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TRANSFER OF BEGINNING FARMER REVOLVING LOAN FUND INTO THE BANK OF NORTH DAKOTA

If the beginning farmer revolving loan fund is combined with the Bank of North Dakota, it would not affect the day-to-day operations of the Bank. Currently, the activities of the beginning farmer revolving loan fund are performed by employees of the Bank of North Dakota.

The combining of the beginning farmer revolving loan fund into the Bank would eliminate the need for a separate audited financial report for the beginning farmer revolving loan fund. By transferring the beginning farmer revolving loan fund into the Bank of North Dakota, the Bank's assets and undivided profits (equity) would increase by \$16,276,449, based on the December 31, 1997, audited financial statement of the beginning farmer revolving loan fund. As of December 31, 1997, the beginning farmer revolving loan fund had the following asset balances:

Cash and cash equivalents	\$1,902,766
Loans (net of allowance for loan losses of \$308,026)	12,412,411
Prepaid interest	1,527,207
Interest receivable	434,065
Total assets	\$16,276,449

Because the beginning farmer revolving loan fund's only liability, as of December 31, 1997, was to the Bank of North Dakota, the liability, and relating receivable on the Bank's financial records, would be eliminated. Therefore, the capital amount to be transferred to the Bank would be \$16,276,449. The beginning farmer revolving loan fund was originally established through a transfer of funds from the Bank of North Dakota's undivided profits.