security conditions recommended by staff be revised.
    - (a) Such revisions shall be incorporated into the staff recommendations and if the staff recommendations with any such revisions are approved by at least two (2) members, the recommendations shall be forwarded to the full Board for a final decision.
    - (b) If the staff recommendations with any such revisions are not approved by at least two (2) members, the lender and the borrower may appeal such decision to the full Board at its next regularly scheduled meeting.

G. Committee Duties and Responsibilities

1. Review staff recommendations to approve Coal Tax Trust, INTERCAP, and other loans, loan write-downs, and MFFA bond enhancement greater than \$1.0 million and up to \$5.0 million and suggest revisions or modifications to the staff recommendations as necessary.
2. Concur or not concur with staff recommendations as revised or modified by Committee members.
3. Review staff recommendations to approve Coal Tax Trust, INTERCAP, and other loans, loan write-downs, and MFFA bond enhancement in excess of \$5.0 million, and recommend to the full Board modifications to or approval of the staff recommendations.
4. Review staff recommendations to approve the issuance of Municipal Finance Consolidation Act bonds and the purchase of tendered bonds that have not been remarketed and recommend to the full Board modifications to and approval of the staff recommendations.
5. Provide, when necessary and appropriate, an appeals function for lenders and borrowers whose loan applications have been disapproved by staff.
6. Review staff-recommended revisions to the various loan program policies/applications and recommend to the full Board the approval, denial, or modifications of such revisions.
7. Recommend to the full Board the waiver of certain loan or security policy provisions as long as such waiver is limited to the merits of an individual loan application and is considered by the Committee to be in the public interest.
8. Advise the Executive Director on the job performance of the loan and bond program staff.

9. Prepare and deliver to the Board, at such time as the Board shall request and as required by this Charter, reports concerning the activities and recommendations of the Committee.
10. Perform other duties or responsibilities expressly delegated to the Committee by the Board relating to in-state investments.

H. Reports

1. A summary of recommendations, decisions made, and actions taken by the Committee shall be presented to the Board at the Board meeting following the action/decision.

I. Resources and Authority of the Committee

1. The Committee shall have the resources and authority appropriate to discharge its duties and responsibilities.

Authority: Montana Constitution, Article VIII, Section 13  
Section 2-3-103, -203, -212, and -214, MCA  
Section 2-15-124, MCA  
Section 2-15-1808, MCA  
Title 17, chapter 5, part 16, MCA  
Section 17-6-201, MCA  
ARM 8.79.1301 and 8.97.1308 through 8.97.1310  
ARM 8.97.1707  
Chapter 774, Laws of 2023 (House Bill No. 819)

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Adopted: November 30, 2021

Revised: June 22, 2023

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