

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2349

**2001 SENATE APPROPRIATIONS**

**SB 2349**

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2349

Senate Appropriations Committee

☐ Conference Committee

Hearing Date January 30, 2001

Tape Number	Side A	Side B	Meter #
Tape #1		x	2.1-18.6
Tape #1		Committee Action	18.6-25.2
Committee Clerk Signature <i>Terrie Petch</i>			

Minutes:

Senator Nething, Chair of the Senate Appropriations Committee, opened the hearing on SB2349.

Senator Holmberg, District 17, Grand Forks; testified in support of SB2349 (a copy of his written testimony is attached).

Senator Solberg: Why the requirement to go from 75 to 100 thousand -- when only one loan was made over 50 thousand? Why raise if not utilized?

Senator Holmberg: An artificial number used last time when setting up the program. Through discussion with constituents, individuals who might use the program, and individuals within the Governor's Office, it was felt that over the next 2 years or so additional flexibility would be appropriate. We saw how it worked the first biennium -- who knows what a year and a half from now? Individuals do need to satisfy two banks -- their local institution and the Bank of North Dakota.

Senator Espgaard, District 43, Grand Forks, testified in support of SB2349. Continuance of the program is important. This is a good program that provides "gray area" dollars for the small companies. Bank of North Dakota guarantee is essential for the entrepreneur.

Senator Nething: Your bank participate? Developed criteria?

Senator Espgaard: We have not used it. But it is good to have in the toolbox.

Senator Heitkamp: As a sponsor of this bill, I wish to be on record as supportive. In the interest of time I will relinquish my time to others here that wish to testify.

Eric Hardmeyer, Interim President of the Bank of North Dakota testified in support of ( a copy of his written testimony is attached).

Senator Nething: No appropriations on this bill, authorization only?

Eric Hardmeyer: Yes.

Senator Nething: Industrial Commission has the authority?

Eric Hardmeyer: They indicated the bill is required; figure in law.

Senator Heitkamp: How long will the program go with this authority?

Eric Hardmeyer: It's new, starting to develop momentum; could be 3-4 years. 500 thousand the first year; could be 4-5 years.

Senator Heitkamp: Back next session when dollars are gone?

Eric Hardmeyer: Who knows.

Senator Thane: Good program -- have you history of successes/failures?

Eric Hardmeyer: Data out there on failure rates--perhaps 75-80 percent. SBA looked at document - the loss ratio of 5-10% for short track -- no loss here; only start up funds. 10-20% figure on fiscal note; 425 to 850 thousand over course of program.

Clare Carlson, Governor's Office, testified in support of SB2349. Full support for it to be fully utilized; there are 3 ways to increase business in North Dakota: expand on existing business; bring outside business in to locate in North Dakota; and to start a new business. This will help start new businesses.

Heath Copp, Grand Forks; Entrepreneur and receiver of program funding, testified in support of SB2349. He is cofounder, owner of the Peragon Bed Cover (a copy of the company flyer is attached). In March '99 he and a friend had an idea, a dream -- his dad contributed enough dollars to the idea to enable them to turn a proto type into a viable company. Being young, he lacked collateral -- the program allowed him to take the high risk -- forming the company. He found out about the program through an article in the Grand Forks Herald; went to his local bank - then on to the Bank of North Dakota. The paperwork was minimal. Entrepreneurs are often discouraged with paperwork when their first couple years are consumed with developing, marketing, etc. In 2 years the company has developed customers throughout the United States --- this program provided the necessary step to get there.

Senator Heitkamp: Number of employees?

Heath Copp: 2 -- foundation base; home to add four full time employees within a year.

Senator Robinson: Through your network of purchasers --- how many have you produced?

Heath Copp: 300 units produced this summer.

Senator Robinson: The Bank of North Dakota dollars were used to develop, register and apply for patent?

Heath Copp: Yes -- 95% of our covers sold are sold outside of North Dakota.

No additional requests for testimony time, for or against SB2349; hearing closed by Senator Nething.

Motion of DO PASS was made by Senator Holmberg; second by Senator Heitkamp.

Discussion:

Senator Thane and Senator Bowman thanked Heath Copp for telling his story - always nice to see the results of one's actions.

Senator Nething: Eric Hardmeyer -- have you made colleges aware of this program?

Eric Hardmeyer: We have not done much in the area of marketing -- is on our brochure, goes through banks --- but it is a good point; point taken.

Senator Holmberg: Perhaps high schools -- with the variety of clubs -- would be the place for the Bank of North Dakota to advertise?

Senator Thane: Heath Copp --- do you have a patent? Applied for one?

Heath Copp: Yes, do have a patent pending.

No further discussion: Vote called for by Senator Nething. 14 yes, 0 no, 0 absent. Motion carried. Senator Holmberg accepted the floor assignment.

January 21, 2001 Tape 1, Side A: 21.9-38.7

Senator Bowman moved that the hearing on SB2349 be reopened; Senator Solberg seconded the motion. Motion carried. Yesterday's action was nullified.

Senator Andrist moved that the proposed amendment, designating emergency clause, be accepted; Senator Tallackson seconded the motion. Motion carried.

Motion made by Senator Andrist, do pass as amended. Seconded by Senator Robinson. No discussion; roll call vote: 12 yes, 0 no, 2 absent and not voting. Senator Holmberg accepted the floor assignment.

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/22/2001

BH/Resolution No.:

Amendment to:           Engrossed  
                               SB 2349

**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						
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.*

With the added amendments to SB 2349, Bank of North Dakota (BND) may not guarantee more than \$4 million in loans at any time under the Beginning Entrepreneur Loan Guarantee Program. Since the program is relatively new, BND does not have a historical record of claims. However, based on discussion with officials from the Small Business Administration, regionally their claims are in the 5 - 7% range.

This program targets start-up businesses while SBA programs include both start-ups and established businesses. Consequently, the risk component to the Beginning Entrepreneur Program should be higher. Claims are anticipated to be 10 - 20% which will result in losses to BND. The extent of the losses are difficult to determine now that the \$4 million limit is revolving.

**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.*

Not applicable.

**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.*

Not applicable.

**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.

Not applicable.

Name:	Eric Hardmeyer	Agency:	Bank of ND
Phone Number:	328-5674	Date Prepared:	02/27/2001



**FISCAL NOTE**  
 Requested by Legislative Council  
 01/24/2001

BH/Resolution No.: SB 2349

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						
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.*

Under SB 2349, Bank of North Dakota (BND) may not guarantee more than \$5 million in loans under the Beginning Entrepreneur Loan Guarantee Program. Since the program is relatively new, BND does not have historical record on claims. However, based on discussion with officials from the Small Business Administration, regionally their claims are in the 5-7% range.

This program targets start-up businesses, while SBA programs include both start-ups and established businesses. Consequently, the risk component to the Beginning Entrepreneur Program should be higher. Claims are anticipated to be 10-20%, which over the life of the program could result in losses of revenue of \$425,000 to \$850,000. This assumes an 85% guarantee on total loans of \$5 million.

No other fiscal impact has been identified.

**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.*

Not applicable.

**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.*

Not applicable.

**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.*

Not applicable.

<b>Name:</b>	Eric Hardmeyer	<b>Agency:</b>	Bank of North Dakota
<b>Phone Number:</b>	328-5674	<b>Date Prepared:</b>	01/29/2001

Date: 1-30-01

Roll Call Vote #: 1

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2349**

Senate Appropriations Committee

☐ Subcommittee on \_\_\_\_\_

or

☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken As pass

Motion Made By

Senator Holmberg

Seconded

By

Senator Heitkamp

Senators	Yes	No	Senators	Yes	No
Dave Nothing, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 14 No 0

Absent 0

Floor Assignment Senator Holmberg

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

**PROPOSED AMENDMENTS TO SENATE BILL NO. 2349**

Page 1, line 2, after "program" insert "; and to declare an emergency"

Page 1, after line 16, insert:

**"SECTION 2. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**SENATE** - This amendment adds an emergency clause to the bill.

Date: 1-31-01

Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2349

Senate Appropriations Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number 10625.0201

Action Taken Do Pass as Amended

Motion Made By Sen. Andrist Seconded By Sen. Robinson

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg					
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg					
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 12 No 0

Absent 2

Floor Assignment Senator Holmberg

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

**REPORT OF STANDING COMMITTEE (410)**  
January 31, 2001 1:09 p.m.

**Module No: SR-17-1997**  
**Carrier: Holmberg**  
**Insert LC: 10625.0201 Title: .0300**

**REPORT OF STANDING COMMITTEE**

**SB 2349: Appropriations Committee (Sen. Nething, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). SB 2349 was placed on the Sixth order on the calendar.**

Page 1, line 2, after "program" insert "; and to declare an emergency"

Page 1, after line 16, insert:

**"SECTION 2. EMERGENCY.** This Act is declared to be an emergency measure."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

SENATE - This amendment adds an emergency clause to the bill.

**2001 HOUSE APPROPRIATIONS**

**SB 2349**

## 2001 HOUSE STANDING COMMITTEE MINUTES

### BILL/RESOLUTION NO. SB2349

House Appropriations Committee

☐ Conference Committee

Hearing Date 02-12-01

Tape Number	Side A	Side B	Meter #
1	x		0 - 4003
Committee Clerk Signature <i>Larry Jonken</i>			

Minutes:

**Rep. Timm:** Called the Appropriations Committee to order and called the roll. SB2349 is scheduled for hearing this morning. Opened the hearing on SB2349.

**Sen. Holmberg:** The reason the bill is yellow and its been reengrossed is because the emergency clause was added into the bill and you will see as you hear testimony this morning why that is important. I also handed out a statement from the president of Peragon Enterprises, Inc. Which was one of the nineteen entities that has made use of this program over the past two years, even though its not two years, because they ran out of authorization a while ago.

**Sen. Holmberg:** Followed written testimony (Beginning Entrepreneur Loan Program Handout) And letter from (Heath Copp, President of Paragon Enterprises, Inc.).

**Rep. Timm:** Are there any questions of Sen. Holm berg?

**Sen. Espargard:** I'm here in support of SB2349, and Sen. Holmberg did a find job of bringing you up to date on what the bill is and what the bill does. I can tell you what it does in the



communities I'm involved in. So many of the communities that have young people starting out with new ideas come to the bank and the bank tries its very best to do something for them, but in many cases there long on ideas and short on collateral, this a bill that helps them get along and get started and provides them up to \$25,000 in short term repayment, so they do repay the loan back, or at the same time, take that small idea they have in their mind and bring it forward. If we were going to have Economic Development in the state and if we were going to have young people start this we have to have something that will help them get going when they don't have collateral to put towards the loan. So on SB2349 I encourage you support for this good program, and I encourage your support both ways in the amount of the secured loan is raised to \$100,000, and remember there is a bank in there always in every one of these loans taking their part in the risk as well, as well as the Bank of North Dakota, and I also encourage the \$25,000 unsecured loan. So I hope you take a good look at this bill and will be very favorable toward it.

**Rep. Wald:** Senator, on line 7. "A lender" would that include a credit union?

**Sen. Espargard:** It could, in fact I will ask the Bank of North Dakota, Eric Hardmeyer. I believe it does. Response was Yes it does.

**Rep. Skarphol:** Senator, it appears like your running up a \$500,000 limit and a five year repayment program, wouldn't it be more appropriate if we did want to increase this to go to \$2.5 million and make it a revolving fund where the money is coming back in would accumulate and be available after that?

**Sen. Espargard:** The five million dollars that is in there is simply because it is going to be an ongoing program, because the \$500,000 went quite fast last time, it could be less than that but I think we will be right back here looking for more money. It looks to be the proper amount to me.

**Rep. Skarphol:** \$500,000 a year for five years would be twice the money you have now and in the five year repayment schedule, wouldn't you be getting your principal back on your first loans by the end of that period?

**Rep. Espargard:** You would, you have five years from now or four years from now as a matter of fact that the other \$500,000 will be back. That's one way to fund it but I also believe that if you take this other deal its the same amount of money anyway.

**Eric Hardmeyer, Bank of North Dakota:** This is not a revolving fund in the fact that the money is lent out by a lead lender, and the Bank of North Dakota guarantee's the loan, so there is no money that rolls back into the fund. Its just a guarantee on a debt, much like SBA would do.

**Rep. Timm:** Any other questions of Sen. Espargard?

**Sen. Heitkamp:** I'm proud to be a CO- sponsor on this bill, I think the best case scenario that we could absolutely have is to come back two years from now and be asking ourselves, "Boy we already reached that cap of dollars" This to me is exactly what the Bank of North Dakota was intended to be when the old NPL pushed forward on it. I think this is a good bill, it creates revenue, its a kind of bill that puts money in as seed money where it is most desperately needed when people just don't have that money to go in for collateral. I hope that the committee would support the bill and the house would look favorably on the emergency clause on it, because there are programs out there waiting

**Rep. Timm:** Any questions of Sen. Heitkamp?

**Clark Rolfson, Governor's Office:** I'm going to tell you the same thing I told the Senate Appropriations Committee. "I'm Clark Rolfson, I'm from the governor's office and I'm here to help you" We are here to testify in support of expanding the Beginning Entrepreneur Loan Program offered through the Bank of North Dakota. It is a program as you have just heard that is

fully utilized and has been successful in getting young entrepreneur's another tool for getting started, I personally believe there is three ways that you can improve the economic situation in North Dakota and improve business in North Dakota. You can encourage someone to expand their business, you and encourage a business to relocate in North Dakota, or you can help somebody start a business. And this program helps people start business's. That's the end of my comments and I would be glad to answer any questions.

**Rep. Koppleman:** This looks like a loan guarantee program as someone mentioned is similar to what the SBA would do, are these typically young entrepreneur's that could not get traditional or conventional financing and this steps in to fill the gap?

**Rolfson:** I'm not sure its limited to young entrepreneur's, but the example which you heard from Peragon Industries is a perfect example of a person who is somewhere in his 20's and had a great idea for a pickup rollup cover and had the idea but didn't have the money to get the job done. And because of this, I think he has a successful business that will continue to grow and employee more North Dakotan's.

**Rep. Koppleman:** An individual like that, perhaps would not have had the collateral then to go into the bank and obtain a traditional loan. Would they have been able to access an SBA loan or how does this dovetail with those sort of programs? Response was: I don't know.

**Rep. Timm:** Any other questions?

**Rep. Kempenich:** I was going to ask Eric a question, Right now there are no loans for over \$75,000, what was the \$100,000 for? Why would a person want to change that?

**Eric, Bank of North Dakota:** Maybe you could talk to the sponsor on that, but as I look at the average loan, they generally are \$25,000, but I think there are opportunities to expand the program and I don't necessarily see that as a concern.

**Sen. Holmberg:** That was the recommendation from the governor's office

**Eric Hardmeyer, Bank of North Dakota:** ( Followed Written Testimony Handout)

**Rep. Timm:** This program has only been going on for a year right?

**Eric:** Yes, this was approved last biennium, and after we worked out all the kinks and bugs for about 1 year the program was effective.

**Rep. Timm:** What is the typical length of a loan? You don't have any experience with someone defaulting on a loan, is everybody making their payments?

**Eric:** The maximum length is 5 years. That's correct, we have very little historical experience to run off of, and we do not have any defaults, and what we are basing our experience on is SBA's experience in what their historical claims have been.

**Rep. Kempenich:** Do we guarantee the interest on this?

**Eric:** No we do not, and that is a difference between our program and SBA in that we guarantee only 85% of the principal. We do not guarantee any interest. SBA will guarantee up to 120 days of interest, and anything beyond that is forfeit.

**Rep. Wald:** On line 15 you say the bank may insure a lender an annual fee, is the fee in addition to the interest rate, and now you just said you will guarantee up to 85% of the interest. Would the local lender absorb the other 15% if there were defaults?

**Eric:** We do not guarantee the interest, only the principal do we guarantee.

**Rep. Wald:** So the local lender would forgo the interest if there were a write off. And what is your fee?

**Eric:** We may charge up to 1% per year and what we have done instead of going to that is we charge them a 1 1/2 % fee up front which covers the whole five years.

**Rep. Carlisle:** Did you say that SBA loans have a 93% repayment rate? Are all the loans you have on the books now, are they all current?

**Eric:** Yes they are. We have not experienced any delinquencies or had any claims at this point.

**Rep. Glassheim:** Is this a special niche market?

**Eric:** Yes I think it is.

**Rep. Aarsvold:** Do you as an officer in the Bank of North Dakota, do you think there are cases brought to you that probably have merit and could be funded locally and not have them apply to this fund or other funds, so as to secure the position of the local lender?

**Eric:** That's an interesting question and a lot of banks have different philosophies on underwriting and so that may be the case for some banks, and we see the whole spectrum at the bank, we some banks do quite a number of loans without a guarantees, and others are risk adverse and seek a guarantee in any type of business loan they look at.

**Rep. Warner:** Could you expand a little on the mechanism that you have at the bank in covering losses, is there a special fund set aside for losses, or because were enabling through the statute, is the state expected to cover the losses through federal fund revenues?

**Eric:** No, I would say they are not expected to cover this from the general fund appropriation, we have covered the loss or the potential loss in what we call our loan loss reserve, and so we look at each one of these individually and earmark a certain percentage of the loan and put it into the loan loss reserve. And right now the loan loss reserve is approx. \$22 ½ million.

**Rep. Kempenich:** Where would this program go to be a self running operation?

**Eric:** I suppose there are a couple of ways to look at it, one would be to remove the \$ 5 million dollar limit, and secondly you could say this is a revolving source, not that money flows back into it, but that we can always go up the \$5 million.

**Rep. Glassheim:** Do you have people waiting in line, or people when you reach the cap, and to follow up on Rep. Warner's question, is it my understanding that the \$500,000, you haven't spent a penny of it, but you have put about 1/2 of it into the reserve but actually when we authorize you to cover loans its to guarantee them and your not actually spending the \$500,000 or the \$5 million unless there are losses, Is that correct?

**Eric:** That is correct.

**Rep. Timm:** Do you view this as, as discussion here has been talking about the length of the amount of money that has been authorized. How do you view the present \$500,000 now?

**Eric:** I read it as once we have reached the \$5 million dollar figure in terms of loans that we have guaranteed, not that its a two year program, but once we have guaranteed \$5 million dollars worth of loans then we are effectively done with the program.

**Rep. Warner:** When you put money into reserves, does it mean that its not available for loans elsewhere, is it producing revenue for the bank then?

**Eric:** No, it does not. It is a reserve that we set aside that actually would come out of income when we put money into the reserve, and last year we put into the reserve \$2.7 million into reserve and that impacts earnings by that amount.

**Rep. Timm:** Any other questions of Mr. Hardmeyer?

**Rep. Koppelman:** I just wondering relative to the chairman's question, if you think it would be advisable to have maybe a minor amendment that would allow for a total loaned out amount of \$5 million dollars, as I understand the difference that he identified, If you have loaned out \$5 million dollars five years from now and the money has been paid back, so your net exposure is \$4 million, you still would be capped out.

**Eric:** I think that would be a fine idea. To make that clear that this is a \$5 million dollar tap that we can continue to guarantee up to that even though it gets paid back down. I think for clarification that would be very helpful.

**Rep. Timm:** Any other questions of Mr. Hardmeyer?

**Rep. Svedjan:** This may have been answered already, but I'm still not clear on it. Does the \$5 million include the \$500,000 that was approved previously, so are we really talking about \$4.5 million?

**Eric:** I don't believe that has been asked before, but I would believe that to be the case.

**Sen. Holmberg:** I would like to piggyback on a question that Rep. Aarsvold asked at little earlier. And the question had to do with the program and I guess I have a couple of comments. Last time, it was a gamble and a risk to see if this program had a niche, well it did and we were in retrospect perhaps a little conservative in setting this limit at \$500,000, the reason we add the \$5 million is so that the next biennium we do not have to have the problem of a program that is being marketed and to stop part way through the biennium and because if you are an entrepreneur and you get a letter back, that says here is the state program but were out of money, and those people will do something else and not proceed.

**Rep. Aarsvold:** The question had to do with aversion to risk by local bankers, and I'm wondering why would you not as a loan officer automatically ratchet this program in place if you have a request from a young entrepreneur. Your talking 85% guarantee, so it would just be automatic in my mind that you would certainly seek to make your local bank as secure as possible in the whole thing.

**Sen. Holmberg:** The difference is that this program allows that entrepreneur to proceed without having the collateral that is needed by the local bankers auditors expect and require.

**Rep. Wald:** Sen Holmberg, this is not an appropriation in the sense that we know it in appropriations committee's, all were doing here is probably removing \$5 million dollars that could be available for transfer of profits in the Bank of North Dakota, that's really the only fiscal impact.

**Eric:** Not necessarily does that impact anything that we can transfer to the general fund.

**Rep. Kempenich:** What other programs in the bank are similar to this, and what kind of history is running with them right now and are those continuing?

**Eric:** This is a unique program for use and this is the only guarantee program that have on a business application, but we do have several other programs where we participate in loans rather than guarantee loans.

**Rep. Timm:** Any other questions of Mr. Hardmeyer? Any other testimony in support of SB2349?

**Bill Shalhoob, Representing the Economic Development Association of North Dakota:**

We are also in favor of this bill and would encourage the passage of this bill.

**Rep. Timm:** Any questions of Mr. Shalhoob? Any other testimony in support of SB2349? Any opposition to SB2349? If not we will close the hearing on SB2349.

**Rep. Koppleman:** With the testimony we have heard, I would like to see an amendment that would clarify the \$5 million dollars is a policy decision to set the exposure of the bank at any given time at \$5 million dollars maximum.

**Rep. Kempenich:** It took them 1 year to come up to \$500,000 , and I was going to go to \$2.5 that Rep. Skarphol mentioned earlier.

**Rep. Timm:** If anyone has other amendments, get them ready and we will take them up on Wednesday.



## 2001 HOUSE STANDING COMMITTEE MINUTES

### BILL/RESOLUTION NO. SB 2349

House Appropriations Committee

☐ Conference Committee

Hearing Date February 21, 2001

Tape Number	Side A	Side B	Meter #
02-21-01 tape #2	657 - 1392		
Committee Clerk Signature <i>Patricia Hall</i>			

Minutes:

The committee was called to order, and opened committee work on SB 2349.

Chairman Timm: We heard this bill a while ago. The sponsor of the bill, Senator Holmberg, wanted to get the bill out of here and to the governor for signing about two weeks ago. He would like us to work on this today.

Rep. Koppelman: There is a proposed amendment, and he explained it. Rep. Kempenich and I asked that it be drafted. It makes the fund, and allows the maximum of the bill to be loaned out at any given time. So if loans are made and paid back, that reduces the cap. We changed the five million to four million, and require that the Bank of ND report to the next legislative assembly appropriation committees the status. And we also added a section of legislative intent, that the bank provide for each beginning entrepreneur who participate in the program information regarding other resources and services provided by various levels of government that could help in the start up. He had discussed the amendments with Senator Holmberg and he

didn't seem to find any problem with them. Moves to adopt the amendment. Seconded by Rep. Glassheim.

Voice vote adopted the amendments.

Rep. Byerly: Would like to further amend the loan pool from \$4 million to \$2 million. At \$2 million we are quadrupling the program and changed it into a revolving loan fund. Doesn't think we need to put \$4 million in loan guarantees. Seconded by Rep. Skarphol.

Rep. Koppelman: One think we need to note is that they understand the risk, and have set aside a high level of reserves for these loans, and he trusts their banking prowess enough to respect they will handle the program appropriately.

Rep. Skarphol: I think the net effect of what Rep. Byerly is saying is that we should leave a little bit in the Bank of ND to make things balance out.

Rep. Koppelman: His understanding is that this will have no effect on the ending balance.

Vote to further amend : 10 yes, 10 no, 1 absent and not voting. Motion fails.

Rep. Koppelman: Moves DO PASS AS AMENDED. Seconded by Rep. Kempenich.

Vote on Do Pass as Amended : 16 yes, 4 no, 1 absent and not voting. Motion carries.

Rep. Koppelman is assigned to carry this bill to the floor.

**PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2349**

Page 1, line 2, after the semicolon insert "to provide for reports on the beginning entrepreneur loan guarantee program; to provide a statement of legislative intent;"

Page 1, line 16, overstrike "five", after "thousand" insert "four", and after "loans" insert "outstanding"

Page 1, after line 17, insert:

**"SECTION 2. REPORT ON THE BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM.** The Bank of North Dakota shall report the status of the beginning entrepreneur loan guarantee program to the standing appropriations committee of each house of the fifty-eighth legislative assembly at the time of the Bank's appropriations hearing.

**SECTION 3. LEGISLATIVE INTENT - BUSINESS START-UP INFORMATION.** It is the intent of the legislative assembly that the Bank of North Dakota provide each beginning entrepreneur who requests a loan guarantee information regarding other resources and services provided by local, state, federal, or private entities that are available to assist in the start up of a new business."

Remember accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**HOUSE - This amendment:**

- Changes the maximum amount of loans which may be guaranteed under the program from \$5 million to \$4 million.
- Clarifies that only loans outstanding are to be considered in the amount of loans guaranteed under the program.
- Adds a new section requiring the Bank of North Dakota to report to the 58th Legislative Assembly's Appropriations Committees on the status of the beginning entrepreneur program.
- Adds a section of legislative intent that encourages the Bank of North Dakota to provide beginning entrepreneurs information relating to starting a business.

Date: 2-21-01  
Roll Call Vote #: ~~68000000~~

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2019

House APPROPRIATIONS Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number 10625.0302

Action Taken to adopt amendment

Motion Made By Rep Koppelman Seconded By Rep. Glassheim

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman					
Wald - Vice Chairman					
Rep - Aarvold			Rep - Koppelman		
Rep - Boehm			Rep - Martinson		
Rep - Byerly			Rep - Monson		
Rep - Carlsle			Rep - Skarphol		
Rep - Debaer			Rep - Svedjan		
Rep - Glassheim			Rep - Thoreson		
Rep - Gullson			Rep - Warner		
Rep - Heather			Rep - Wentz		
Rep - Kampenich					
Rep - Korman					
Rep - Klincks					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 2-21-01  
Roll Call Vote #: 2 ~~800 003 019~~

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2349

House APPROPRIATIONS Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken

to further amend to \$2 mil from \$4 mil.

Motion Made By

Rep. Byerly

Seconded  
By

Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman					
Rep - Aarsvold		✓	Rep - Koppelman		✓
Rep - Boehm	✓		Rep - Martinson		✓
Rep - Byerly	✓		Rep - Monson	✓	
Rep - Carlisle	✓		Rep - Skarphol	✓	
Rep - Delzer	✓		Rep - Svedian		✓
Rep - Glendon		✓	Rep - Thoreson		✓
Rep - Gellison		✓	Rep - Warner		✓
Rep - Heather	✓		Rep - Wentz	✓	
Rep - Kamponich	✓				
Rep - Korman		✓			
Rep - Klink		✓			

Total (Yes) 10 No 10

Absent 1

Floor Assignment \_\_\_\_\_

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

*fails*

Date: 2-21-01  
Roll Call Vote #: 3

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2349

House APPROPRIATIONS Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number 10625.0302

Action Taken DO PASS AS AMENDED.

Motion Made By Rep Koppelman Seconded By Rep. Kempenich

Representatives	Yes	No	Representatives	Yes	No
Timm - Chairman	✓				
Wald - Vice Chairman					
Rep - Aarsvold	✓		Rep - Koppelman	✓	
Rep - Boehm	✓		Rep - Martinson	✓	
Rep - Byerly		✓	Rep - Monson	✓	
Rep - Carlisle		✓	Rep - Skarphol		✓
Rep - Delzer		✓	Rep - Svedian	✓	
Rep - Glasheim	✓		Rep - Thoreson	✓	
Rep - Gullason	✓		Rep - Warner	✓	
Rep - Huether	✓		Rep - Wentz	✓	
Rep - Kempenich	✓				
Rep - Korman	✓				
Rep - Klincks	✓				

Total (Yes) 16 No 4

Absent 1

Floor Assignment Rep. Koppelman

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

**2001 TESTIMONY**

**SB 2349**

## MAILBAG

# Take time to thank farsighted Legislature

GRAND FORKS — In the last days of the session, Senate Bill 2342 — The Beginning Entrepreneur Loan Guarantee Program — passed the Senate 44-0, the House 88-0 and was signed into law by Gov. Ed Schafer.

The prime sponsor was state Sen. Ray Holmberg, R-Grand Forks, who worked closely with the Center for Innovation on crafting the bill's provisions.

This bill significantly increases the opportunity for North Dakota to support young technology entrepreneurs.

**The  
criteria  
for lending  
is  
character,  
credit-  
worthiness  
(bad credit  
can be  
used to  
deny a  
loan), and  
quality of  
the  
business  
plan.**

The Beginning Entrepreneur Loan Guarantee Program is designed to provide high-risk loans to entrepreneurs who do not have collateral, which is usual for young entrepreneurs in their life.

The Bank of North Dakota would provide a loan guarantee of up to 25 percent of a (small) loan to a hometown bank without any collateral requirements, and up to \$10,000 with collateral.

The Bank of North Dakota also may approve

a guarantee of a loan of up to \$10,000 to a beginning entrepreneur for accounting, legal, and business planning, and other consulting and advisory services in planning for the establishment of a for-profit venture.

So the criteria for lending is character, creditworthiness (bad credit can be used to deny a loan), and quality of the business plan.

The only controversy in the bill was the appropriations that allowed the Bank of North Dakota to set up a \$50,000 loan reserve for potential loan defaults in the next two years.

The House Appropriations Committee stripped out all funding for a loan reserve, forcing the Bank of North Dakota to absorb all potential loan defaults. (North Dakota has the lowest student loan default rate in the nation — 1.8 percent, compared to a national rate of 10 percent.)

BND officials stated they would live with this provision.

The Senate Appropriations Committee did fund \$10,000 for marketing and administration of the program for the biennium. The funding was included in the state industrial commission's budget (House Bill 1015), separate from the bill that creates the loan program.

It appears North Dakota is the first state to offer loans to young entrepreneurs without collateral requirements.

This is a good way for North Dakota to participate in the entrepreneurial economy and start to play catchup.

Why is encouraging young entrepreneurs important?

A 1997 Wall Street Journal survey reports that 8.7 percent of 26-34 year olds are actively engaged in entrepreneurial endeavors.

Generation Xers started nearly 47 percent of all new businesses in 1998. According to an Small Business Administration report, 28 percent of the more than one million new business starts are launched by people under the age of 35.

A National Federation of Independent Businesses study found that 40 percent of those starting new businesses in 1997 were under 35, and 28 percent were under 30.

Data suggest that young entrepreneurs are succeeding and failing at about the same rate as older and presumably more experienced business owners.

We need to send a strong message to high school and college students that if they cannot find a good job in North Dakota, they can create their own, and be masters of their own destiny here on the prairies.

The bill goes into effect Aug. 1.

Please help advise young entrepreneurs discover their potential, and get ready to see their hometown banker for a loan to launch a new venture.

Bruce Gjovig

Gjovig directs the Center for Innovation and Rural Technology Incubator at UND.

SB 2349: Senate Hearing Testimony



**BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM**

**LEAD LENDER:**

Any lending institution that is related or funded under the laws of ND or the United States

**BORROWER:**

A North Dakota resident, who has graduated from high school or received general equivalency certificate, has had some training by education or experience in that type of revenue producing enterprise, has a net worth of less than \$100,000 excluding the value of the equity of their principal residence, the value of their automobile and personal belongings.

**GUARANTEE:**

\$100,000 -

The Bank of North Dakota may guarantee up to 85% of the amount of principal due the lender. The maximum guarantee may not exceed \$75,000. The Bank may approve a guaranty up to \$5,000 to a beginning entrepreneur for business start expenses up including accounting, legal and business planning. The bank may approve a guarantee of a loan up to \$25,000 without requiring collateral for the loan.

**TERM:**

The guarantee term may not exceed 5 years.

**GUARANTEE FEE:**

.5% Per year.

**INTEREST RATE:**

The maximum amount the lender may charge may not exceed 3% above BND base or NY prime. The guaranty fee may be included in the rate charged by the lender.

**OTHER FEATURES:**

This program can be used in conjunction with other BND loan programs. The Bank may not guarantee more than \$5,000,000 in loans under this program.

**MORE INFORMATION:**

For more information about the BEGINNING ENTREPRENEUR LOAN GUARANTEE, you can contact the Bank of North Dakota. The address and telephone numbers are:

The Bank of North Dakota  
700 East Main Ave.  
PO Box 8000  
Bismarck, North Dakota 58102-8000  
1-800-472-2100 Ext. 8-8000  
1-800-643-3916 TDD

**BANK OF NORTH DAKOTA HAS A HOME PAGE ON THE INTERNET WHICH LISTS OUR SERVICES**

<http://www.banknd.com/>

SB 2349

# NewsLibrary

Thank you for using NewsLibrary

## GRAND FORKS HERALD

Saturday, March 18, 2000

Section: B- MONEY

Edition: FINAL

Page: 01

Column: ECONOMIC DEVELOPMENT

### FROM DREAMS - TO REALITY

#### BND PROGRAM HELPS YOUNG ENTREPRENEURS

*Ian Swanson, Herald Staff Writer*

Young entrepreneurs Heath Copp and Matthew Johnson had a business idea.

TODAY, THANKS PARTLY TO A BANK OF NORTH DAKOTA PROGRAM THAT GUARANTEES LOANS FOR BEGINNING ENTREPRENEURS, THE 22-YEAR-OLD COPP AND THE 21-YEAR-OLD JOHNSON ARE BUSY IN GRAND FORKS MAKING THEIR DREAM OF A BUSINESS - ASSEMBLING AND PACKAGING A TYPE OF RETRACTABLE BEDTOP FOR PICKUP TRUCKS - A REALITY.

The two young men's business is Peragon Enterprises Inc., now located in the Grand Forks Industrial Park.

The bank's program is called the Beginning Entrepreneur Loan Program, authorized last year by the North Dakota Legislature and sponsored by Grand Forks Republican Sen. *Ray Holmberg*.

The program allows the state bank to guarantee 85 percent of a loan up to \$70,000 once the loan is approved by a local lender. The idea is to help beginning, and particularly young, entrepreneurs start their businesses. The hope is that this will help the economy and keep young people here.

Read it in the paper

After learning about the Beginning Entrepreneur Loan Program through a Herald story, Copp and Johnson applied for a \$25,000 loan from First State Bank in Grand Forks. They're using the money to develop a marketing strategy for Peragon Enterprises.

Since young people generally don't have the collateral their elders have, Copp said, it can be difficult for them to secure a business loan.

We faced some challenges that older entrepreneurs don't have, explained Copp, who grew up in East Grand Forks. Johnson is from Red Lake Falls, Minn.

We haven't had the time to raise the assets that others have had, Copp said. That's made the Bank of North Dakota program a huge help to Peragon Enterprises, Copp said.

To enter the program, Johnson and Copp simply provided a breakdown of how they planned to use the \$25,000 loan to officials at First State Bank. After the bank approved the loan, it was turned over to the Bank of North Dakota, which gave its approval and guaranteed 85 percent of the loan a few weeks later.

All in all, it was painless, Copp said. The process took four weeks.

So far the bank has guaranteed eight loans to businesses from around the state. Another loan is pending.

Bank is pleased

Eric Hardmeyer, the state bank's senior vice president in charge of lending, said the bank has been pleasantly surprised by interest in the program. I think we've met the spirit and intent (of the program), he said. We're helping individuals

looking to begin a business.

The Legislature authorized the state bank to guarantee up to \$500,000 in loans over the biennium, and about half of that already has been authorized.

The \$500,000 isn't a significant amount for the program, Hardmeyer said. Before the program really has a chance to take off it will run out of money.

#### MADE TO ORDER

Holmberg says the Legislature may be asked to authorize the bank to provide more loans after the 2001 session. He said Copp and Johnson were exactly the types of people he hoped would benefit from the program.

It comes right out the presentations that we made for the need for this type of program, Holmberg said. That's what we're after.

Good location

Copp and Johnson have no plans to leave Grand Forks. They think it's a good central shipping site for their business, since competitors are located on the east and west coasts.

We looked at other communities, Copp said, but the two liked the climate for economic development in Grand Forks.

We've known each other since we were 15 and we've always talked about how someday it would be nice to be in business together, Copp said.

While they've put their own money into their business, Copp said, the bank's program gave us a stepping stone that would have been much more difficult to get any other way.

Illustration: John Stenries, staff photographer

Matthew Johnson, left, and Peragon Enterprises co-owner Heath Copp with one of their pickup truck bed covers.

---

All content © 2000 GRAND FORKS HERALD and may not be republished without permission.

---

All archives are stored on a SAVE (tm) newspaper library system from MediaStream Inc.,  
a Knight Ridder, Inc. company.

# NewsLibrary

Thank you for using NewsLibrary

## GRAND FORKS HERALD

Saturday, December 2, 2000

Section: B-BUSINESS

Edition: FINAL

Page: 01

### N.D. START-UPS SNAP UP LOANS BACKED BY STATE

#### BEGINNING PROGRAM CLOSE TO MAXING OUT

*Tu-Uyen Tran, Herald Staff Writer*

The hunger for capital among start-up businesses in North Dakota has nearly exhausted one of the state's newest loan programs less than two years after it started.

With \$489,000 in zero- or low-collateral loans secured, the Beginning Entrepreneur Loan Guaranty program is close to its limit of \$500,000.

The pilot program at the Bank of North Dakota started in August 1999 as a way to fill funding gaps left by other state and federal programs.

Since then, 18 new businesses have benefited, including four in Grand Forks and one in Park River, N.D. Businesses in Grand Forks and Park River received a total of \$132,750. One other loan is awaiting approval.

The program is aimed at small-business owners, such as new college graduates or technology entrepreneurs, who do not have the collateral needed to get regular bank loans.

#### SUCCESS?

We're content with the results, said Eric Hardmeyer, Bank of North Dakota interim president. It probably went out a little faster than we thought. It was hard to gauge what the appetite for this program might be.

State Sen. Ray Holmberg, R-Grand Forks, who sponsored the bill authorizing Beginning Entrepreneur, said it has been much more successful than many had thought.

It has demonstrated its ability to support new businesses and create jobs in North Dakota, Holmberg said. They're all over the state - big towns, small towns.

Hardmeyer hesitated to call the program a total success, saying it is too early to tell. But any time you can fill this gap and help people realize their dream of getting into business, it's a success.

What's remarkable about that success, according to Holmberg, is the fact the Legislature authorized only \$10,000 to the Bank of North Dakota - for marketing purposes. The \$500,000 was the amount the Bank of North Dakota was allowed to guarantee.

Under the terms of the Beginning Entrepreneur legislation, private banks in North Dakota issue loans to eligible start-ups and assume 15 percent of the risk. The rest is assumed by the state bank.

This makes it possible for private banks to sidestep the usual practice of requiring collateral for loans. Requirements for the guaranteed loans are weighted more toward the merits of a loan applicant's business plan. The program also takes the burden of administering the loans away from the Bank of North Dakota.

The maximum amount for individual businesses is \$70,000, though most loans issued so far have been for less than \$25,000.

New programs

Now that Beginning Entrepreneur has maxed out, North Dakota start-ups will have to look to other funding sources, at least until the Legislature expands it.

One potential source is the proposed Rural Express program, a member of the U.S. Small Business Administration's 7 (s) Loan Guaranty family.

Like Beginning Entrepreneur, Rural Express guarantees loans from private banks and has a limit of \$75,000 for each loan, according to Larry Mandigo, SBA deputy district manager for North Dakota.

Because Rural Express would be processed by his office in Fargo, Mandigo said, it would not be as strict on collateral requirements.

The similarity between the SBA's and the state's loan guarantee programs means that the next incarnation of the Beginning Entrepreneur Loan Guaranty will be slightly different, according to Holmberg. The purpose of the state program, he said, was to fill gaps - not duplicate another funding source.

Holmberg is studying Rural Express and Beginning Entrepreneur for overlaps. At the same time, Mandigo and Hardmeyer have been discussing ways to make the two programs more complementary.

Holmberg said he has until January to put a new bill together for the 2001 legislative session.

---

All content © 2000 GRAND FORKS HERALD and may not be republished without permission.

---

All archives are stored on a SAVE (tm) newspaper library system from MediaStream Inc.,  
a Knight Ridder, Inc. company.

Search	Passport U.S. group	Beginning Dates
--------	---------------------	-----------------

# High-risk loans debut Monday

■ BND program offers loans to entrepreneurs

By Matt Gory  
Herold Staff Writer

Beginning Monday, starting a business in North Dakota is going to be easier.

Hoping to reverse the trend of young people leaving the state, the 11th Legislature passed a bill creating a program to help fund new businesses. All new programs go into effect Sunday.

The Beginning Entrepreneur Loan Guarantee Program provides high-risk loans to entrepreneurs who do not have collateral, a common problem for many beginning business owners.

"North Dakota has a drain of young people to other states, and anything we can do to help them stay here is prudent," said Sen. Ray Holmberg, R-Grand Forks, prime sponsor of the bill that created the program.

"If we don't do things to help people invest in our state, we'll lose the young folks who have the drive and are creative people."

Here's how the program works:

■ The Bank of North Dakota will provide a loan guarantee of up to 80 percent on a \$250,000 loan entrepreneurs get from their hometown bank. There are no collateral requirements.

■ BND also can provide an 80 percent loan guarantee of a \$25,000 loan with collateral requirements.

■ BND also may approve a loan guarantee for a loan up to \$5,000 to help entrepreneurs cover accounting, legal and business planning services.

Although the program is for high-risk ventures, potential applicants still must have a good credit rating and a viable business plan.

"They can have this good idea and sell it to the local bank, and get through all of the scrutiny the bank requires, and the one thing they are lacking is the collateral," said Holmberg, who drafted the bill with the help of officials at the Center for Innovation and Rural Technology Center business incubator at UND.

"This gives them that boost in the arm, and it helps fill a gap between existing state and federal programs."

## Requirement dropped

Holmberg took the bill to the Legislature during the 1997 session. It passed in the Senate, but some House legislators had problems with it, particularly that the program was available only to recent college graduates, Holmberg said.

That requirement has been dropped, he said. "And it doesn't have to be just a young person," he added.

LOAN: See Page 2B

## LOAN

Continued from Page 1B

During this year's committee work on the bill, Holmberg and Brian Trost, director of the Center for Innovation and Rural Technology Center at UND, turned to a Grand Forks entrepreneur to testify on behalf of the bill.

"I just thought it was something that was very necessary for North Dakota, and something that has been overlooked," said Brian Trost, 39, owner of Mini Landscape in Grand Forks.

Trost, who was named the 1996 North Dakota Entrepreneur of the Year by the U.S. Small Business Administration, said he is an already established business and wouldn't qualify for the program.

"In my case, I started out so small that a loan wasn't necessary. But I talk to a lot of people, and at age 31, or 32, 33 or 34, a lot of them don't have the history of credit to borrow enough to start a com-

## For more information

Call the Bank of North Dakota at (800) 472-2108, or on the Web at [www.bnd.nd.gov](http://www.bnd.nd.gov).

pany," he said. "There are a lot of great kids out there, but they just don't have the money to start."

"And as a business owner, and being young, I felt compelled to testify, and I just thought it was something that we needed."

Support for the bill has been encouraging, Holmberg said.

"If the response to the bill once it becomes law is the same as some of the inquiries I had during, and right after the session, I think it will be highly successful," Holmberg said.

Copy reports on business in Grand Forks and Grand Forks and the region. He can be reached at (701) 775-1100 or by e-mail at [money@herold.com](mailto:money@herold.com).

**Testimony to the  
Senate Appropriations Committee  
January 30, 2001**

**Senate Bill No. 2349**

**Eric Hardmeyer, Bank of North Dakota**

**The Bank of North Dakota (BND) and the Industrial Commission support Senate Bill 2349 which amends and reenacts section 6-09. 15-03 relating to loans under the Beginning Entrepreneur Loan Guaranty Program. This amendment increases the maximum loan than can be guaranteed from \$75,000 to \$100,000. This also increases the total amount of loans that can be guaranteed from \$500,000 to \$5,000,000.**

**After being in effect for a little over one year, BND reached \$500,000 in loans that could be guaranteed under the program, effectively bringing a halt to the program. I believe the program accomplished its intended purpose, enabling 19 entrepreneurs from all areas of the state to obtain financing to start their business.**

**The Bank by providing this program is meeting its mission of promoting commerce and industry in North Dakota. I, along with the members of the Industrial Commission recommend that this program be continued and that you approve this bill.**

**Attached for review is a list of guarantees approved by BND.**

# **BANK OF NORTH DAKOTA**

REOPENING DATE: AUGUST 01, 1999

B.E.G. PROJECTS - FUNDED, COMMITTED & PENDING

AS OF JANUARY 01, 2001

PENDING ENTREPRENEUR LOAN GUARANTY

BORROWER	DATE FUNDED	MATURITY DATE	TOTAL LOAN AMOUNT	END GUARANTY AMOUNT	GUARANTY TERM	GUARANTY PERCENT	LOCATION
1 DACHTER, WANDA	08/22/99	08/24/04	\$25,000	\$21,250	5	85%	ELGIN
2 PERAGON ENTERPRISES INC.	10/28/99	02/01/05	\$25,000	\$21,250	5	85%	GRAND FORKS
3 LUND, DALLAS	10/28/99	08/01/08	\$51,000	\$43,350	5	85%	NOONAN
4 UFFDA ONLINE LLP	07/17/00	07/25/04	\$25,000	\$21,250	5	85%	GRAND FORKS
5 NO FREEPHONE	12/17/99	12/16/04	\$15,000	\$12,750	5	85%	BISMARCK
6 MYERS, KALVIN	02/09/00	02/01/05	\$25,000	\$21,250	5	85%	CARRIO
7 PLANWORLD	03/14/00	03/10/05	\$12,000	\$10,200	5	85%	BISMARCK
8 SALON OFF BROADWAY & DAY SPA	03/08/02	03/02/05	\$25,000	\$21,250	5	85%	BISMARCK
9 WHISPERN WATERS PRESS, INC.	04/19/00	12/01/05	\$25,000	\$21,250	5	85%	BISMARCK
10 JELI ART & FRAME, GIFT & DECOR INC	07/10/00	07/10/05	\$20,000	\$17,000	5	85%	TIOGA
11 SKYBIZ 2000	05/19/00	05/10/05	\$20,000	\$17,000	5	85%	GRAND FORKS
12 RAMM TREE SERVICE	06/03/00	06/03/00	\$19,000	\$16,150	5	85%	STANLEY
13 ANTILER CREEK SPECIALTIES	08/02/00	08/01/05	\$30,000	\$25,500	5	85%	WESTHOPE
14 WEBER AUTOMOTIVE INC	08/14/00	08/15/05	\$25,000	\$21,250	5	85%	MINOT
15 WHISPERN WATERS PRESS, INC.	08/16/00	08/31/03	\$3,000	\$2,550	3	85%	BISMARCK
16 CUP OF JO & PJS CATERING	06/25/00	09/15/05	\$33,000	\$28,050	5	85%	PARK RIVER
17 NORTHWEST BUILDING IMPROVEMENT	10/02/00	10/02/00	\$50,000	\$42,500	5	85%	MINOT
18 BURGER SHACK	11/14/00	11/01/07	\$35,000	\$30,600	5	85%	MINOT
19 OLSON, DANIEL	PENDING	PENDING	\$33,000	\$28,050	5	85%	EDINBURG
			<b>\$497,000</b>	<b>\$422,450</b>			



# Bed Cover

- Key lock for security and peace of mind.
- Watertight for year-round protection of your valuable cargo.
- Rail system bolts to the pickup box using existing holes for a fast, no-drill installation.
- Flush design enhances the appearance of your pickup.
- Leaves stake pockets open for easy installation of other accessories.
- Ball-bearing construction allows the Peragon™ Bed Cover to be opened and closed with ease.
- Improves Gas Mileage.
- One-year limited warranty.
- Designed for ice and snow.
- Works with bedliners.

SB 2349  
Heath Lapp testimony

## **SB 2349**

To the North Dakota Legislature,

Peragon began two years ago as a dream to create a pickup bed cover that would change its industry. My partner, Matthew Johnson, and I started with two blank sheets of paper and began to sketch out the concept for a product that has now captured the attention of dealers and customers from one side of the country to the other.

While there have been many factors that contributed to our development, one of the most important was the assistance we received from the Beginning Entrepreneur Loan Program. It came at a critical time in our growth when we needed financing but did not yet have the collateral necessary to pursue traditional options. As young businessmen, the program provided us with a much needed boost. The paperwork required was very manageable and gave us ready access to the program. Today, thanks in part to the foresight of the North Dakota Legislature, Peragon is making its own contribution to the economic development of our state.

Over 90% of our sales are outside of North Dakota, bringing new wealth to our region. Over the next few years we plan to expand as we hire more full time employees and provide them with stable jobs that pay good wages. With God's continued blessing, Peragon will be here for years to come as a pillar of our community and state.

Today, I would like to thank the legislature for your support of the Beginning Entrepreneur Loan Program and to encourage you to support its expansion. Economic growth must never stop, and making this program available to entrepreneurs is vital to that effort. I urge you to renew this program with a clause to allow for immediate funding. Thank you for the vision that you have shown - it has made a difference.

Sincerely,

Heath Copp, President  
hcopp@peragon.com  
Peragon Enterprises, Inc.  
Grand Forks, ND  
www.peragon.com

## **SB 2349 Beginning Entrepreneur Loan Program.**

Ray Holmberg, Feb. 12, 2001

**SB2349** is about a program that's making a difference, and which members of this Legislature should be proud.

When passed in 1999, the Beginning Entrepreneur Loan Program was designed to provide high-risk loans to entrepreneurs who had a good business idea and plan, yet who did not have enough collateral to receive traditional support from their local banker. A lack of capital is not unusual for a young person.

Under the program, an entrepreneur approaches his/her local banker with the idea and business plan. If the local bank agrees it's a good idea, the Bank of North Dakota can provide a loan guarantee of up to 85% of the loan up to \$25,000 without collateral, and up to \$75,000 if the person has with collateral.

There was a cap of \$500,000 in loans which BND could guarantee under this act.

The criteria for lending is character, creditworthiness (bad credit can be used to deny a loan) and quality of the business plan.

After being in effect for a little over a year, BND reached the \$500,000 cap, effectively bringing a halt to the program.

19 entrepreneurs from all areas of the state, from Elgin to Noonan, Grand Forks to Westhope, Park River to Carpio, Bismarck to Stanley to Minot, were able to obtain funding under the program.

SB 2349 increases the cap to \$5,000,000 and raised the maximum loan, with collateral to \$100,000.

Testimony from one young entrepreneur revealed:

- ◆ money received was critical in the successful creation of their business
- ◆ paperwork was minimal
- ◆ after being in business for one year, they have 2 employees, and expect to add four more this summer
- ◆ 95% of their sales are outside North Dakota.

Emergency clause is critical so program can get back in business immediately.

BANK OF NORTH DAKOTA  
 BEGINNING DATE: AUGUST 01, 1999  
 B.E.G. PROJECTS - FUNDED, COMMITTED & PENDING

AS OF OCTOBER 02, 2000

BEGINNING ENTREPRENEUR LOAN GUARANTY

BORROWER	APPLICATION DATE	COMMITMENT DATE	FUNDED DATE	MATURITY DATE	TOTAL		GUARANTY QUANTITY	GUARANTY PERCENT	LOCATION	LEAD BANK	OFFICER	TOTAL PROJECT
					LOAN AMOUNT	BND GUARANTY AMOUNT						
1 DAUGHTER, WANDA	08/22/1999	08/09/1999	08/22/1999	08/24/2004	\$25,000	\$21,250	5	85%	ELGIN	FARMERS STATE BANK	DAE	\$25,000
2 PERADON ENTERPRISES INC.	08/24/1999	10/14/1999	10/28/1999	02/01/2005	\$25,000	\$21,250	5	85%	GRAND FORKS	FIRST STATE BANK	PIG	\$21,250
3 LINDO, DALLAS	10/22/1999	10/14/1999	10/28/1999	08/01/2006	\$31,000	\$43,350	5	85%	NOONAN	FARMERS STATE CROSBY	PIG	\$70,000
4 UFFDA ONLINE LLP	11/18/1999	06/20/2000	07/17/2000	07/25/2004	\$25,000	\$21,250	5	85%	GRAND FORKS	FIRST STATE BANK	JBE	\$25,000
5 NO FREEZONE	11/28/1999	11/09/1999	12/17/1999	12/16/2004	\$15,000	\$12,750	5	85%	GRAND FORKS	BANK CENTER FIRST	TWR	\$40,000
6 ANTER, KALVIN	12/24/1999	12/28/1999	02/03/2000	02/01/2005	\$25,000	\$21,250	5	85%	CARRO	FIRST WESTERN-BANDOT	JBE	\$40,000
7 PLANNWORLD	02/15/2000	02/25/2000	03/14/2000	03/10/2005	\$12,000	\$10,200	5	85%	BISMARCK	BANK CENTER FIRST	KPK	\$12,000
8 SALON OFF BROADWAY & DAY SPA	02/22/2000	02/28/2000	03/08/2000	03/02/2005	\$25,000	\$21,250	5	85%	BISMARCK	BANK CENTER FIRST	KPK	\$25,000
9 WESTERN WATERS PRESS, INC.	03/17/2000	03/20/2000	04/19/2000	12/01/2005	\$25,000	\$21,250	5	85%	BISMARCK	BANK CENTER FIRST	KPK	\$25,000
10 J&J ART & FRAME, GIFT & DECOR INC	04/19/2000	04/24/2000	07/10/2000	07/10/2005	\$20,000	\$17,000	5	85%	TOGA	YERWOOD BANK & TRUST	TWR	\$25,000
11 SWEETZ 2000	04/21/2000	05/02/2000	05/19/2000	05/10/2005	\$20,000	\$17,000	5	85%	GRAND FORKS	FIRST NATIONAL BANK	JBE	\$20,000
12 NAWELA TREE SERVICE	05/02/2000	05/31/2000	06/03/2000	08/03/2005	\$19,000	\$16,150	5	85%	STANLEY	LACEDIE ST BK-NEWTOWN	JBE	\$19,500
13 ANTLER CREEK SPECIALTIES	06/20/2000	06/23/2000	08/02/2000	08/01/2005	\$30,000	\$25,500	5	85%	WESTHOPE	UNITED COMMUNITY-BANDOT	PGA	\$30,000
14 WEGEL, KINGS	07/17/2000	07/21/2000	PENDING	PENDING	\$25,000	\$21,250	5	85%	GRAND FORKS	US BK-GRAND FORKS	BGT	\$25,000
15 WESPER AUTOMOTIVE INC	07/27/2000	08/07/2000	08/14/2000	08/15/2005	\$25,000	\$21,250	5	85%	BANDOT	UNITED COMMUNITY-BANDOT	BGT	\$25,000
16 WESTERN WATERS PRESS, INC.	08/08/2000	08/09/2000	08/18/2000	08/31/2005	\$3,000	\$2,550	3	85%	BISMARCK	KERWOOD BANK & TRUST	TWR	\$28,000
17 CUP OF JO & P.J. CATERING	08/09/2000	08/14/2000	08/25/2000	08/15/2005	\$33,000	\$28,050	5	85%	PARK RIVER	FIRST UNITED BANK	BGT	\$40,500
18 NORTHWEST BUILDING IMPROVEMENT	08/18/2000	08/19/2000	PENDING	PENDING	\$30,000	\$42,500	5	85%	BANDOT	UNITED COMMUNITY BANK	BGT	\$80,000
19 WHELE, DON	08/25/2000	08/28/2000	PENDING	PENDING	\$38,000	\$30,600	5	85%	BANDOT	FIRST WESTERN BANK	JBE	\$38,000
					\$438,000	\$415,650						\$538,250

TOTAL LOAN GUARANTY AVAILABLE  
 TOTAL LOAN GUARANTY FUNDED  
 TOTAL LOAN GUARANTY COMMITTED  
 REMAINING LOAN GUARANTY AVAILABLE

BREAKDOWN OF AVAILABLE GUARANTY  
 \$500,000  
 \$378,000  
 \$111,000  
 \$11,000