

2015 SENATE APPROPRIATIONS

SB 2011

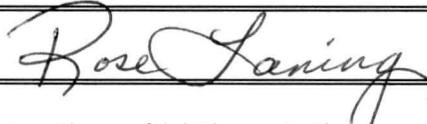
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2011
1/8/2015
Job # 21761

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

Minutes:

Attachment #1

Legislative Council - Chris Kadrmas
OMB - Becky Deichert

Chairman Holmberg called the committee to order on SB 2011. Roll Call was taken. All committee members were present. Senator Bowman will lead the subcommittee

ND Securities Commissioner Karen Tyler made opening remarks and introduced Mike Daley, Department Attorney and also Deputy Commissioner; Diane Miller, Franchise Examiner & also Budget Administrator; Kelly Mathias, Supervisor of Examiners and Investigators. Also introduced Troy Siebelt - State Labor Commissioner.
Reading from attachment - (attachment #1)

She gave some examples of misappropriation of funds with some real estate companies and the allegations that there has been some Ponzi-like activity. The primary promoters of the real estate development are located in London. They've established numerous ND LLCs and investors are located in other countries, such as, China, India, England, Scotland, New Zealand, Australia, France and Spain.

Senator Robinson: Explain some of your findings in your routine reviews. Is it common in routine reviews, you detect issues or problems? Have we provided the resources to your office to ensure that we're covering the waterfront?

Karen Tyler: We do not conduct as many routine exams as we would like because it's a heavy caseload. In the securities regulatory landscape, you have state securities regulators, you have an entity called FINRA (Financial Industry Regulatory Authority) and you have the Securities and Exchange Commission. Between those three groups of regulators, you have exams being conducted, so we may not get to the full exam schedule, but we might have FINRA coming to do an exam.

We aren't able to do as many exams as we would like so we do focus in on those firms that we think that there's a reason to get to them. It might be a one person operation. They may have a Central Registration Depository Record Comprehensive Database about that particular individual. There may be some marks on their record.

Senator Robinson: In the area of unregistered securities, how long might someone do business before the fact that they're unregistered be brought to light? Could that go on for some time?

Karen Tyler: It could be across the board. Often times we don't find out about these things until someone is harmed. There really isn't any other way for us to detect that type of activity. It could be very isolated. It could be someone located in another state solicitating into the state.

Senator Mathern: On the funding for retirements, is it practiced then of not funding this as the liability accrues? If that's the case, what if we didn't approve that? Then what would you do?

Karen Tyler: We would go to the Emergency Commission for a request. We're a very small agency with very little turnover, so we do not have rollup dollars. There is no extra money setting around.

Senator Mathern: Why didn't you fund it as it accrued? Is that not an option or don't we permit you to do that?

Karen Tyler: That's not an option.

Becky Deichert: It's not done.

Chairman Holmberg: Council on the Arts would have the same issue, but if it's the Attorney General, WSI or these agencies that have constant turnover and rollup, they typically respond. We've had a few instances in the Emergency Commission where we've done something. Didn't we do something for Council on the Arts when she retired?

Becky Deichert: That was actually a health insurance issue - an employee where their insurance was being covered through their spouse.

Senator Wanzek: The \$18M that's generated goes into the general fund?

Karen Tyler: All of our revenues go into the general fund.

Senator Heckaman: When you talked about the regulation D in Rule 506, do you get a listing of those agencies that are using that exemption and do you also get any information on whether they are following all the rules?

Karen Tyler: We get notice of filing. They have to put us on notice that they are utilizing this exemption. This is the same form that they have to file with the Securities and Exchange Commission. It is very limited in the amount of information that it provides; the

name of the entity, the name of the principals and the amount of money they're looking to hold, the state where active. We can require anything they file with the Securities and Exchange Commission; we can require that they file it with us. We can take a look at it and review it, but we can't comment on it or require them to make any changes to it, so we do have record of all the entities that utilize this exemption.

Senator Heckaman: But you don't have any information whether they have been under investigation or under scrutiny of any kind at all?

Karen Tyler: There would be nothing on form D. They would not be able to use the exemption if they have had any type of regulatory action, legal action in the securities realm. If we had reason to believe that this was the work of fraud on the public, we could, on our own, make an investigation of the individuals. We can't review these things up front and comment on them, but we do have fraud authority.

Senator Erbele: The special fund for investor education, the \$170,000 - how are those funds used? Do you use all of it all the time?

Karen Tyler: That fund historically has been used to fund a program that has been held at the University of Mary for teachers. That was the primary expense that we covered through that fund. It was a teacher training academy. We brought in teachers from all around the state and could accommodate about 100 teachers a year. We would provide them with financial education curriculum resources that they could take back to their classroom and integrate into their classes. In 2009 or 2011, the Legislature passed legislation that mandated financial education in the high schools. When that happened, we decided to shift our focus away from bringing these resources to teachers, because they were going to have other ways of securing this information for their classroom. We shifted more toward anti-fraud programs, focusing more on seniors, however we still run some programs for students as well.

The \$170,000 is actually a reduction in our appropriation from 2 biennium ago - we were sitting at about \$300,000, so when we stopped running the program at the University of Mary, we reduced that appropriation back to \$170,000. We're still adjusting. We're trying to ramp up our efforts to reach the investors and do more anti-fraud programs.

For kids, we run the stock market game in the classrooms. This is a program that allows them to manage hypothetical \$100,000 portfolios. The teachers really enjoy this program. It teaches them economic and business concepts. In the fall program, we had over 34 schools and over 900 students participating. We also do the Mad About Money program. We partner with the National Theater for Children out of MNPLS and each fall we go into 10 schools and put on a program that teaches kids in an interactive way about saving, investing, budgeting, etc. So this fall, we hit 10 schools in the western part of the state, and we hit close to 1000 kids.

Senator Bowman: How do you measure the success of these programs? Does the effectiveness shows we should do more of them, or are we finding out that it isn't really doing what we're investing in.

Karen Tyler: The programs that we sponsor come with a follow-up survey that we put out to the teachers to get an idea of how the kids responded, testing the kids following the

presentation, so it's really based on teacher feedback as to the effectiveness. Anti-fraud programs where we partner with AARP and go out and reach our seniors, that is hard to measure, but hopefully we are raising the awareness of the people in the room so that when they get that next phone call and that next solicitation, they'll know who to call. We provide them with refusal scripts, help them understand what fraud looks like, go through examples of fraud that we've dealt with. It's hard to measure. Financial education and financial literacy efforts - there are a lot of free resources out there. The challenge that most programs have is delivery - the human resources to deliver the program. There is a very comprehensive survey taken every two years of high school students. I don't think the results have improved much in the last 10 years. Does that mean we stop? We really have to help people become more informed and better equipped to make good money choices.

Chairman Holmberg closed the hearing on SB 2011.

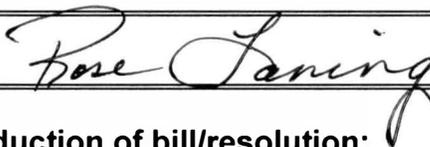
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2011
2/12/2015
Job # 23709

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

Minutes:

Senator Bowman said the only changes in the bill are the salary adjustments.

Senator Bowman moved amendment 15.8144.01001
Senator Robinson seconded.

Voice vote carried.

Senator Bowman moved Do Pass as Amended
Senator Robinson seconded.

Senator Carlisle asked about the desktop support services.

Alex Cronquist said that basically they left it up to the agency if they wanted it or not.

A Roll Call vote was taken. Yea: 12 Nay: 1 Absent: 0

Senator Bowman will carry the bill on the floor.

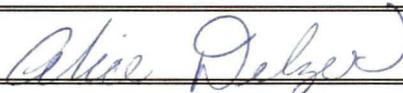
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2011
4/7/2015
Job # 25855

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Discussion regarding Bills in committee and also regarding Conference Committee appointments for SB 2001, 2017, 2011 and 2004. .

Minutes:

No testimony submitted

Chairman Holmberg called the committee to order on Tuesday, April 07, 2015 at 8:30 am. All committee members were present. Adam Mathiak, Legislative Council and Becky Deichert, OMB were also present. As you see we have quite a few bills out. We need them done by Friday. I've visited with some of the chairs and they feel pretty comfortable that we can get them to Legislative Council before too long. I think Thursday and Friday will be big days. Some are close, some need some meetings, and tomorrow is a good day for meetings. There are still bills that may or may not have fiscal notes on them.

Senator Carlisle: We are meeting at 4:00 today on 1014. On 1358, there is a meeting with some folks with the governor today and we'll know today at 4:00 if they will have something they can resolve. 1443, we don't need to do anything yet. With the revolving fund, we have the amendment. Just hold onto the bill. This afternoon we'll do 1014. We found a correction, we need to add \$10M in for the Housing Incentive Fund, and we'll bring that up today and see what happens on 1358, if they have resolution on that.

Chairman Holmberg asked if there was anything else that is ready right now.

Senator Carlisle I got asked about HB 1059, new transmission line property tax exemption? .

Chairman Holmberg: I haven't heard anything about it. Who's asking?

Senator Carlisle: Some of the folks from lignite, Sandy Tabor, who just changed jobs with Basin Electric. I'll catch her.

Chairman Holmberg: That is the one where Senator Oehlke had amendments. Sandy Tabor was working on that. I don't have a note on here on Oehlke's amendments. Were these other folks supportive of it? He was told they were just asking the status and I said

it's not on the board. Oehlke's amendment was the homestead tax credit issue, which the House has disposed of.

Chairman Holmberg: I have 4 Bills that have come back from the House:

SB 2001, The Governor's Bill: (3.52) I did not concur. It is the governor's budget. The House took out the section that allows the governor to accept federal money as it comes in. I visited with Senator Erbele. I do know the governor's office would like us to work on that bill a little more. So we will not concur. The conference committee members will be: Senator Erbele, Senator Bowman and Senator Mathern.

SB 2017 - Game and Fish: (4.42) I did not concur. They did not like some things we had done. We are going to do a conference committee: The conference committee members are: Senator Wanzek, Senator Carlisle and Senator O'Connell.

SB 2011 - Securities Commission: (5.26) We did not have a subcommittee. The House did the health insurance, and then took out the accrued leave. Becky, do you know why they did that?

Becky Deichert, OMB: They kind of talked about maybe they shouldn't have taken it out. It's one-time funds that they got. It's been there for 50 years.

Chairman Holmberg: Let us then not concur. The conference committee members are: Senator Bowman, Senator Erbele and Senator O'Connell. That should be one meeting. They would accede from their amendments and further amend because you still have to have the health item.

SB 2004 - State Auditor: (7.13) I will concur. Two changes in the Auditor's budget which will cause some discussion is that the external audit system, for the University system was put into the auditor's budget. The money came from the campuses that was used to pay those people that are being transitioned. But where the problem arises from the campus level, these people were, mostly internal auditors, and they were at UND and NDSU. There is no prohibition, UND and NDSU can have internal auditors because the external auditors, the auditors from the auditor's office cannot audit themselves. So what we have looked at in the Higher Ed budget is, there was a pool of the money stripped away from UND and NDSU, where the auditors were to pay for buses that the people who used to be at NDSU and UND had wanted, but they're gone. The DOT, everyone has got their hands up in the air because someone is stuck with the old maid, if you play that card, and no one wants to pay. What we are looking at is kicking the can down the road and taking that \$325 that's in each campus, put it together, not all of it; but enough to cover the cost of the internal audit, put it in the Board Office and they can either contract internal auditing, with whatever auditor firm, and many campuses do that, or they would not be prohibited from hiring people on those campuses to do the internal audit. So there would be an internal audit function. I think one of the challenges that occurred with the publicity on that move was that they could have no internal auditors. Then there was a lot of discussions taken out of context. For example, the State Auditor went to the Board, and they asked him the question, can your people that work for you do internal auditing? And he said it can't be done, so that was the headline they had that the change couldn't be done. Well, it wasn't

the change, it was the fact that still have to have their own internal auditors, not prohibited but they kind of took out the money. So now we have the money back in so I would suggest we concur. (10.14) He asked if there was anything else.

Senator Erbele: HB1393, the STEM one, is just an up and down vote whether we want to add that \$100,000 whether they want to do job fairs.

Chairman Holmberg: Anything else? HB 1377, that was the balance of the SIIF fund, there seems to be agreement, at least 3 of the 4, that the \$712M isn't necessary to be hidden there. The legacy fund transfer was included in 1176 that we passed the other day. So there is only one other aspect of that. Let's not come back at 9:30 today. We will start tomorrow morning at 8:30. The hearing was closed.

2/12/15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2011

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$1,673,763	\$187,543	\$1,861,306
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$234,348	\$2,467,353
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
Total general fund	\$2,063,005	\$234,348	\$2,297,353
Full-time equivalent positions	9.00	0.00	9.00"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Department - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$1,673,763	\$187,543	\$1,861,306
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$234,348	\$2,467,353
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
General fund	\$2,063,005	\$234,348	\$2,297,353
FTE	9.00	0.00	9.00

Department No. 414 - Securities Department - Detail of Senate Changes

	Adds Funding for Base Payroll ¹	Adds Funding for Salary and Benefit Increases ²	Adds Funding for Desktop Support ³	Adds One-Time Funding for Accrued Leave Payout ⁴	Total Senate Changes
Salaries and wages	\$27,901	\$106,390		\$53,252	\$187,543
Operating expenses			<u>46,805</u>		<u>46,805</u>
Total all funds	\$27,901	\$106,390	\$46,805	\$53,252	\$234,348
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$27,901	\$106,390	\$46,805	\$53,252	\$234,348
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$67,530		\$67,530
Health insurance increase	<u>38,860</u>		<u>38,860</u>
Total	\$106,390	\$0	\$106,390

³ Funding is added for desktop support services from the Information Technology Department.

⁴ One-time funding is added for accrued leave payouts.

Date: 2-12-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2011

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.8144.01001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Bowman Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*voice vote
Carried*

Date: 2-12-15
 Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2011**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Bowman Seconded By Carlisle

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman		✓
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 12 No 1

Absent 0

Floor Assignment Bowman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2011: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2011 was placed on the Sixth order on the calendar.

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$1,673,763	\$187,543	\$1,861,306
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$234,348	\$2,467,353
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
Total general fund	\$2,063,005	\$234,348	\$2,297,353
Full-time equivalent positions	9.00	0.00	9.00"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Department - Senate Action

	Base Budget	Senate Changes	Senate Version
Salaries and wages	\$1,673,763	\$187,543	\$1,861,306
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$234,348	\$2,467,353
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
General fund	\$2,063,005	\$234,348	\$2,297,353
FTE	9.00	0.00	9.00

Department No. 414 - Securities Department - Detail of Senate Changes

	Adds Funding for Base Payroll¹	Adds Funding for Salary and Benefit Increases²	Adds Funding for Desktop Support³	Adds One-Time Funding for Accrued Leave Payout⁴	Total Senate Changes
Salaries and wages	\$27,901	\$106,390		\$53,252	\$187,543
Operating expenses			<u>46,805</u>		<u>46,805</u>
Total all funds	\$27,901	\$106,390	\$46,805	\$53,252	\$234,348
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
General fund	\$27,901	\$106,390	\$46,805	\$53,252	\$234,348
FTE	0.00	0.00	0.00	0.00	0.00

¹ Funding is added for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.

² The following funding is added for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year and increases in monthly health insurance premiums:

	General Fund	Other Funds	Total
Salary increase - Performance	\$67,530		\$67,530
Health insurance increase	<u>38,860</u>		<u>38,860</u>
Total	\$106,390	\$0	\$106,390

³ Funding is added for desktop support services from the Information Technology Department.

⁴ One-time funding is added for accrued leave payouts.

2015 HOUSE APPROPRIATIONS

SB 2011

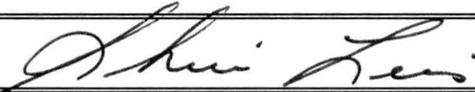
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2011
3/5/2015
Recording Job# 24407

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

Minutes:

See attachments A and B. *Handout #1*

Chairman Thoreson: Opened the hearing on SB2011.

Chris Kadrmas, Fiscal Analyst, ND Legislative Council: See attachment A.

Karen Tyler, Commissioner, ND Securities: See attachment B.

Chairman Thoreson: Who do those go to?

Karen Tyler: They would go first to state's attorney's or the US attorney. If the state's attorney declined to take the case, we would then refer it to the attorney general's office.

Karen Tyler continued with her presentation.

Chairman Thoreson: You said that you have three of your people who would be eligible for retirement?

Karen Tyler: Yes,

Chairman Thoreson: Are you expecting that those individuals would leave between now and the next time we get together?

Karen Tyler: One of our team members will have been with the department for 50 years this June. He has not indicated an interest in retiring, we're hoping he doesn't. No one has communicated to me that they would be retiring.

Karen Tyler continued with her presentation.

Chairman Thoreson: Do you have any idea what that average is compared to other states?

Karen Tyler: The state has generated some headlines in the last few years. There about 155,000 stockbrokers registered in the industry.

Karen Tyler continued with her presentation.

Representative Kempenich: You have \$56,000.00 in IT. Is there any savings involved in moving the desktop support?

Karen Tyler: Currently, we have to go outside ITD to obtain services for IT. The number that was put in to our budget for desktop services was the \$46,804.00,

Representative Kempenich: How did you handle that before?

Karen Tyler: It was ad hoc. We have two individuals on staff who are skilled with technology; so often times we end up doing it ourselves.

Representative Kempenich: The numbers IT put out was based on replacement of all your computers and if you're replacing them now; you're already in a replacement cycle.

Karen Tyler: Yes.

Representative Kempenich: That's something we'll have to dig into a little more and get the right number on that.

Representative Hogan: I wonder if you've seen an increase in the west with people making significantly more money. Is there a pattern in the west?

Karen Tyler: No we haven't seen a pattern or an increase. Victimization of seniors goes very much under reported. Affinity fraud is a very common approach to the victimization of seniors.

Representative Hogan: I'm interested to see how your organization works with the newly established vulnerable adult protective service system; which is only two years old now and not statewide. There are three or four pieces developing in this area and I was wondering if you're working with those other partners.

Karen Tyler: That's not something that we have started to do yet. That's something that we plan to do. We're shifting our focus. Historically, the department has been more focused on the youth in our state and we've run a lot of programs for our teachers and our students. We're looking for opportunities to partner. Most recently we partnered with AARP and ran seminars across the state. Our lowest participation in those seminars was in the west.

Representative Kempenich: You're fines are comparable to what they were before. This biennium looks a little slower. I was wondering about your comments on that.

Karen Tyler: We've had some significant global settlements. These are cases that involve many firms within the industry, wide spread conduct, systemic misconduct; so numerous enforcement actions are brought. Usually what ends up happening is we will form a task force involving numerous states and approach these enforcement actions collectively. The result is a global settlement; and out of that have come very significant penalties. Our numbers are going to look lower when we don't have any global activity.

Representative Kempenich: What are the fees that you charge on those items?

Karen Tyler: The broker/dealers pay \$200.00/year per firm.

Representative Kempenich: When was that changed?

Karen Tyler: I don't believe that that has changed since 2001. Investment advisor firms pay \$100.00, agents of broker/dealer firms are \$60.00 and investment advisor representatives are \$50.00.

Representative Boehning: Are you seeing an increase in family members who are stealing from parents?

Karen Tyler: I wouldn't say that we've seen an increase; it is a significant component of fraud against seniors; caregiver abuse is a significant component of that. I don't know that we have data that would support it increasing.

Representative Hogan: I am interested in what you're seeing in the whole "bit coin" issue in the state.

Karen Tyler: It's been evolving rapidly over the last two years. At first the position of regulators was if we regulate it do we legitimize it. Then came the opinion that this wasn't something that was going to go away so it probably does need to be regulated. Then the question became who should regulate it. It's most likely banking regulators that regulate it.

Representative Hogan: Does any state have regulations on "bit coin" at this time; either on the banking or security side?

Karen Tyler: Not that I'm aware of. Both the securities and exchange commission and the state of Texas have brought enforcement cases based on securities law; applying it to the transactions.

Chairman Thoreson: In your testimony you referenced that there's been four individuals charged or prosecuted criminally because of referrals from your department. Are any of those cases still ongoing right now? Are these a large scale rip off?

Karen Tyler: Not anything like our global issues we work on. These are all individuals who engaged in misconduct involving their client base.

Chairman Thoreson: Are there any large things nationally that are still looming nationally or that we are a party to?

Karen Tyler: We are still working on something much smaller but it is on a national scale. It involves sales assistance. We have an unregistered sales assistant case; so far we've settled with two firms and we have one left. We have international involvement in a case we have; which involves real estate development in western North Dakota. The promoters of the company are based in London and the investors are in 66 countries and 14 states; we don't have any investors in North Dakota. The dollar amount involved is about \$85 million.

Representative Thoreson: Was that complaint filed with your office that tipped you off to this?

Karen Tyler: This was a situation where the promoters were very keen on talking to the journalists and press that were interested in their development out west. That's how we first came across them. We've been in communication with them and their lawyers for about 1 ½ years. We don't have any North Dakota victims and we don't have evidence that any of the sales emanated from the state; but the developments are here. We have four real estate developments in North Dakota and one in eastern Montana.

Vice Chairman Brandenburg: Is there any way a person can track that money and where it's going? Don't they register when they come to the state?

Karen Tyler: Are you talking about filing with the secretary of state?

Vice Chairman Brandenburg: Yes. The secretary of state has to be involved because they do business in the state. I don't think they do anything with you until there's a problem.

Karen Tyler: In the situation that you mentioned we are pre-empted. We can't review that securities offering on the front end; we can only deal with it if it's a fraud on the back end. All an entity has to do is file a form with the securities exchange commission and they can sell their securities and raise their capital as long as their investors are accredited. Accredited investors are individuals who have at least \$200,000.00 of income or \$300,000.00 if they're filling jointly and \$1 million in networth.

Vice Chairman Brandenburg: Is that what's happening with this group out here?

Karen Tyler: That group has not made any filings. That is one of the issues.

Vice Chairman Brandenburg: Is there something that we're missing for getting protection?

Karen Tyler: There is an escrow account but the attorney that establishes the escrow account is going to be bound by or is going to administer the account based on the escrow agreement. When they get representations that certain progress has been made and the investor is authorizing the release of the funds for the next stage, the attorney fulfills that responsibility and releases the funds.

Chairman Thoreson: What we are seeing is our name tied into something that's going on nationwide.

Karen Tyler: We have seen the Bakken used in fraudulent promotions in other states.

Chairman Thoreson: Anything coming down from Congress or any of the federal entities that we should be watching for?

Karen Tyler: We do have equity crowd funding. Crowd funding has been around a while but it's always been on a donation basis or contribution basis. In 2012 Congress passed the Jobs Act which created equity crowd funding. Investors can be solicited over the internet for investment in small startup businesses. We have real concerns with this. It's not legal yet; they're on a state by state basis creating crowd funding legislation.

Chairman Thoreson: When you say it's not legal yet, does that mean there's specific federal rules against it right now? Is it in a grey area?

Karen Tyler: You can't generally solicit for investment of an unregistered investment in an unregistered security.

Chairman Thoreson: Similar to any other type?

Karen Tyler: Yes.

Chairman Thoreson: Is there any word on when the FCC might get those rules in place?

Karen Tyler: It will be 3 years in April. I would be very surprised if it doesn't happen this year. They are not willing to give a date.

Chairman Thoreson: Closed the hearing.

Handout #1 submitted later, not discussed.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2011
3/17/2015
Recording Job# 25026

Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

Minutes:

"Click to enter attachment information." *Handout#1*

Chairman Kempenich: Opened the subcommittee on SB2011.

Chairman Kempenich: Do you have the spend down for your agency?

Karen Tyler, Commissioner, ND Securities Department: I can get that for you.

Representative Kempenich: Did we get a breakout for the desktop services?

Becky Deichert, Fiscal Analyst, ND Office of Management and Budget: I can get that for you.

Representative Skarphol: How many laptops and desktops do you have?

Karen Tyler: We have 4 desktops and 5 laptops.

Representative Skarphol: Do you have any application licenses that you purchase on an ongoing basis?

Karen Tyler: We do.

Representative Skarphol: What we need to know is what licenses will be covered by IT as a result of desktop support and which ones you will have to continue to pay in the event that they will cover any of those. If you could talk to ITD about that to ensure there won't be a savings on licenses because of that change.

Karen Tyler: Ok.

Representative Kempenich: Would this be your first year on your equipment cycle?

Karen Tyler: Yes.

Representative Skarphol: Who's doing your support right now?

Karen Tyler: The Association of Counties.

Representative Skarphol: Part of what ITD is concerned about is the security aspect of it and whether or not the patches are being done on a regular enough basis.

Karen Tyler: Absolutely.

Chairman Kempenich: It depends on what you're doing and how you're doing it.

Karen Tyler: Yes.

Becky Deichert: The charge for the laptop is more than a desktop. That could be the reason for the difference. We did have \$2,400.00 in the budget already for desktop support; so the total amount desktop support was \$49,205.00 and then we took out the \$2,400.00.

Chairman Kempenich: In the past it's gotten to be some fairly large numbers.

Representative Vigesaa: There was accrued leave in the budget and was backed out; but then there's this \$53,000.00 that's accrued leave payout. Is that something that you're anticipating having to pay out?

Karen Tyler: I hope we don't have to pay that out; that means we lost 3 employees and I only have 9. We do have an individual on our team that's been with the department for 50 years; so there is a good chance.

Representative Kempenich: The vacation they can keep but do they lose their sick leave?

Karen Tyler: You can only carry over a certain amount of vacation days and sick leave continues to accrue. You have a buyout at a certain percentage.

Representative Vigesaa: The accrued leave line item that was taken out in the budget; if you anticipate possibly having to pay out, is that why it's moved into the salaries other line?

Becky Deichert: That was a separate line we created so we could separate it in their appropriation. We didn't do that in the 2015-2017 budget; it all moved up into that salaries line.

Karen Tyler: That particular expense for us could be significant because we don't have roll up dollars on a regular basis.

Representative Vigesaa: If your employee with 50 years doesn't retire in the next biennium and nothing gets used; is that money that just stays in your budget or is it turned back?

Karen Tyler: It's considered to be one-time funding; so it just goes back.

Chairman Kempenich: Everything you have is basically special funds; but they classify it as general fund on your budget part. Why is the education part classified as special funds?

Karen Tyler: When that was set up that was the requirement. We did have to have it appropriated.

Chairman Kempenich: There isn't a cap on that special fund?

Karen Tyler: We try to make a request that we think is realistic to what our education programs currently.

Chairman Kempenich: It looks like this \$170,000.00 is going into professional services.

Karen Tyler: The \$170,000.00 was the same number that we asked for last time.

Becky Deichert: The \$170,000.00 is for operating expenses.

Representative Skarphol: Harold has to be the longest serving state employee. Is that correct?

Karen Tyler: I believe he is.

Representative Kempenich: The \$170,000.00 in operating goes to education?

Karen Tyler: Professional fees and services is a larger line item for us. In 2007 we were looking at the possibility of requesting another attorney. Instead, we requested a certain amount of funding that we could use for contracting with outside attorneys.

Representative Skarphol: When you referenced it as a flow chart and North Dakota was nearly at the top; does that mean the rest of them developed afterwards?

Karen Tyler: Not necessarily.

Representative Skarphol: As far as getting legitimate financial information about the relationships between all of those entities; is that possible?

Karen Tyler: This was a result of a subpoena. We are working with the securities and exchange commission and they subpoenaed Wells Fargo last week.

Chairman Kempenich: Do they have a physical presence here or have they built anything?

Karen Tyler: They do have one development where at least phase 1 is done. It's located between Watford City and Aarnegard.

Representative Kempenich: What do you collect for fees? Is it about \$10 million?

Karen Tyler: This biennium we anticipate \$20 million.

Chairman Kempenich: Closed the discussion.

Handout #1 submitted later, not discussed.

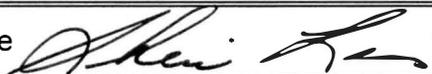
2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee - Government Operations Division
Medora Room, State Capitol

SB2011
3/26/2015
Recording Job# 25496

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department.

Minutes:

"Click to enter attachment information."

Chairman Thoreson: Opened the discussion on SB2011.

Representative Hogan: I missed the meeting.

Vice Chairman Brandenburg: Made a motion to take out the leave pay on line 23 of the bill.

Representative Boehning: Seconded the motion.

Representative Hogan: I think in really small departments this gets to be a challenge. I don't know what their turnover rate is and I think that's the concern.

Vice Chairman Brandenburg: I don't disagree with you.

Representative Vigesaa: In each of these budgets with our revised forecast we know we're under water; and so we have to make some unpopular amendments so that we're above water at the end of the day.

Representative Boehning: We'll have to do the insurance on this one.

Voice vote taken and motion carried.

Representative Hogan: Made a motion to reduce the insurance.

Representative Skarphol: Seconded the motion.

Voice vote taken and motion carried.

Representative Hogan: Made a motion for a "Do Pass as Amended".

Representative Skarphol: Seconded the motion.

Roll Call vote: 7 Yeas 0 Nays 1 Absent

Representative Hogan carried the bill.

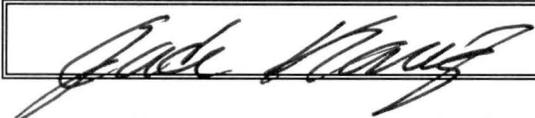
Chairman Thoreson: Closed the discussion.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2011
4/1/2015
25728

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the securities department..

Minutes:



Chairman Jeff Delzer: Opens the meeting.

Representative Hogan: The securities department is responsible for the administration for the North Dakota securities act. Currently has 9 FTEs and no increases were requested. The Senate did the regular modification in retirement salaries and eliminated market equity. The House we also reduced the changes in health insurance and we also removed funding. 53,000 dollars, for crude leave buyouts. The securities department is a revenue generating income agency for the state and it is estimated that in the current biennium it will generate about 20 million dollars. It is a pretty easy budget to do and I move the amendment .02001 on SB 2011

Representative Kempenich: Second

Motion to Adopt Amendment .02001 on SB 2011
Motion made by Representative Hogan.
Seconded by Representative Kempenich.
Voice Vote.
Motion Carried.

Representative Hogan: I move the approval of SB 2011 as amended.

Representative Thoreson: Second

Motion for a Do Pass As Amended on SB 2011
Motion made by Representative Hogan.
Seconded by Representative Thoreson.
Total Yes 23. No 0. Absent 0.
Motion Carries.
Floor Assignment Representative Hogan.

Handwritten:
4.2.15
1002

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2011

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$1,673,763	\$127,516	\$1,801,279
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$174,321	\$2,407,326
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
Total general fund	\$2,063,005	\$174,321	\$2,237,326
Full-time equivalent positions	9.00	0.00	9.00"

Page 1, line 19, remove "and the"

Page 1, line 20, remove "2015-17 one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 23 and 24 with:

"Retirement leave payouts	<u>38,927</u>	<u>0</u>
Total general fund	\$64,777	\$0"

Page 2, remove lines 1 through 4

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Department - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$1,673,763	\$1,861,306	(\$60,027)	\$1,801,279
Operating expenses	<u>559,242</u>	<u>606,047</u>		<u>606,047</u>
Total all funds	\$2,233,005	\$2,467,353	(\$60,027)	\$2,407,326
Less estimated income	<u>170,000</u>	<u>170,000</u>	0	<u>170,000</u>
General fund	\$2,063,005	\$2,297,353	(\$60,027)	\$2,237,326
FTE	9.00	9.00	0.00	9.00

Department No. 414 - Securities Department - Detail of House Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Removes One-Time Funding for Accrued Leave Payout ²	Total House Changes
Salaries and wages	(\$6,775)	(\$53,252)	(\$60,027)
Operating expenses			
Total all funds	(\$6,775)	(\$53,252)	(\$60,027)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	(\$6,775)	(\$53,252)	(\$60,027)
FTE	0.00	0.00	0.00

118
200

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

² One-time funding is removed for accrued leave payouts.

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB2011**

House Appropriations - Government Operations Divison Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Representatie Hogan Seconded By Representative Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	x		Representative Hogan	x	
Vice Chairman Brandenburg	x		Representative Glasheim	x	
Representative Kempenich					
Representative Vigesaa	x				
Representative Boehning	x				
Representative Skarphol	x				

Total (Yes) 7 No 0

Absent 1

Floor Assignment Representative Hogan

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2011, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2011 was placed on the Sixth order on the calendar.

Page 1, replace lines 11 through 16 with:

"Salaries and wages	\$1,673,763	\$127,516	\$1,801,279
Operating expenses	<u>559,242</u>	<u>46,805</u>	<u>606,047</u>
Total all funds	\$2,233,005	\$174,321	\$2,407,326
Less estimated income	<u>170,000</u>	<u>0</u>	<u>170,000</u>
Total general fund	\$2,063,005	\$174,321	\$2,237,326
Full-time equivalent positions	9.00	0.00	9.00"

Page 1, line 19, remove "and the"

Page 1, line 20, remove "2015-17 one-time funding items included in the appropriation in section 1 of this Act"

Page 1, replace lines 23 and 24 with:

"Retirement leave payouts	<u>38,927</u>	<u>0</u>
Total general fund	\$64,777	\$0"

Page 2, remove lines 1 through 4

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2011 - Securities Department - House Action

	Base Budget	Senate Version	House Changes	House Version
Salaries and wages	\$1,673,763	\$1,861,306	(\$60,027)	\$1,801,279
Operating expenses	<u>559,242</u>	<u>606,047</u>		<u>606,047</u>
Total all funds	\$2,233,005	\$2,467,353	(\$60,027)	\$2,407,326
Less estimated income	<u>170,000</u>	<u>170,000</u>	0	<u>170,000</u>
General fund	\$2,063,005	\$2,297,353	(\$60,027)	\$2,237,326
FTE	9.00	9.00	0.00	9.00

Department No. 414 - Securities Department - Detail of House Changes

	Adjusts Funding for Health Insurance Premium Increases ¹	Removes One-Time Funding for Accrued Leave Payout ²	Total House Changes
Salaries and wages	(\$6,775)	(\$53,252)	(\$60,027)
Operating expenses			
Total all funds	(\$6,775)	(\$53,252)	(\$60,027)
Less estimated income	<u>0</u>	<u>0</u>	<u>0</u>
General fund	(\$6,775)	(\$53,252)	(\$60,027)
FTE	0.00	0.00	0.00

¹ Funding for employee health insurance premiums is adjusted to reflect the revised premium estimate of \$1,130.22 per month.

² One-time funding is removed for accrued leave payouts.

2015 CONFERENCE COMMITTEE

SB 2011

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2011
4/14/2015
Job # 26102

Subcommittee
 Conference Committee

Committee Clerk Signature

M. Wood for Aline Deizer

Explanation or reason for introduction of bill/resolution:

A Conference Committee Hearing for the Securities Commission

Minutes:

No testimony submitted

Senators:

Chairman Bowman, Chair; Senator Erbele; Senator O'Connell

Representatives:

Keith Kempenich; Robert J. Skarphol; Kathy Hogan
Chris Kadrmas, Legislative Council
Becky Deichert, OMB

Chairman Bowman: Called the committee to order on Tuesday, April 14, 2015 at 4:00 pm in the Harvest Room in regards to SB 2011.

Chairman Bowman: The basic difference was the accrued leave payout. That was their only issue in this?

Representative. Hogan: We changed the health insurance credit and then we removed the accrued leave out. These are the two things we did on this bill.

Chairman Bowman: What was the reasoning for the accrued leave?

Representative. Hogan: We did that in all our budgets that is standard practice that we did. They can use their vacancy savings to pay that off. This is a very small department with few employees if they need to they can go in for a deficiency appropriation because it is fairly stable department. So that was the discussion we had with the department.

Chairman Bowman: Why we left it in because it was a very small dept. I always look at the return. They brought a lot of money back into the state of ND. I think somewhere over \$18 Million dollars.

Representative. Hogan: It was almost \$20 Million at this point. But because it is such a small amount they can to the Emergency Commission and get that authorized so that is why we felt that. Because we were doing it consistently we were trying to be consistent.

Senator Erbele: So you're saying we can go to the Emergency Commission. I mean why is making them jump through that hoop any better than what it is leaving it here?

Representative. Skarphol: The idea is we don't need to park money in places where we don't need money parked. We understand this is a small agency and the potential is there that it could create a little bit of extra paperwork. But again, we don't need to park money places just to park money places.

Senator O'Connell: Did you add up how much money you parked through all the budgets when you did this? How much does this money takes out of the cream can or puts in the cream can, whichever way you want to call it?

Representative Skarphol: We have asked our Chairman of full Appropriations to have an analysis done to ensure that we've been consistent, because if we have missed something we need to address it as well. There is always that opportunity for the deficiency appropriation for an agency that does run a little short if need be.

Representative Skarphol: We might ask, either council or OMB, was this in the Governor's budget?

Becky Deichert: OMB yes.

This came in as an OAR

Chris Kadrmas: Legislative Council No this was added in the executive budget. It was not part of their base. It was appropriated in the previous biennium.

Senator O'Connell: Do you have any idea what the number is that's been put a side on this?

Chris Kadrmas, Legislative Council: I am not aware of the numbers that are accrued leave.

Chairman Bowman: The timing if they are short of money to go to the budget section is it worth the hassle to have to do that for such a small amount of money? That's the question that I would ask.

Representative Skarphol: In my world that is not a small amount of money.

Chairman Bowman: Have they ever used that money at any time that you're aware of?

Becky Deichert: OMB No, they have not. I think there is 7 FTE in their agency is very small. There is 9 I guess. They have one employee who has been there for 50 years,

anticipating his retirement. They actually thought it would've been this biennium, this current one.

Chairman Bowman: Then if that person retired, then how does that affect this?

Becky Deichert: Well do you mean this current biennium? They've got \$38,000 in their current biennium as accrued leave payouts one-time funding. So it would come under that.

Chairman Bowman: Would it cover that?

Becky Deichert, OMB yes. If you would put this back in they couldn't spend that money for something else.

Representative Skarphol: The gentlemen has been there 50 years, if he were to choose to retire he get 2% of his salary, for every year of service. Two times fifty is 100%. Then you get Social Security on top of that, and he hasn't quit, so I am suspecting he is really not planning to retire.

Chairman Bowman: Well, I am not going to speak for him, he has done pretty well. Sounds to me like but he has also been very valuable to us.

Representative Skarphol: Obviously he must enjoy his work.

Senator O'Connell: With anything on that line item would be turn back money then right?

Becky Deichert: OMB He was told that is correct.

Chairman Bowman: This is no big deal one way or another to me. Would you like us to accede and get this bill done? That was confirmed.

Chairman Bowman: I would enter a motion from someone.

Senator Erbele: I move we accede to the House amendment. 2nd by **Representative Kempenich.**

Chairman Bowman: Call the roll that the Senate accede to House Amendments.

A Roll Call vote was taken:

Senate: Bowman - Yes; Erbele - Yes; O'Connell - No.

Representatives: Kempenich - Yes; Skarphol - Yes; Hogan - Yes.

Chairman Bowman: The vote carried. The Conference Committee on SB 2011 as amended was adjourned.

Date 4/14
 Roll Call Vote # 1

**2013 SENATE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2011 as (re) engrossed

Senate Approp. ~~Finance & Taxation~~ Committee

- Action Taken**
- SENATE accede to House Amendments
 - SENATE accede to House Amendments and further amend
 - HOUSE recede from House amendments
 - HOUSE recede from House amendments and amend as follows
 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Erbele Seconded by: Kempernick

Senators				Representatives			
	4/14	Yes	No		4/14	Yes	No
Bowman	✓	✓		Kempernick	✓	✓	
Erbele	✓	✓		Sharphob	✓	✓	
O'Connell	✓		✓	Hogan	✓		✓
Total Senate Vote				Total Rep. Vote			

Vote Count Yes: 5 No: 1 Absent: 0

Senate Carrier Bowman House Carrier Kempernick

LC Number _____ of amendment

LC Number _____ of engrossment

REPORT OF CONFERENCE COMMITTEE

SB 2011, as engrossed: Your conference committee (Sens. Bowman, Erbele, O'Connell and Reps. Kempenich, Skarphol, Hogan) recommends that the **SENATE ACCEDE** to the House amendments as printed on SJ pages 1122-1123 and place SB 2011 on the Seventh order.

Engrossed SB 2011 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

SB 2011

Department 414 - Securities Department
 Senate Bill No. 2011

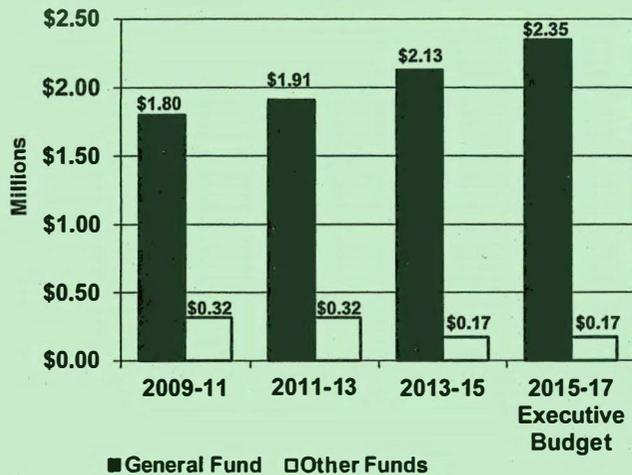
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	9.00	\$2,349,174	\$170,000	\$2,519,174
2013-15 Legislative Appropriations	9.00	2,127,782	170,000	2,297,782
Increase (Decrease)	0.00	\$221,392	\$0	\$221,392

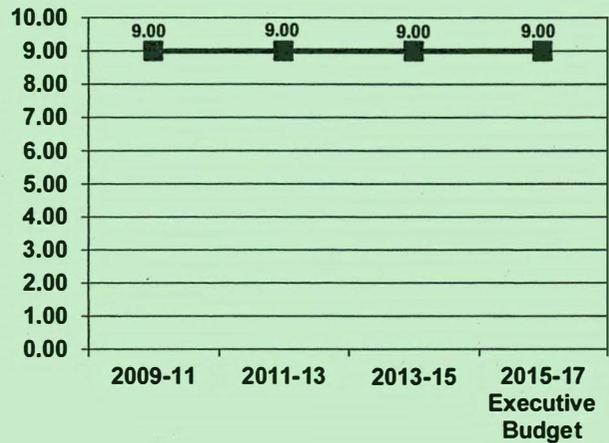
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$2,295,922	\$53,252	\$2,349,174
2013-15 Legislative Appropriations	2,063,005	64,777	2,127,782
Increase (Decrease)	\$232,917	(\$11,525)	\$221,392

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$2,349,174	\$170,000	\$2,519,174
2015-17 Base Level	2,063,005	170,000	2,233,005
Increase (Decrease)	\$286,169	\$0	\$286,169

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

Executive Budget Highlights

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$90,340 relates to performance increases, \$19,719 is for market equity adjustments, \$38,860 is for health insurance increases, and \$9,292 is for retirement contribution increases	\$158,211	\$0	\$158,211
2. Adds funding for desktop support services to be received from the Information Technology Department	\$46,805	\$0	\$46,805
3. Adds one-time funding for accrued leave payouts	\$53,252	\$0	\$53,252

Continuing Appropriations

Investor education and technology fund - North Dakota Century Code Section 10-04-03 - This fund receives funding from tuition, grants, donations, and certain civil penalties assessed by the Securities Commissioner. The moneys in the fund can be used for public education services and for the technology needs of the Securities Department.

Investor restitution fund - Section 10-04-03 - This fund is used to deposit civil penalties collected from enforcement action to be distributed to aggrieved investors.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1053 - Requires certain agencies to obtain centralized desktop support services from the Information Technology Department.

Securities Department - Budget No. 414
Senate Bill No. 2011
Base Level Funding Changes

	Executive Budget Recommendation			Total
	FTE Positions	General Fund	Other Funds	
2015-17 Biennium Base Level	9.00	\$2,063,005	\$170,000	\$2,233,005
2015-17 Ongoing Funding Changes				
Base payroll changes		\$27,901		\$27,901
Salary increase - Performance		90,340		90,340
Salary increase - Market equity		19,719		19,719
Retirement contribution increase		9,292		9,292
Health insurance increase		38,860		38,860
Desktop support costs		46,805		46,805
Total ongoing funding changes	0.00	\$232,917	\$0	\$232,917
One-time funding items				
Accrued leave payout	0.00	\$53,252	\$0	\$53,252
Total one-time funding changes	0.00	\$53,252	\$0	\$53,252
Total Changes to Base Level Funding	0.00	\$286,169	\$0	\$286,169
2015-17 Total Funding	9.00	\$2,349,174	\$170,000	\$2,519,174

Department 414 - Securities Department
 Senate Bill No. 2011

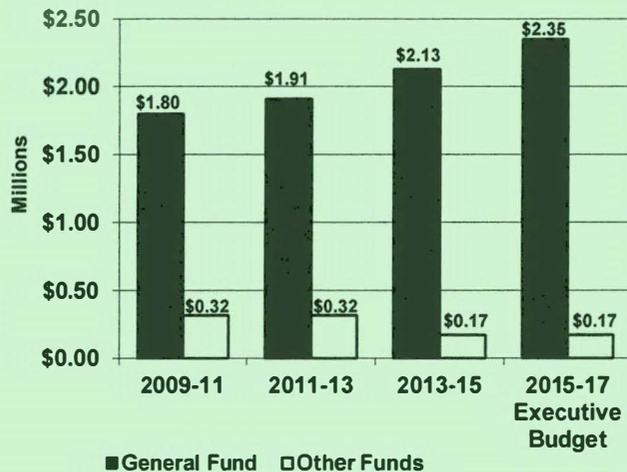
Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2015-17 Executive Budget	9.00	\$2,349,174	\$170,000	\$2,519,174
2013-15 Legislative Appropriations	9.00	2,127,782	170,000	2,297,782
Increase (Decrease)	0.00	\$221,392	\$0	\$221,392

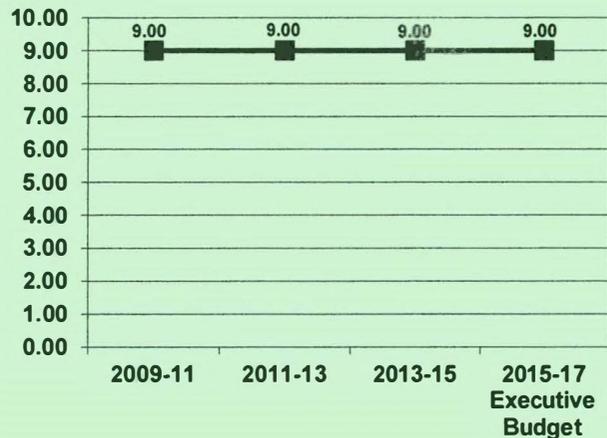
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 Executive Budget	\$2,295,922	\$53,252	\$2,349,174
2013-15 Legislative Appropriations	2,063,005	64,777	2,127,782
Increase (Decrease)	\$232,917	(\$11,525)	\$221,392

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2015-17 Executive Budget	\$2,349,174	\$170,000	\$2,519,174
2015-17 Base Level	2,063,005	170,000	2,233,005
Increase (Decrease)	\$286,169	\$0	\$286,169

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
 (With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases of which \$90,340 relates to performance increases, \$19,719 is for market equity adjustments, \$38,860 is for health insurance increases, and \$9,292 is for retirement contribution increases. The Senate provided funding for performance salary increases of 2 to 4 percent per year and funding for health insurance increases, but did not include funding for market equity increases or funding for retirement contribution increases.	\$158,211	\$0	\$158,211
2. Adds funding for desktop support services to be received from the Information Technology Department	\$46,805	\$0	\$46,805
3. Adds one-time funding for accrued leave payouts	\$53,252	\$0	\$53,252

Continuing Appropriations

Investor education and technology fund - North Dakota Century Code Section 10-04-03 - This fund receives funding from tuition, grants, donations, and certain civil penalties assessed by the Securities Commissioner. The moneys in the fund can be used for public education services and for the technology needs of the Securities Department.

Investor restitution fund - Section 10-04-03 - This fund is used to deposit civil penalties collected from enforcement action to be distributed to aggrieved investors.

Significant Audit Findings

There are no significant audit findings for this agency.

Major Related Legislation

House Bill No. 1053 - Requires certain agencies to obtain centralized desktop support services from the Information Technology Department.

Securities Department - Budget No. 414
Senate Bill No. 2011
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	9.00	\$2,063,005	\$170,000	\$2,233,005	9.00	\$2,063,005	\$170,000	\$2,233,005
2015-17 Ongoing Funding Changes								
Base payroll changes		\$27,901		\$27,901		\$27,901		\$27,901
Salary increase - Performance		90,340		90,340		67,530		67,530
Salary increase - Market equity		19,719		19,719				0
Retirement contribution increase		9,292		9,292				0
Health insurance increase		38,860		38,860		38,860		38,860
Desktop support costs		46,805		46,805		46,805		46,805
Total ongoing funding changes	0.00	\$232,917	\$0	\$232,917	0.00	\$181,096	\$0	\$181,096
One-time funding items								
Accrued leave payout	0.00	\$53,252	\$0	\$53,252		\$53,252		\$53,252
Total one-time funding changes	0.00	\$53,252	\$0	\$53,252	0.00	\$53,252	\$0	\$53,252
Total Changes to Base Level Funding	0.00	\$286,169	\$0	\$286,169	0.00	\$234,348	\$0	\$234,348
2015-17 Total Funding	9.00	\$2,349,174	\$170,000	\$2,519,174	9.00	\$2,297,353	\$170,000	\$2,467,353

Other Sections in Senate Bill No. 2011

	Executive Budget Recommendation	Senate Version
	None	None

1-8-15 #1

Senate Bill 2011

Testimony of North Dakota Securities Commissioner Karen Tyler

Before the Senate Appropriations Committee

January 8, 2013

Mr. Chairman and Members of the Committee, Good Morning. I am Karen Tyler, the State Securities Commissioner. It is a pleasure to share some time with you this morning to discuss the budget appropriation for the North Dakota Securities Department, and to answer any questions you may have regarding our budget request as set forth in Senate Bill 2011.

The Department's primary mandate is to protect the North Dakota Investor and facilitate legitimate capital formation through the administration of the North Dakota Securities Act, chapter 10-04 of the ND Century Code. We deliver on this mandate through our efforts in four functional areas:

- 1) We regulate the Capital Formation Process
- 2) We register Securities Industry Firms and Professionals who want to do business in the state
- 3) We conduct Examinations, Investigations and take Enforcement Actions as necessary and appropriate, and we also make criminal referrals and support criminal cases.
- 4) And we produce and deliver Investor Education and Financial Literacy programs

1.1

In addition to the administration of Securities Laws under 10-04, we also administer the North Dakota Commodities Act (51-23), Franchise Investment Law (51-19) and Pre-Need Funeral Services Law (43-10.1).

The North Dakota Securities Department is a small agency, with 9 full time employees, and we are making no requests for additional FTEs this biennium. We continue to operate as a revenue generating agency for the state, taking in over \$18 million dollars in revenue last biennium and we estimate approximately \$18 million dollars in the current biennium. Over the last several budget cycles, the agency's spending has averaged 10 cents per revenue dollar generated. Our current budget request equates to 8 cents per revenue dollar generated.

Attached to my written testimony you will find some key statistics from our various areas of functionality in which I thought you might take interest. I have also attached a detailed report of securities offering filings made by North Dakota companies from July 1, 2013 to December 31, 2014 to give you a closer look at which companies in the state have engaged in capital formation efforts this biennium. I won't comment further this data now, but if you have any questions I of course will be happy to answer them or get you additional information.

BUDGET REQUEST

The Department's total General Fund budget request for the 2015-2017 biennium is \$2,349,174. This request reflects an increase of \$221,392 from the previous general fund appropriation, and includes a salary and benefit adjustment of \$158,211, one time funding for

accrued leave payouts of \$53, 252, and funding of \$46,804 for desktop support services that would be provided by the state's IT department.

The Securities Department does not receive funding from any Federal source, and we are not submitting any optional requests outside the executive budget recommendation.

The Department's request from our Special Fund for Investor Education is unchanged from the current biennium appropriation of \$170,000.

For the current biennium, the Department was provided one time funding of \$25,850 for technology replacement. Approximately \$18,000 has been expended and we anticipate utilizing an additional \$4,000 of the funding prior to the end of the biennium.

As I mentioned earlier, the Department is not requesting any additional FTE positions. Our total general fund appropriation request is \$2,349,174 and our total special fund appropriation request is \$170,000.00 for a total appropriation request of \$2,519,174.

CRITICAL ISSUES IMPACTING RESOURCE ALLOCATION

There are a number of critical issues the Department has identified that we believe will impact our constituents, reinforce the necessity of maintaining our funding at the requested level, and drive the allocation of our resources, including but not limited to:

- Shifting nature of investigations and enforcement actions to corporation finance focus.
- Victimization of seniors by financial criminals
- Financial product innovation and exploitation
- Equity Crowdfunding
- Digital currency and cybersecurity
- Increasing use of Regulation D, Rule 506 registration exemption

INDUSTRY CONDITIONS AND DEPARTMENT REVENUE

The revenue of the department is to a degree tied to the health of the investment industry. Over half of our revenue is derived from the registration of securities firms and their agents (stockbrokers) and investment advisor firms and their representatives. Despite significant challenges in the financial services industry over the last several years, we have seen steady growth in the agent and IA representative registration categories. Currently there are 77,164 securities agents and 1,525 Investment Advisor Representatives registered to do business in the state. For the current biennium, we project registration revenues to reach and possibly exceed \$18 million. And we project the same income level for the 15-17 biennium.

BIENNIUM-TO-DATE STATISTICS

CAPITAL FORMATION AND FRANCHISE REGISTRATION

As of December 31, 2014:

Total offering amount for all securities filings by ND entities \$372,330,947

Total offering amount for all securities filings by ND entities is up 78% from the same period last biennium and up 49% from the total at biennium end.

Detailed information about the issuers and offerings is attached, and can also be found on our website www.nd.gov/securities.

Franchise Registrations	797
Franchise Registrations Pending	38

REGISTRATION OF SECURITIES FIRMS AND PROFESSIONALS

As of December 31, 2014:

Broker-Dealer Firms	1,146	
Investment Adviser Firms	694	
Broker-Dealer Agents	77,164	(953 located in state)
Investment Adviser Reps	1,525	(126 located in state)

INVESTIGATIONS, EXAMINATIONS, AND ENFORCEMENT

From Jan 1, 2013 to December 31, 2014:

New Enforcement Cases Opened	133
Enforcement Cases Closed	204
Exams Opened	3
Exams Closed	9
Funds Ordered Returned to Investors	\$4,458,710
Penalties Assessed	\$238,000

Most prevalent violations investigated have involved Unregistered Individuals, Sale of Unregistered Securities, Private Placement Fraud, Ponzi Schemes, Misrepresentations, Lack of Suitability.

4 individuals have been charged or prosecuted criminally as a result of referrals from the Securities Department to criminal authorities.

RECAP OF SECURITIES OFFERINGS BY NORTH DAKOTA
ENTITIES JULY 1, 2013 THROUGH DECEMBER 31, 2014

Registration by Qualification 2 filings	\$15,000,000
Federal Covered Security 1 filing	Indefinite
Limited Offeree Exemption 11 filings	\$9,754,666
Limited Offering Exemption 1 filing	\$2,500,000
Test the Waters Exemption 13 filings	\$3,625,000
Accredited Investor Exemption 5 filings	\$3,300,000
Regulation D, Rule 506 Notice Filings 39 filings (4 indefinite)	\$338,151,281
Total offering amount for all filings	\$372,330,947

SECURITIES OFFERINGS BY NORTH DAKOTA ENTITIES
JULY 1, 2014 THROUGH DECEMBER 31, 2014

Registration by Qualification:

Section 10-04-05(5) Non-Profit Exemption:

Section 10-04-06(9)a) Limited Offeree Exemption:

09-05-14	American Bancor, Ltd. Voting Common Stock Bank Holding Company.	\$ 30,104
09-09-14	Larson Grain Company Voting Stock Grain warehouse.	1,300,000
10-20-14	Paddlefish Partners II, LLLP Limited Liability Partnership Interests Real estate development	4,000,000
TOTAL		\$5,330,104

Section 10-04-06(9)(b) Limited Offering Exemption:

10-06-14	Hazen Hotel Investors, LLC Class A Membership Units Own and operate a hotel;	\$ 2,500,000
TOTAL		\$2,500,000

Section 10-04-06(15) Test the Waters Exemption:

07-25-14	Pembina-Walsh Livestock Processing Plant, LLC Grafton	\$ 900,000
09-19-14	Aspen Inn of Berthold West Fargo	500,000
09-19-14	Aspen Inn of Underwood West Fargo	500,000
TOTAL		\$1,900,000

Accredited Investor Exemption:

Regulation D, Rule 506 Notice Filings:

INREIT Properties, LLLP	Fargo	\$50,000,000
Linton Hotel Group, LLC	Linton	950,000
Meridian Investments, LLC	Minot	7,000,000
Beulah Hotel Group, LLC	Beulah	1,700,000
Dakota UPREIT LP	Fargo	10,000,000
KNS Enterprises LLC	New Town	400,000
Autonomous Tractor Corp	Fargo	1,000,000
Three41, LLC	Fargo	10,000,000
The Fargo Brewing Company, LLC	Fargo	1,000,000
Leading Edge Angel Fund, LLC	Fargo	11,000,000
DakotaNext Fund, LP	Bismarck	Indefinite
Springfield Group Angel Fund, LLC	Fargo	Indefinite
TOTAL		\$93,050,000

TOTAL OF ALL FILINGS: \$102,780,104

SECURITIES OFFERINGS BY NORTH DAKOTA ENTITIES
JULY 1, 2013 THROUGH JUNE 30, 2014

Registration by Qualification:

Dakota Real Estate Investment Trust	\$10,000,000
Dakota Real Estate Investment Trust	5,000,000
2 FILINGS	\$15,000,000

Federal Covered Security:

The Integrity Funds Williston Basin/Mid-North America Stock Fund	Indefinite
1 FILING	

Section 10-04-06(9)(a) Limited Offeree Exemption:

08-05-13	American Bancor, Ltd. Common Voting Stock Bank Holding Company	\$ 282,922
09-12-13	Colfax Grain Storage 2, LLC LLC Membership Units Commodities storage facility.	
09-16-13	Colfax Grain Storage, LLC LLC Membership Units Commodities storage facility.	601,260
10-03-13	Fountain City Petroleum, LLC LLC Membership Units Operate and manage gas station.	200,000
10-10-13	Summit Group Software, Inc. Common Shares Information technology services.	157,500
03-11-14	American Bancor, Ltd. Common Voting Stock Bank Holding Company.	2,984,808
05-05-14	Northwest Tire, Inc.	178,072

Common Stock
Retail and wholesale of tires.

05-28-14 National Medical Resources, Inc. 20,000
Common Stock
Medical consulting services.

8 FILINGS \$4,424,562

Section 10-04-06(9)(b) Limited Offering Exemption:

-0- FILINGS

Section 10-04-06(15) Test the Waters Exemption:

08-27-13	Aspen Inn of Turtle Lake	West Fargo	\$ 150,000
08-27-13	Aspen Inn of Underwood	West Fargo	150,000
09-03-13	Aspen Inn of Surrey	West Fargo	200,000
09-26-13	Aspen Motel of Forman	West Fargo	125,000
01-31-14	The Fargo Brewing Company, LLC	Fargo	300,000
02-10-14	Aspen Inn of Kindred	West Fargo	200,000
02-10-14	Aspen Inn of Mapleton	West Fargo	200,000
06-12-14	Aspen Inn of Anamoose	West Fargo	150,000
06-12-14	Aspen Inn of Towner	West Fargo	200,000
06-12-14	Broadleaf, Inc.	West Fargo	50,000

10 FILINGS \$1,725,000

Accredited Investor Exemption:

Battle Holdings, LLC	Fargo	\$ 500,000
Global Beef Investors, LLC	Center	\$ 800,000
Electric Vehicles Unlimited, LLC	Fargo	\$1,500,000
Global Beef Investors, LLC	Center	\$ 250,000
Global Beef Investors, LLC	Center	\$ 250,000

5 FILINGS \$3,300,000

Regulation D, Rule 506 Notice Filings:

Dakota Roseland Apartments V & VI, LLLP	Valley City	\$ 1,600,000
Arthur Ventures Growth Fund II, LP	Fargo	50,000,000
Northern Plains Nitrogen, LLP	Valley City	9,000,000

Hunters Run, LLC	Williston	12,366,281
Watford HRCP, LLLP	Arnegard	4,600,000
Prairie Premium Oil, LLC	Northwood	100,000
Tioga Hotel Suites, LLC	Minot	900,000
Northern Plains Event Center, LLC	Rugby	1,800,000
Harvest Fund I, LLLP	Grand Forks	Indefinite
Dakota UPREIT LP	Fargo	10,000,000
Bakken Frontier, LLC	Bismarck	6,000,000
PWA I, LLLP	Valley City	1,000,000
Rain Venture 3, LLC	Fargo	10,000,000
Investment Centers of America Inc	Bismarck	Indefinite
Steele Hotel Group, LLC	Steele	1,400,000
Biological & Environmental Solutions, LLC	Fargo	6,000,000
Edgewood Group, LLC	Grand Forks	10,000,000
Edgewood Real Estate Investment Trust	Grand Forks	20,000,000
Legendary Investments, LLC	West Fargo	10,000,000
CoSchedule LLC	Bismarck	250,000
Lodging Opportunity Fund Real Estate Investment Trust	Fargo	12,000,000
Northern Plains Nitrogen, LLP	Grand Forks	1,635,000
INREIT Real Estate Investment Trust	Fargo	12,500,000
INREIT Properties, LLLP	Fargo	50,000,000
Dakota Roseland Apartments IX – XII, LLLP	Valley City	3,200,000
ND Capital Ventures, LLC	Fargo	10,000,000
Renuvix LLC	Fargo	750,000

27 FILINGS

\$245,101,281

53 FILINGS TOTALING \$269,550,843

1.11

SB2011

March 5, 2011

Attachment A

Securities Department - Budget No. 414

Senate Bill No. 2011

Base Level Funding Changes

	Executive Budget Recommendation				Senate Version				Senate Changes to Executive Budget			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2015-17 Biennium Base Level	9.00	\$2,063,005	\$170,000	\$2,233,005	9.00	\$2,063,005	\$170,000	\$2,233,005	0.00	\$0	\$0	\$0
2015-17 Ongoing Funding Changes												
Base payroll changes		\$27,901		\$27,901		\$27,901		\$27,901				\$0
Salary increase - Performance		90,340		90,340		67,530		67,530		(22,810)		(22,810)
Salary increase - Market equity		19,719		19,719				0		(19,719)		(19,719)
Retirement contribution increase		9,292		9,292				0		(9,292)		(9,292)
Health insurance increase		38,860		38,860		38,860		38,860				0
Desktop support costs		46,805		46,805		46,805		46,805				0
Other change				0				0				0
Other change				0				0				0
Other change				0				0				0
Other change				0				0				0
Other change				0				0				0
Other change				0				0				0
Total ongoing funding changes	0.00	\$232,917	\$0	\$232,917	0.00	\$181,096	\$0	\$181,096	0.00	(\$51,821)	\$0	(\$51,821)
One-time funding items												
Accrued leave payout	0.00	\$53,252	\$0	\$53,252		\$53,252		\$53,252	0.00	\$0	\$0	\$0
Other one-time funding item				0				0				0
Other one-time funding item				0				0				0
Other one-time funding item				0				0				0
Other one-time funding item				0				0				0
Other one-time funding item				0				0				0
Total one-time funding changes	0.00	\$53,252	\$0	\$53,252	0.00	\$53,252	\$0	\$53,252	0.00	\$0	\$0	\$0
Total Changes to Base Level Funding	0.00	\$286,169	\$0	\$286,169	0.00	\$234,348	\$0	\$234,348	0.00	(\$51,821)	\$0	(\$51,821)
2015-17 Total Funding	9.00	\$2,349,174	\$170,000	\$2,519,174	9.00	\$2,297,353	\$170,000	\$2,467,353	0.00	(\$51,821)	\$0	(\$51,821)

Other Sections in Senate Bill No. 2011

Executive Budget Recommendation
None

Senate Version
None

Senate Bill 2011

Testimony of North Dakota Securities Commissioner Karen Tyler

Before the House Appropriations Committee

Government Operations Division

March 5, 2015

Mr. Chairman and Members of the Committee, Good Afternoon. I am Karen Tyler, the State Securities Commissioner. It is a pleasure to share some time with you today to discuss the budget appropriation for the North Dakota Securities Department, and to answer any questions you may have regarding our budget request as set forth in Senate Bill 2011.

The Department's primary mandate is to protect the North Dakota Investor and facilitate legitimate capital formation through the administration of the North Dakota Securities Act, chapter 10-04 of the ND Century Code. We deliver on this mandate through our efforts in four functional areas:

- 1) We regulate the Capital Formation Process
- 2) We register Securities Industry Firms and Professionals who want to do business in the state
- 3) We conduct Examinations, Investigations and take Enforcement Actions as necessary and appropriate, and we also make criminal referrals and support criminal cases.
- 4) And we produce and deliver Investor Education and Financial Literacy programs

In addition to the administration of Securities Laws under 10-04, we also administer the North Dakota Commodities Act (51-23), Franchise Investment Law (51-19) and Pre-Need Funeral Services Law (43-10.1).

The North Dakota Securities Department is a small agency, with 9 full time employees, and we are making no requests for additional FTEs this biennium. We continue to operate as a revenue generating agency for the state, taking in over \$18 million dollars in revenue last biennium and we estimate we will exceed \$18 million dollars in the current biennium. Over the last several budget cycles, the agency's spending has averaged 10 cents per revenue dollar generated. Our current budget request equates to 8 cents per revenue dollar generated.

Attached to my written testimony you will find some key statistics from our various areas of functionality in which I thought you might take interest. I have also attached a detailed report of securities offering filings made by North Dakota companies from July 1, 2013 to December 31, 2014 to give you a closer look at which companies in the state have engaged in capital formation efforts this biennium. I won't comment further this data now, but if you have any questions I of course will be happy to answer them or get you additional information.

BUDGET REQUEST

The Department's total General Fund budget request for the 2015-2017 biennium is \$2,349,174. This request reflects an increase of \$221,392 from the previous general fund appropriation, and includes a salary and benefit adjustment of \$158,211, one time funding for

accrued leave payouts of \$53, 252, and funding of \$46,804 for desktop support services that would be provided by the state's IT department.

The Department's request from our Special Fund for Investor Education is unchanged from the current biennium appropriation of \$170,000.

There were no significant audit findings for the Department in our last audit for the two year period ending June 30, 2012. The Securities Department does not receive funding from any Federal source. There were no major funding increases or decreases to our budget in the last two legislative sessions. The Department did not submit any optional requests outside the executive budget recommendation.

For the current biennium, the Department was provided one time funding of \$25,850 for technology replacement. Approximately \$18,000 has been expended and we anticipate utilizing an additional \$4,000 of the funding prior to the end of the biennium.

As I mentioned earlier, the Department is not requesting any additional FTE positions. Our total general fund appropriation request is \$2,349,174 and our total special fund appropriation request is \$170,000.00 for a total appropriation request of \$2,519,174.

CRITICAL ISSUES IMPACTING RESOURCE ALLOCATION

There are a number of critical issues the Department has identified that we believe will impact our constituents, reinforce the necessity of maintaining our funding at the requested level, and drive the allocation of our resources, including but not limited to:

- Shifting nature of investigations and enforcement actions to corporation finance focus.
- Victimization of seniors by financial criminals
- Financial product innovation and exploitation
- Equity Crowdfunding
- Digital currency and cybersecurity
- Increasing use of Regulation D, Rule 506 registration exemption

INDUSTRY CONDITIONS AND DEPARTMENT REVENUE

The revenue of the department is to a degree tied to the health of the investment industry. Over half of our revenue is derived from the registration of securities firms and their agents (stockbrokers) and investment advisor firms and their representatives. Despite significant challenges in the financial services industry over the last several years, we have seen steady growth in the agent and IA representative registration categories. Currently there are 80,451

securities agents and 1,559 Investment Advisor Representatives registered to do business in the state. For the current biennium, we project registration revenues to reach and possibly exceed \$18 million. And we project the same income level for the 15-17 biennium.

BIENNIUM-TO-DATE STATISTICS

CAPITAL FORMATION AND FRANCHISE REGISTRATION

As of December 31, 2014:

Total offering amount for all securities filings by ND entities \$372,330,947

Total offering amount for all securities filings by ND entities is up 78% from the same period last biennium and up 49% from the total at biennium end.

Detailed information about the issuers and offerings is attached, and can also be found on our website www.nd.gov/securities.

Franchise Registrations	797
Franchise Registrations Pending	38

REGISTRATION OF SECURITIES FIRMS AND PROFESSIONALS

As of December 31, 2014:

Broker-Dealer Firms	1,146	
Investment Adviser Firms	694	
Broker-Dealer Agents	77,164	(953 located in state)
Investment Adviser Reps	1,525	(126 located in state)

INVESTIGATIONS, EXAMINATIONS, AND ENFORCEMENT

From Jan 1, 2013 to December 31, 2014:

New Enforcement Cases Opened	133
Enforcement Cases Closed	204
Exams Opened	3
Exams Closed	9
Funds Ordered Returned to Investors	\$4,458,710
Penalties Assessed	\$238,000

Most prevalent violations investigated have involved Unregistered Individuals, Sale of Unregistered Securities, Private Placement Fraud, Ponzi Schemes, Misrepresentations, Lack of Suitability.

4 individuals have been charged or prosecuted criminally as a result of referrals from the Securities Department to criminal authorities.

6

SB 2011 3/5/2015 Handout #1

RECAP OF SECURITIES OFFERINGS BY NORTH DAKOTA
ENTITIES JULY 1, 2013 THROUGH DECEMBER 31, 2014

Registration by Qualification 2 filings	\$15,000,000
Federal Covered Security 1 filing	Indefinite
Limited Offeree Exemption 11 filings	\$9,754,666
Limited Offering Exemption 1 filing	\$2,500,000
Test the Waters Exemption 13 filings	\$3,625,000
Accredited Investor Exemption 5 filings	\$3,300,000
Regulation D, Rule 506 Notice Filings 39 filings (4 indefinite)	\$338,151,281
Total offering amount for all filings	\$372,330,947

1

SECURITIES OFFERINGS BY NORTH DAKOTA ENTITIES
JULY 1, 2014 THROUGH DECEMBER 31, 2014

Registration by Qualification:

Section 10-04-05(5) Non-Profit Exemption:

Section 10-04-06(9)a) Limited Offeree Exemption:

09-05-14	American Bancor, Ltd. Voting Common Stock Bank Holding Company.	\$ 30,104
09-09-14	Larson Grain Company Voting Stock Grain warehouse.	1,300,000
10-20-14	Paddlefish Partners II, LLLP Limited Liability Partnership Interests Real estate development	4,000,000
TOTAL		\$5,330,104

Section 10-04-06(9)(b) Limited Offering Exemption:

10-06-14	Hazen Hotel Investors, LLC Class A Membership Units Own and operate a hotel;	\$ 2,500,000
TOTAL		\$2,500,000

Section 10-04-06(15) Test the Waters Exemption:

07-25-14	Pembina-Walsh Livestock Processing Plant, LLC Grafton	\$ 900,000
09-19-14	Aspen Inn of Berthold	West Fargo 500,000
09-19-14	Aspen Inn of Underwood	West Fargo 500,000
TOTAL		\$1,900,000

Accredited Investor Exemption:

Regulation D, Rule 506 Notice Filings:

INREIT Properties, LLLP	Fargo	\$50,000,000
Linton Hotel Group, LLC	Linton	950,000
Meridian Investments, LLC	Minot	7,000,000
Beulah Hotel Group, LLC	Beulah	1,700,000
Dakota UPREIT LP	Fargo	10,000,000
KNS Enterprises LLC	New Town	400,000
Autonomous Tractor Corp	Fargo	1,000,000
Three41, LLC	Fargo	10,000,000
The Fargo Brewing Company, LLC	Fargo	1,000,000
Leading Edge Angel Fund, LLC	Fargo	11,000,000
DakotaNext Fund, LP	Bismarck	Indefinite
Springfield Group Angel Fund, LLC	Fargo	Indefinite

TOTAL \$93,050,000

TOTAL OF ALL FILINGS: \$102,780,104

SECURITIES OFFERINGS BY NORTH DAKOTA ENTITIES
JULY 1, 2013 THROUGH JUNE 30, 2014

Registration by Qualification:

Dakota Real Estate Investment Trust	\$10,000,000
Dakota Real Estate Investment Trust	5,000,000
2 FILINGS	\$15,000,000

Federal Covered Security:

The Integrity Funds Williston Basin/Mid-North America Stock Fund	Indefinite
1 FILING	

Section 10-04-06(9)(a) Limited Offeree Exemption:

08-05-13	American Bancor, Ltd. Common Voting Stock Bank Holding Company	\$ 282,922
09-12-13	Colfax Grain Storage 2, LLC LLC Membership Units Commodities storage facility.	
09-16-13	Colfax Grain Storage, LLC LLC Membership Units Commodities storage facility.	601,260
10-03-13	Fountain City Petroleum, LLC LLC Membership Units Operate and manage gas station.	200,000
10-10-13	Summit Group Software, Inc. Common Shares Information technology services.	157,500
03-11-14	American Bancor, Ltd. Common Voting Stock Bank Holding Company.	2,984,808
05-05-14	Northwest Tire, Inc.	178,072

Common Stock
Retail and wholesale of tires.

05-28-14 National Medical Resources, Inc. 20,000
Common Stock
Medical consulting services.

8 FILINGS \$4,424,562

Section 10-04-06(9)(b) Limited Offering Exemption:

-0- FILINGS

Section 10-04-06(15) Test the Waters Exemption:

08-27-13	Aspen Inn of Turtle Lake	West Fargo	\$ 150,000
08-27-13	Aspen Inn of Underwood	West Fargo	150,000
09-03-13	Aspen Inn of Surrey	West Fargo	200,000
09-26-13	Aspen Motel of Forman	West Fargo	125,000
01-31-14	The Fargo Brewing Company, LLC	Fargo	300,000
02-10-14	Aspen Inn of Kindred	West Fargo	200,000
02-10-14	Aspen Inn of Mapleton	West Fargo	200,000
06-12-14	Aspen Inn of Anamoose	West Fargo	150,000
06-12-14	Aspen Inn of Towner	West Fargo	200,000
06-12-14	Broadleaf, Inc.	West Fargo	50,000

10 FILINGS \$1,725,000

Accredited Investor Exemption:

Battle Holdings, LLC	Fargo	\$ 500,000
Global Beef Investors, LLC	Center	\$ 800,000
Electric Vehicles Unlimited, LLC	Fargo	\$1,500,000
Global Beef Investors, LLC	Center	\$ 250,000
Global Beef Investors, LLC	Center	\$ 250,000

5 FILINGS \$3,300,000

Regulation D, Rule 506 Notice Filings:

Dakota Roseland Apartments V & VI, LLLP	Valley City	\$ 1,600,000
Arthur Ventures Growth Fund II, LP	Fargo	50,000,000
Northern Plains Nitrogen, LLP	Valley City	9,000,000

Hunters Run, LLC
 Watford HRCP, LLLP
 Prairie Premium Oil, LLC
 Tioga Hotel Suites, LLC
 Northern Plains Event Center, LLC
 Harvest Fund I, LLLP
 Dakota UPREIT LP
 Bakken Frontier, LLC
 PWA I, LLLP
 Rain Venture 3, LLC
 Investment Centers of America Inc
 Steele Hotel Group, LLC
 Biological & Environmental Solutions, LLC
 Edgewood Group, LLC
 Edgewood Real Estate Investment Trust
 Legendary Investments, LLC
 CoSchedule LLC
 Lodging Opportunity Fund Real Estate Investment Trust
 Northern Plains Nitrogen, LLP
 INREIT Real Estate Investment Trust
 INREIT Properties, LLLP
 Dakota Roseland Apartments IX – XII, LLLP
 ND Capital Ventures, LLC
 Renuvix LLC

Williston	12,366,281
Arnegard	4,600,000
Northwood	100,000
Minot	900,000
Rugby	1,800,000
Grand Forks	Indefinite
Fargo	10,000,000
Bismarck	6,000,000
Valley City	1,000,000
Fargo	10,000,000
Bismarck	Indefinite
Steele	1,400,000
Fargo	6,000,000
Grand Forks	10,000,000
Grand Forks	20,000,000
West Fargo	10,000,000
Bismarck	250,000
Fargo	12,000,000
Grand Forks	1,635,000
Fargo	12,500,000
Fargo	50,000,000
Valley City	3,200,000
Fargo	10,000,000
Fargo	750,000

27 FILINGS

\$245,101,281

53 FILINGS TOTALING \$269,550,843



SB 2011
3-17-15
Handout #1

2013-2015 - February 2015

	<i>Appropriation</i>	<i>Expenses</i>	<i>Balance</i>	
	Salaries Full Time (9 FTE)	1,235,848	955,459	280,389
(one-time)	Accrued leave payments	38,927		38,927
	Benefits	437,915	350,503	87,412
	Total Salaries & Wages Exp	1,712,690	1,305,962	406,728
516000	Workers Comp Premium		1,064	(1,064)
521000	Travel	59,600	43,323	16,277
531000	Supplies - IT Software	15,950	3,574	12,376
532000	Supply/Material-Professional	75,232	48,143	27,089
534000	Bldg, Grounds, Vehicle Supply	1,500	539	961
535000	Miscellaneous Supplies	5,500	3,900	1,600
536000	Office Supplies	12,335	5,796	6,539
541000	Postage	8,500	3,567	4,933
542000	Printing	15,000	3,038	11,962
551000	IT Equip under \$5,000	21,590	14,886	6,704
552000	Other Equip under \$5000	4,200	1,068	3,132
553000	Equip & Furn-Under \$5,000	6,800	537	6,263
571000	Insurance	3,100	1,816	1,284
581000	Rentals/Leases-Equip & Other	8,600		8,600
582000	Rentals/Leases - Bldg/Land	12,500	3,395	9,105
591000	Repairs	2,200	355	1,845
601000	IT - Data Processing	35,000	27,860	7,140
602000	IT-Communications	26,300	18,788	7,512
603000	IT Contractual Services and Repair:	8,500		8,500
611000	Professional Development	35,435	20,909	14,526
621000	Operating Fees and Services	51,750	19,380	32,370
623000	Professional Fees & Services	175,500	3,147	172,353
	Total Operating Expenses	585,092	225,086	360,006
	Total Expenses	2,297,782	1,531,047	766,735