

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2090

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2090

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2090

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date January 16, 2001

Tape Number	Side A	Side B	Meter #
2	X		0 -25.7
April 03/01 1	X		29.7 (vote)
		X	50 to end
			0 to 0.7
Committee Clerk Signature <i>Dow & Perez</i>			

Minutes:

The committee was called to order. All members present. The hearing was opened on SB2090 relating to the registration of securities, exempt transactions, federal covered securities, registration of dealers, agents, investment advisers, and investment adviser representatives, investment advisory activity, consent to service of process, fraudulent practices, the authority of the securities commissioner to conduct investigations and to issue orders, and statutes of limitation; and to declare an emergency.

SYVER VINJE, ND Securities Commissioner: In favor of the bill. This is a house cleaning bill. Adds new terms, defines terms, provides consistency, makes the legislation more flexible, eliminates redundancy. Handout is letter from the Investment Company Institute favoring this bill. We have never had a case involving fraud this is more of a deregulation issue while still providing protection (section 6)

SENATOR MUTCH: To sell stock do they have to be registered, licensed? The pasta cooperative?

SYVER VINJE: Cooperative is registered as a dealer, two of its officers can sell securities

SENATOR ESPEGARD: Selling of sugar beet stock can be done by any real state agent or auctioneer or anyone?

If they want to be compensated for it, it has to be done by someone registered to sell securities.

SENATOR KREBSBACH: This transaction has to be tied with the land sale?

SYVER VINJE: No. We reserved right to request information as necessary. Page 7 looking to provide adequate supervision for them. Same changes we made for brokers/dealers. Page 8: this allows small companies to contract independent securities agents, makes it easier for them to raise capital. These changes designed to make life easier for regulators and businesses, to accommodate federal regulatory agency language. We eliminate 6 yr. statute of limitation leave default standard of 5 yrs. Adding rescission probably best remedy available to investor when it comes to securities violations, failure to comply with rescission creates violation of ND Securities Act.

SENATOR ESPEGARD: Can we amend section 6 to include "bank and commercial trust department".

Hearing closed.

SENATOR ESPEGARD moved to accept amendment, SENATOR TOLLEFSON seconded.

Roll call vote: 7-yes; 0-no; 0-absent.

SENATOR ESPEGARD moved Do Pass bill as amended, SENATOR TOLLEFSON seconded.

Roll call vote: 7 yes; 0 no; 0 absent. Carrier: SENATOR KREBSBACH.

FISCAL NOTE
Requested by Legislative Council
12/26/2000

Bill/Resolution No.: SB 2090

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	(\$42,300)		\$47,300		\$5,000	
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Section 10-04-10 requested change of the expiration for Investment Adviser and Investment Adviser Representatives registered renewal from May 1 to December 31 would result in a deferral of \$42,500. An decrease in the current 1999-2001 biennium to the same increase in the next 2001-2003 biennium.

Section 10-04-08.4 requested change of a \$25 fee increase from a minimum fee of \$100 to \$125 for Federal Covered Securities unit investment trusts will result in an increase of \$5000 for the 2001-2003 and 2003-2005 bienniums.

- 3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
- A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The changes in revenues would be to business revenues.

- B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

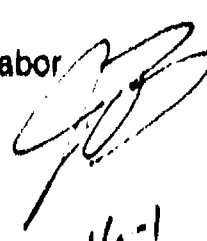
C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Diane Lillis	Agency:	ND Securities Commissioner
Phone Number:	328-4712	Date Prepared:	12/28/2000

18137.0101
Title.0200

Adopted by the Industry, Business and Labor
Committee

January 16, 2001

29-40

1-16-1

PROPOSED AMENDMENTS TO SENATE BILL NO. 2090

Page 3, line 17, after the first underscored comma insert "to an agent of a bank or a commercial trust department."

Page 17, line 12, replace "1" with "2"

Page 21, line 30, replace "6" with "8"

Renumber accordingly

Date: 1/16/2001

Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 2090

Senate Senate Industry, Business and Labor

Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass on Amendment

Motion Made By

Seconded

By

Sen. Tallison

[illegible]

Total (Yes) 7 No 0

Absent *D*

Floor Assignment

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

Page 3, line 17, after first underscored comma, insert
"to an agent of a bank or a commercial
trust department"

Roll Call Vote #: 2

BILL/RESOLUTION NO. 5090

Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass as Amended

Sen. Tolleson

[illegible]

No. 0

Absent 0

Floor Assignment Sen. Drebach

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

REPORT OF STANDING COMMITTEE

SB 2090: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2090 was placed on the Sixth order on the calendar.

Page 3, line 17, after the first underscored comma insert "to an agent of a bank or a commercial trust department,"

Page 17, line 12, replace "1" with "2"

Page 21, line 30, replace "6" with "8"

Renumber accordingly

Page 3

Senate Industry, Business and Labor Committee

Bill/Resolution Number 2090

Hearing Date ~~January 16, 2001~~

4-3-01

April 03/01. Tape 1-A-50 to end. 1-B- 0 to .7.

Committee reconvened. All members present.

Representative Rick Berg, District 45: We did two amendments, one deals with allowing cooperative ag stock to be sold at an auction rather than going through a securities agent.

Emergency clause in case people wish to sell ag stock this spring. The second one was language put together with the securities department to encourage brokers to raise capital for ND projects.

Senator Krebsbach: House amendment provides for study during interim?

Rep. Berg: It is not a legislative study in the normal sense. It is a directive to the securities commissioner to put the study together to generate more capital.

Senator Every: Motion to concur with House amendments. **Senator Krebsbach**: Second.

Roll call vote: 7 yes; 0 no. Motion carried. Floor assignment: **Senator Krebsbach**.

Date: 4/03/01
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2090

Senate Industry, Business and Labor

Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number _____

Action Taken Do concur

Motion Made By Sen Every Seconded By Sen Debo

[illegible]

Total (Yes) 6 No 0

Absent 1

Floor Assignment Sen. Greenback

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

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2090

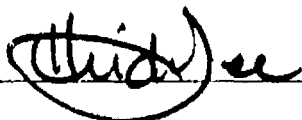
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2090

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 5, 2001

Tape Number	Side A	Side B	Meter #
2	X		0-31.8
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Frosath, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Syver Vinje: ND Securities Commissioner Sponsor of bill, **written testimony** and walk through bill.

Chairman Berg: We'll close the hearing on SB 2090.

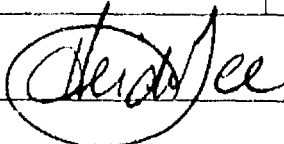
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2090(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
1		X	37.1-51.3
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep. Jensen: Provided explanation of bill and explained the difference from the original bill to the engrossed version.

Rep. Pietsch: I move a do pass.

Rep. M. Klein: I second.

14 yea, 0 nay, 1 absent Carrier Rep. Jensen

Date: 3-14-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2090

House Industry, Business and Labor Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Pietsch Seconded By M. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 14 No 0

Absent 1

Floor Assignment Rep Jensen

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

REPORT OF STANDING COMMITTEE (410)
March 14, 2001 2:39 p.m.

Module No: HR-44-5624
Carrier: Jensen
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2090, as engrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends DO PASS (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2090 was placed on the Fourteenth order on the calendar.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2090

Page 1, line 11, after the semicolon insert "to direct the securities commissioner to review policies and procedures regarding financing for North Dakota companies and to report to the legislative council;"

Page 22, after line 2, Insert:

"SECTION 15. SECURITIES COMMISSIONER REVIEW OF POLICIES AND PROCEDURES. During the 2001-02 Interim, the securities commissioner shall conduct a review of policies and procedures relating to access to capital for North Dakota companies, with the goal of increasing North Dakota companies' access to capital investment. Before August 1, 2002, the securities commissioner shall report the commissioner's findings and any recommendations to the legislative council."

Page 22, line 3, replace "Section" with "Sections 6 and" and replace "is" with "are"

Renumber accordingly

Date: 3-26-01
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2090

House Industry, Business and Labor Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Keiser Seconded By N. Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 15 No 0

Absent \$

Floor Assignment Rep Jensen

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

REPORT OF STANDING COMMITTEE

SB 2090, as engrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2090 was placed on the Sixth order on the calendar.

Page 1, line 11, after the semicolon Insert "to direct the securities commissioner to review policies and procedures regarding financing for North Dakota companies and to report to the legislative council;"

Page 22, after line 2, Insert:

"SECTION 15. SECURITIES COMMISSIONER REVIEW OF POLICIES AND PROCEDURES. During the 2001-02 interlm, the securities commissioner shall conduct a review of policies and procedures relating to access to capital for North Dakota companies, with the goal of increasing North Dakota companies' access to capital investment. Before August 1, 2002, the securities commissioner shall report the commissioner's findings and any recommendations to the legislative council."

Page 22, line 3, replace "Section" with "Sections 6 and" and replace "is" with "are"

Renumber accordingly

2001 TESTIMONY

SB 2090



INVESTMENT COMPANY INSTITUTE

RECEIVED

JAN 15 2001

January 12, 2001

SECURITIES COMMISSIONER
STATE OF NORTH DAKOTA

Mr. Syver Vinje
North Dakota Securities Commissioner
State Capitol - 5th Floor
600 East Boulevard Avenue, Dept. 414
Bismarck, North Dakota 58505-0510

Re: Proposed Legislation

Dear Commissioner Vinje:

The Investment Company Institute* appreciates being provided a copy of the legislation your office plans to have introduced during the 2001 legislative session to amend the North Dakota Securities Act. This legislation would include amendments to Section 10-04-08.4 of the Act, relating to notice filing fees paid by mutual funds and unit investment trusts.

The Institute has reviewed this proposal and is supportive of its enactment. We believe the proposed amendments are fair and will simplify and provide greater clarity to this provision in the Act. Accordingly, its enactment should benefit both the investment company industry, which must pay these fees annually, and your office, which must process such filings.

The Institute would also like to take this opportunity to commend you and your staff for your continued vigilance in reviewing the Act to ensure that its provisions remain current and continue to protect investors without unduly burdening the industry.

If we can be of any assistance to you, through oral or written testimony or otherwise, in ensuring the enactment of this legislation please let us know and we will be pleased to do so.

Sincerely,

Tamara K. Reed
Associate Counsel

* The Investment Company Institute is the national association of the American investment company industry. Its membership includes 8,433 open-end investment companies ("mutual funds"), 491 closed-end investment companies and 8 sponsors of unit investment trusts. Its mutual fund members have assets of about \$6.796 trillion, accounting for approximately 95% of total industry assets, and over 83.5 million individual shareholders.

SB 2090

**Testimony of ND Securities Commissioner Syver Vinje
Before the House Industry, Business and Labor Committee**

March 5, 2001

Mr. Chairman, and members of the Committee, I am Syver Vinje, North Dakota Securities Commissioner.

SB 2090, as amended and passed by the North Dakota Senate, was introduced by our office to improve access to capital markets in North Dakota and to reduce the regulatory burden on North Dakota businesses.

SB 2090 will enhance economic development by expanding the pool of potential investment dollars available to North Dakota entrepreneurs under the Limited Offering Exemption. This bill also improves the marketability of agricultural cooperative stock by removing inefficient regulatory barriers to share transfers between agricultural producers.

SB 2090 simplifies registration provisions, providing greater uniformity in the registration requirements for dealers, agents, investment advisors and investment advisor representatives. This bill changes the registration requirements for mutual funds and provides for a small fee schedule adjustment amounting to a net \$5,000 biennial state revenue increase.

SB 2090 permits the electronic registration of investment advisors and investment advisor representatives, and provides for a change of the renewal date of such registrations for the purpose of uniformity with other jurisdictions. This date change causes a revenue shift in the amount of \$42,000 from this biennium to next biennium. An emergency clause is attached to this provision to ensure that current registrants are not charged a renewal fee on May 1 and again on December 31 of this year.

We have attached a letter from the Investment Company Institute, which represents a substantial portion of the regulated industry, supporting these changes.

SB 2090 will enhance protection of North Dakota investors by granting the Commissioner the authority to order a rescission, effectively reversing transactions made in violation of law. It will also enhance the authority of the Commissioner to cooperate with other jurisdictions through enforcement of their subpoenas. SB 2090 also contains technical corrections and clarifications, which provide greater uniformity with the states and federal securities laws.

Mr. Chairman, I will be happy to answer any questions.