

2009 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2103

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2103

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 14, 2009

Recorder Job Number: 6977

Committee Clerk Signature

Eva Lubitt

Minutes:

Chairman Klein: We will call the committee back to order. We will here Senate Bill 2103.

Bob Humann, Senior Vice President of Lending, Bank of North Dakota: In support of Bill 2103. Written Testimony attached.

Chairman Klein: You struck the language because it's no longer in this fund but in the development fund?

Bob Humann: No, that's not correct. It's still the Bank of North Dakota dollars. Ten million dollars at the bank is provided. You can see the number that we actually posted on the second page. Of the ten million dollars we funded 4.2 million dollars is what we've done in outstanding loans and investments up to this point. We have another seven hundred thousand dollars committed. So we have five million dollars left and it's are money. It's time to eliminate the sunset on this program and make it a permanent fund.

Chairman Klein: It eliminates the sunset?

Bob Humann: That's what it does.

Chairman Klein: We will close the hearing on Senate Bill 2103.

Motion for do pass, Senator Wanzek. Seconded by Senator Andrist.

Roll Call Vote: Yes 7 No 0 absent 0 Floor Assignment: Senator Nodland

Date: 1/14/01
Roll Call Vote #: 7

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. ~~2103~~ 2103

Senate

Committee

Industry, Business and Labor

Check here for Conference Committee

Legislative Council Amendment Number 2103

Action Taken **Pass** **Do Not Pass** **Amended**

Motion Made By Senator Wanzek Seconded By Senator Andrist

Senator	Yes	No	Senator	Yes	No
Senator Jerry Klein - Chairman	✓		Senator Arthur H. Behm	✓	
Senator Terry Wanzek - V.Chair	✓		Senator Robert M. Horne	✓	
Senator John M. Andrist	✓		Senator Tracy Potter	✓	
Senator George Nodland	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Nodland

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

REPORT OF STANDING COMMITTEE (410)
January 14, 2009 1:02 p.m.

Module No: SR-07-0294
Carrier: Nodland
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2103: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2103 was placed on the Eleventh order on the calendar.

2009 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2103

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2103

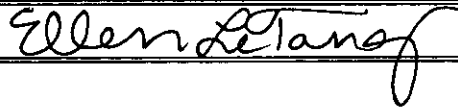
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: March 9, 2009

Recorder Job Number: 10415

Committee Clerk Signature



Chairman Keiser: Opened the hearing on SB 2103 relating to the powers of the Bank of North Dakota.

Bob Humann~SVP of Lending, Bank of North Dakota. See testimony attachment.

Chairman Keiser: You said that this allows equity taking acquisition or what was the second part of that?

Humann: Sub deck, where you primarily lender would have most of the collateral tied and we would come in and take a secondary position on collateral that they might have left. So what we would really be taking is the sub deck.

Chairman Keiser: What is the interest on the sub deck?

Humann: If fairly attractive, it's a 6-8 percent range.

Chairman Keiser: Is it keyed on primary debt?

Dean Reese~CEO North Dakota Development Fund. We take a collateral position. If could be behind the main lender and based on what the term of the note is along with the strength, we key our interest rates based on the risk for each individual occupant we look at. We rate risk each loan as sub deck on the strength of that company.

Jack McDonald~Independent Banks of North Dakota. This program would be very helpful to the smaller banks to have program behind it to take the sub deck position. We urge you to continue this program and remove the language they requested.

Chairman Keiser: Anyone here to testify in opposition of SB 2103, neutral? Closes the hearing, what are your wishes.

Representative Vigesaa: Motions a Do Pass on SB 2103.

Vice Chairman Kasper: Seconded.

Chairman Keiser: Further discussion.

Voting roll call was taken on SB 2103 for a Do Pass with 13 ayes, 0 nays, 0 absent and Representative Gruchalla is the carrier.

Date: Mar 9 - 2009

Roll Call Vote # 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2103

House House, Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass Do Not Pass As Amended

Motion Made By Vig Seconded By Kasper

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	7		Representative Amerman	7	
Vice Chairman Kasper	7		Representative Boe	7	
Representative Clark	7		Representative Gruchalla	7	
Representative N Johnson	7		Representative Schneider	7	
Representative Nottestad	7		Representative Thorpe	7	
Representative Ruby	7				
Representative Sukut	7				
Representative Vigesaa	7				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Gruchalla

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

REPORT OF STANDING COMMITTEE

SB 2103: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2103 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2103

*Same testimony
+ handouts given
to House.*

TESTIMONY TO THE
SENATE INDUSTRY, BUSINESS & LABOR COMMITTEE
SENATE BILL 2103
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA
JANUARY 14, 2009

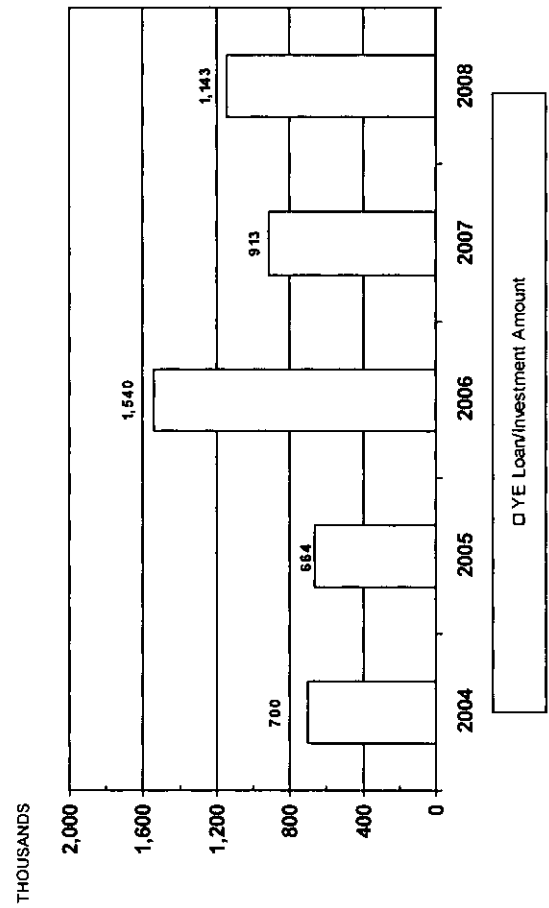
The proposed changes in Senate Bill 2103 would eliminate the expiration date of July 31, 2009 related to the New Venture Capital Program. The expiration date elimination is provided by the strikethrough on line 6 of page 1. This sunset date was put into place for the New Venture Capital Program that was started in August of 2004. The reference to this program is described in sub-section 4 on page 3. The Bank of North Dakota provides the funds for this program with the actual service work transferred to the North Dakota Development Fund in 2008.

Further information on the New Venture Capital Program is attached. Your approval is recommended.

NEW VENTURE CAPITAL PROGRAM HIGHLIGHTS

2004 – 2008

NEW VENTURE CAPITAL PROGRAM



<u>New Venture Capital Program Funds</u>	
Total Available Funds	\$10,000,000
Outstanding Loans/Investments	\$ 4,225,511
Committed Loans/Investments	\$ 703,960
Reserved Loans/Investments	\$ 0
Remaining Funds Available	\$ 5,070,529

A total of 10 loans for \$1,387,500 and 24 investments for \$3,571,922 have been funded by BND. The New Venture Capital Program is available through July 31, 2009.

New Venture Capital Program

(Program available Aug. 1, 2003 through July 31, 2009)

The New Venture Capital Program is an innovative financial program that provides flexible financing through debt and equity investments for new or expanding businesses in the state of North Dakota. BND can fund rapidly growing companies which require equity funding.

The Bank may provide funding for early stage companies which can show clear proof of completed product development and market acceptance as evidenced by growing sales. The Bank will invest in a variety of technologies and types of businesses, including North Dakota Department of Commerce strategic target industries. BND will also invest in growth and later stage manufacturing, service and businesses with profitable growth potential.

Qualifying Requirements

Business Criteria –

- North Dakota industries or businesses that will benefit the state and/or local communities within the state.
- A successful and experienced management team.
- Cooperative management predisposed to communicate and work closely with outside investors toward common goals.
- A market with favorable size, growth and competitive characteristics.
- Adequate capital being raised to support operating objectives.
- Companies working to commercialize university-developed technology within the North Dakota University System.

Loan Limit –

The New Venture Capital Program will invest up to \$300,000 with appropriate capital structures favoring the following investment instruments:

- Subordinated debt with warrants to acquire common stock.
- Preferred stock with warrants to acquire common stock.
- Common stock.

Use of Proceeds –

BND's capital may be used to develop production and increase sales growth and management capabilities.