

Montana Board of Investments
Loan Committee Charter
Original Document Approved: June 24, 2005
Last Revised: August 16, 2011

Delegated Authority

This Charter delegates authority to Board staff and the Loan Committee as follows:

- ◆ Board staff may approve federally-guaranteed loans of any size without concurrence of the Loan Committee.
- ◆ Board staff may approve all Coal Tax Trust and INTERCAP loans up to \$1.0 million without concurrence of the Loan Committee, provided that the underwriting for such loans complies with all provisions of the relevant loan policies approved by the Board.
- ◆ Board staff may authorize enhancement of up to \$1.0 million in Montana Facility Finance Authority Act (MFFA) bonds, without concurrence of the Loan Committee.
- ◆ Board staff may approve all Coal Tax Trust and INTERCAP loans greater than \$1.0 million and up to \$5.0 million only with concurrence of the Loan Committee.
- ◆ Board staff may authorize enhancement of MFFA bonds greater than \$1.0 million and up to \$5.0 million, only with concurrence of the Loan Committee. Enhancement of MFFA bonds greater than \$5.0 million shall be reviewed by the Loan Committee and recommended to the full Board for final approval.
- ◆ All non federally-guaranteed Coal Tax Trust and INTERCAP loans in excess of \$5.0 million shall be reviewed and approved by the Loan Committee and recommended to the full Board for final approval.

For purposes of this Charter, loan amounts include only the Board's portion of a participation loan.

Loan Parameters

- ◆ Commercial maximum loan size is limited by law to 10.0 percent of the Coal Tax Trust.
- ◆ Value-Added maximum loan size is limited by law to 1.0 percent of the Coal Tax Trust.
- ◆ Value-Added minimum loan size is set by law at \$250,000.
- ◆ Maximum amount of Value-Added loans outstanding is limited by law to \$50.0 million.
- ◆ Infrastructure maximum loan size is limited by law to \$16,666 per each job created.
- ◆ Infrastructure minimum loan size is set by law at \$250,000.
- ◆ Maximum amount of Infrastructure loans outstanding is limited by law to \$50.0 million.
- ◆ Maximum Board participation in Commercial loans is 80.0 percent.
- ◆ Board participation in Value-Added loans is set by law at 75.0 percent.
- ◆ Infrastructure loans are made directly to local government entities.

Purpose of Committee

The purpose of the Loan Committee is:

- ◆ To provide the due diligence required for Coal Tax Trust loans, and enhancement of MFFA bonds in an amount greater than \$1.0 million.
- ◆ To review and approve Coal Tax Loan Program Policy and Residential Loan Program Policy prior to presentation to the Board.
- ◆ Provide guidance regarding pricing of loans.

The Committee is charged with:

Montana Board of Investments
Loan Committee Charter
Original Document Approved: June 24, 2005
Last Revised: August 16, 2011

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

Committee Membership

The Committee shall consist of at least three Board Members.

Members shall be appointed by the Board Chair who shall notify the Board of all appointments as they are made. The Chair shall appoint for membership to the Committee only those individuals who the Chair believes in his/her judgment are qualified to perform the due diligence duties of the Committee as set forth in this Charter. The Chair shall designate one member of the Committee as its chairperson. The Chair may remove a Committee member at any time and appoint a replacement to complete the removed Member's term, provided the Chair notifies the Board of the removal and the reasons at the time of the removal.

Committee Structure and Operations

Loans greater than \$1.0 million up to \$5.0 million: Staff shall provide hard copy loan approval recommendations to each Committee Member. Such documents shall include all pertinent information required by Members to fulfill their obligations under this Charter. After reviewing such documents, the Committee may meet in person or telephonically as required to perform their obligations under this Charter. In lieu of meeting in person or telephonically, Members may e-mail staff with their input and concurrence, subject to the "Confidentiality" provisions of this Charter.

Committee Members may require that certain loan provisions, loan participation share (when permitted by law), or loan covenants recommended by staff be revised. If two Committee Members do not concur with staff recommendations for loan 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. If Committee concurrence is granted via e-mail, such concurrence will serve as a written record of concurrence and obviate the need for recording such action in Committee minutes.

Loans and Bond Enhancement Greater than \$5.0 million: Staff shall provide hard copy loan approval recommendations to each Committee Member. Such documents shall include all pertinent information required by Members to fulfill their obligations under this Charter. After reviewing such documents, the Committee may meet in person or telephonically as required to perform their obligations under this Charter.

Committee Members may require that certain loan provisions, loan participation share (when permitted by law), or loan covenants recommended by staff be revised. Such revisions shall be incorporated into the staff recommendations and if the staff recommendations with any such revisions are approved by at

Montana Board of Investments
Loan Committee Charter
Original Document Approved: June 24, 2005
Last Revised: August 16, 2011

least two Members, the recommendations shall be forwarded to the full Board for a final decision. If the staff recommendations with any such revisions are not approved by at least two Members, the lender and the borrower may appeal such decision to the full Board at its next regularly scheduled meeting.

Committee Duties and Responsibilities

The following are the general duties and responsibilities of the Committee:

- ◆ Review staff recommendations to approve Coal Tax Trust loans, INTERCAP loans, 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.
- ◆ Concur or not concur with staff recommendations as revised or modified by Committee Members.
- ◆ Review staff recommendations to approve Coal Tax Trust loans, INTERCAP loans, and MFFA bond enhancement in excess of \$5.0 million and recommend to the full Board modifications to and approval of the staff recommendations.
- ◆ 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.
- ◆ Provide, when necessary and appropriate, an appeals function for lenders and borrowers whose loan applications have been disapproved by staff.
- ◆ 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.
- ◆ When necessary and prudent, recommend to the full Board the waiver of certain loan 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.
- ◆ Advise the Executive Director and the Assistant Investment Officer - in-state investments (AIO) on the setting of interest rates where permitted by law.
- ◆ Consult with the Executive Director and the AIO on portfolio risk and loan parameters.
- ◆ Advise the Executive Director on the job performance of the AIO.
- ◆ 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
- ◆ Any other duties or responsibilities expressly delegated to the Committee by the Board from time to time relating to in-state investments.

Reports

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

Resources and Authority of the Committee

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