

HOUSE BILL NO. 1040

Introduced by

Legislative Council

(Commerce and Labor Committee)

1 A BILL for an Act to create a North Dakota entrepreneur seed fund; and to provide an
2 appropriation.

3 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

4 **SECTION 1. North Dakota entrepreneur seed fund.** The North Dakota entrepreneur
5 seed fund is created in the state treasury and must be used as provided in this Act.

6 **SECTION 2. North Dakota entrepreneur seed fund board - Membership -**
7 **Reimbursement - Duties.**

- 8 1. The North Dakota entrepreneur seed fund board shall manage and administer the
9 North Dakota entrepreneur seed fund. The board consists of nine members: four
10 individuals from the private sector, appointed by the governor; one individual
11 appointed by the greater North Dakota association; one individual appointed by the
12 economic development association of North Dakota; one individual appointed by
13 the director of the department of economic development and finance; one
14 individual appointed by the president of the Bank of North Dakota; and one
15 individual appointed by the state board of higher education.
- 16 2. Of the initial members of the board, two of the governor's appointees, the greater
17 North Dakota association appointee, and the Bank of North Dakota appointee shall
18 serve a one-year term and the remaining five appointees shall serve two-year
19 terms. All subsequent appointments are for two-year terms. Each board member
20 shall serve until a successor is appointed and qualified. If a vacancy occurs, the
21 appointing authority shall appoint a member for the remainder of the unexpired
22 term. Each appointee shall qualify by filing the oath of office.
- 23 3. The board shall meet at least once every calendar quarter as determined by the
24 board and may meet in special meetings upon notice as prescribed by rules

adopted by the board. The board shall elect annually, from among its members, a chairman, a vice chairman, and a secretary. Each board member is entitled to be reimbursed for expenses as provided by law for state officers while attending meetings or performing duties directed by the board.

4. The board shall:

- a. Manage and administer the North Dakota entrepreneur seed fund;
- b. Budget no more than one-third of the North Dakota entrepreneur seed fund biennial appropriation for expenses related to administration and management of the fund, investment services, and marketing services;
- c. Budget at least two-thirds of the North Dakota entrepreneur seed fund biennial appropriation for provision of investment funding to local entrepreneur seed funds;
- d. Provide assistance to local entrepreneur seed funds in initial organization, creation of bylaws, and ongoing fund maintenance;
- e. Provide investment funding to local entrepreneur seed funds;
- f. Create investment criteria for investment funding to local entrepreneur seed funds;
- g. Report annually to the legislative council and the governor on the status of the North Dakota entrepreneur seed fund;
- h. Contract with the private sector for the provision of board administration and management services, board investment services, and fund marketing services; and
- i. Adopt rules to implement this Act.

SECTION 3. Application for investment funds. In order to apply for seed investment funds under this Act, a local entrepreneur seed fund shall submit to the North Dakota entrepreneur seed fund board an application on a form established by the board. The local entrepreneur seed fund shall certify in the application that the purpose of the local fund is to invest in early-stage companies in the state and small companies in the state through equity or equity-type investments. The board shall evaluate the application based on criteria developed by the board. The North Dakota entrepreneur seed fund board investment funding provided to local entrepreneur seed funds may not exceed two hundred thousand dollars for each local

1 seed capital project and must require a five hundred percent local fund match of state funds.
2 The board may participate in the management of a local project based on the board's
3 investment position. A local entrepreneur seed fund is not entitled by right to receipt of
4 investment funds under this section.

5 **SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the
6 general fund in the state treasury, not otherwise appropriated, the sum of \$3,000,000, or so
7 much of the sum as may be necessary, to the North Dakota entrepreneur seed fund for the
8 purposes provided in this Act, for the biennium beginning July 1, 2001, and ending June 30,
9 2003.