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Operator's Signature

Date

10/2/03

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1116

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Doreen Hall
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-14-03

Tape Number	Side A	Side B	Meter #
3	XX		0.3--17.0
Committee Clerk Signature <i>Pam Deven</i>			

Minutes: Chairman Kelser: Let's open HB1116.

Bob Humann, Bank ND, Senior Vice Pres. Of Lending: In support. (SEE ATTACHED)

Rep. Ekstrom : (7.7) When you are going in as a co-guarantee with the federal government, who will be taking first position?

Bob: The way we see it, to guarantee any losses that would be paid on that would be on a pro rata basis. (50% SBA, 35% BND) If there was a loss of \$10,000, BND would incur a \$3500 loss and SBA would incur a \$5,000 loss.

Rep. Dosch: I'm concerned with the level of risk that BND is assuming with this type of guarantee.

Bob: We would limit the potential amount of guarantees that the bank could issue under a new program. We don't want to jeopardize the bank's profitability.

Rep. Dosch: In regards to the holding company's TOPS loans, right now you are required to lead banks on those types of loans. This allows you to go direct. Is there any concern from local banks

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Doreen Hall
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1/21/03
Date

Page 2
House Industry, Business and Labor Committee
Bill/Resolution Number HB1116
Hearing Date 1-14-03

that BND would be excluding them from this type of financing? Second part, if the bank holding company and the ownership is mired, what are the advantages for them to set up this type of financing again? Is it being able to write off the interest expense or how it is carried on the books?

Bob: We were looking at whether or not we needed to find a lead vendor or not on these TOPS(?) transactions. The problem that has created for us is we had a holding company come to us and had this TOPS(?) transaction they had in mind and they want to get financing from us just like we provide bank stock to bank holding companies. We look at the package and we decide if we can be a player in that loan package. We ask that bank holding company to go out and find a lead lender. They don't want to be in that position. They may have to share their financial with another bank in the state, which they would just as soon not do, for competitive reasons. The second question was some of the tax advantage with the TOPS. The biggest reason is for tax reason. They can get capital into their bank without having to actually inject that capital. They are taking that money out of their own pocket.

Chairman Keiser: It seems to me one of the securities of having that third bank involved with the strict requirements is to lessen our risk. If we eliminate them, we are increasing our risk, true?

Bob: That has not been our experience. We spend lots of time convincing our lead lender that this deal makes sense and we have to walk them through the complexity of this. It is more cumbersome for us. We'd like to eliminate this step.

Chair Keiser: The SBA frequently goes out on the market and sells that package at a discount. What sort of problems does that create for this transaction or BND?

Page 3
House Industry, Business and Labor Committee
Bill/Resolution Number HB1116
Hearing Date 1-14-03

Bob: We have not worked out the details. We would probably set some sort of co-guarantee program that would not allow SBA to package these guarantees and have them sold off. We want to keep the servicing in ND. We put the co-guarantee perimeters in SBA; we would tell them that any co-guarantee they would not be able to sell their portion off.

Chair Keiser: Any opposition? Seeing none, we are closed.

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Deanna Ball
Operator's Signature

1/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1/20/03

Tape Number	Side A	Side B	Meter #
1	x		12.1-17.0
Committee Clerk Signature <i>Judith Hamman</i>			

Minutes: **CHAIR KEISER** called for committee work on HB 1116. He stated that this is a new area for the Bank of North Dakota to get into and suggested a four year sunset clause be drafted as an amendment.

REP. RUBY: Would pending loans be caught up in a the sunset clause?

REP. NOTTESTAD: Should this be discussed with BND?

REP. DOSCH: No.

REP. EKSTROM: BND should and would know if its programs are working.

REP. KLEIN: Let's draft it right now.

CHAIR KEISER: That's a good suggestion. We'll take a five minute break before we begin today' hearings.

Concluded.

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Dan Hall
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10/2/03
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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1/21/03

Tape Number	Side A	Side B	Meter #
3	x		18.0-25.0
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: Chairman Keiser called for committee work on HB 1116.

Rep. Dosch walked the committee through his proposed amendment that will put a four year sunset clause on their ability to guarantee loans so it can be revisited to see how well the program is working. BND will only co-guarantee particular loans with federal agencies which will not be allowed to sell the guarantees on secondary market. These will be loans that will originate in ND and serviced by ND financial institutions.

Rep. Klein requested that Rep. Dosch read the proposed amendments.

Rep. Dosch: page 1, line 3, after "transactions" insert "and to provide loans and provide expiration date". Page 2, line 23, add "o. The authority to guarantee loans shall expire July 31, 2007." Rep. Dosch stated that legislative intent is authority to do something similar to what the SBA does at present: to guarantee a percentage to a lead lender should the loan default. This provides the lead lender more security and confidence to be more aggressive in making loans.

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Dorinda G. Ball
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1/21/03
Date

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1116

Hearing Date 1/21/03

This will help smaller communities to get financing. Guarantees will not be sold on the secondary market and must be requested and originated by ND financial institutions.

Rep. Ekstrom asked if BND will be secondary or guarantors with SBA or anybody else.

Rep. Keiser explained that SBA never has first position, they are guarantor of the loan, they take the risk by selling off the loan to investors at a discount. We are going on record to state that BND will not participate in structuring a guarantee in which BND will be put at risk. Parties will not be allowed to sell guarantees on secondary market.

Rep. Klein moved to adopt the amendments.

Rep. Ruby seconded the motion. A voice vote carried the motion.

Rep. Severson moved a do pass as amended.

Rep. Dosch seconded the motion. The roll call vote was unanimous: 14-0-0.

Rep. Dosch will carry this bill on the floor.

38075.0100

Title

January 20, 2003

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1116

Page 1, line 3, after "transactions" insert ", and to provide loans and provide expiration date".

Page ²~~1~~ line 23, add o. The authority to guarantee loans shall expire July 31, 2007.

Renumber accordingly

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1/2/03
Date

Date: 1/21/03
Roll Call Vote #: 1

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1116

House Industry, Business & Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38075.0101 / .0200

Action Taken Do Pass As Amended

Motion Made By Severson Seconded By Dosch

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	/		Rep.Boe	/	
Rep.Severson, Vice-Chair	/		Rep.Ekstrom	/	
Rep.Dosch	/		Rep.Thorpe	/	
Rep. Froseth	/		Rep. Zaiser	/	
Rep. Johnson	/				
Rep.Kasper	/				
Rep. Klein	/				
Rep. Nottlestad	/				
Rep. Ruby	/				
Rep.Tieman	/				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Dosch

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

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Deanna Holbrook
Operator's Signature

10/2/03
Date

REPORT OF STANDING COMMITTEE (410)
January 24, 2003 10:13 a.m.

Module No: HR-14-1031
Carrier: Doeck
Insert LC: 38075.0101 Title: .0200

REPORT OF STANDING COMMITTEE

HB 1116: Industry, Business and Labor Committee (Rep. Kelsor, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1116 was placed
on the Sixth order on the calendar.

Page 1, line 3, after "transactions" Insert "; and to provide an expiration date"

Page 2, after line 22 Insert:

"SECTION 2. EXPIRATION DATE. This Act is effective through July 31, 2007,
and after that date is ineffective."

Renumber accordingly

2003 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1116

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10/2/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1116

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 03-17-03

Tape Number	Side A	Side B	Meter #
2	XXXX		685-1870
Committee Clerk Signature <i>Lisa VanBerkon</i>			

Minutes: Chairman Mutch opened the hearing on HB 1116. All Senators were present.

HB 1116 relates to authority of Bank of North Dakota regarding trust preferred securities transactions.

Testimony in support of HB 1116

Bob Humann, Senior Vice President of Lending of the Bank of North Dakota, introduced the bill. See written testimony.

Senator Espgaard: What information do you have that isn't available to anyone on the internet?

Bob: With the TOPS transactions, we require personal guarantees from the share holder of the holding company, which is not available to anyone on the interenet.

Senator Espgaard: A bank would need to improve their tier one for what reason, growing too fast or losing money?

Bob: Generally it is growth.

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Date

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number 1116

Hearing Date 03-17-03

Senator Mutch: Would the Bank of North Dakota be the only source of additional infusion of capitol? Why would you want to be involved in this?

Bob: It is a good source of generating capitol. It is just another line of business for the BND to be involved with.

Senator Mutch: My question would be, is the BND the last resort? I would think that they would want to go to a small bank.

Bob: We are very competitive. They are some of our better loans that we have at the BND.

Senator Nething: How would your rates compare with an out of state bank? I'm talking about an in state bank wanting to do this.

Bob: Rates would be comparable. We have to compete with First Star and other banks.

Senator Nething: So there is no set price?

Bob: We price our bank loans at 2.45% over the 30 day live. Right now it is about 3.95%.

Senator Heitkamp: Traditionally, how long are these loans?

Bob: Usually we set them up for 10-15 years.

There was no opposing testimony.

Hearing was closed. No action was taken at this time.

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10/2/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1116

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 03-24-03

Tape Number	Side A	Side B	Meter #
1	XXXX		2650-3350
1	XXX		292-2500
Committee Clerk Signature <i>Lisa VanBerkom</i>			

Minutes: Chairman Mutch opened the committee discussion on HB 1116. All Senators were present. HB 1116 relates to authority of the Bank of North Dakota regarding trust preferred securities transactions.

The committee requested that someone from the North Dakota Bankers Assoc. and Bank of North Dakota be present for questions.

Marilyn Foss, NDBA, was present to answer questions.

Senator Klein: Does that affect the banks at all?

Marilyn: The Bank of North Dakota did present this to the NDBA legislative committee meetings. It is another way of financing acquisitions. The committee looked at the bill and did not oppose it. They left the decision to the Bank of North Dakota. We didn't take position in trying to get it passed, but we didn't oppose it.

Senator Espgaard: I see that as a risky way of lending. I didn't know that is was wrong to have a third party lender involved.

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10/2/03
Date

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number 1116

Hearing Date 03-24-03

Marilyn: I really am not qualified to answer that.

Senator Krebsbach: Do you think that is why the House put a sunset on this?

Marilyn: I don't know.

Senator Espegard: The section that is being amended is allowing the banks to guarantee loans.

You could have a lot of risk. I am not second guessing the Bank of North Dakota at all. But maybe that is why they put the sunset on.

END Testimony.

Continue on side B, meter no. 292 with **Bob Humann**

Bob Humann, Senior Vice President of Lending of the Bank of North Dakota, was also present to answer questions.

Senator Espegard: What do you normally charge for a guarantee?

Bob: One half percent annually.

Senator Espegard: Could you explain a TOPS loan?

Bob: It is explained in the chart on page three from my original testimony. It is written the same way as a bank stock loan. We will not complete a TOPS transaction with a bank in ND unless we have a bank stock loan with that bank. TOPS are generally done on an unsecured basis. We cross the stock loan with the TOPS transactions. See chart on page three of testimony.

Senator Espegard: Can you physically see the examination report of those banks?

Bob: No, we cannot.

Senator Krebsbach: Can you request that they furnish you with that information?

Bob: No, what we have done in the past is go to the physical location. We can then see the report, but they can't make us a copy or let us have one.

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10/2/03
Date

Page 3

Senate Industry, Business and Labor Committee

Bill/Resolution Number 1116

Hearing Date 03-24-03

Senator Krebsbach moved to adopt amendments. Senator Espegard seconded.

Roll Call Vote: 7 yes. 0 no. 0 absent.

Senator Klein moved a DO PASS AS AMENDED. Senator Heitkamp seconded.

Carrier: Senator Nething

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Dan Hall
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10/2/03
Date

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1116

Page 1, line 2, after "Dakota" insert "to guarantee loans; and to create and enact a new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code relating to" and remove "regarding"

Page 2, after line 20 insert:

"SECTION 2. A new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code is created and enacted as follows:"

Page 2, line 23, replace "This" with "Section 1 of this"

Renumber accordingly

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Dorinda Hallmark
Operator's Signature

10/2/03
Date

38075.0201
Title.0300

Adopted by the Industry, Business and Labor
Committee

March 24, 2003

QJ
3-24-03

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1116

Page 1, line 1, after "to" insert "create and enact a new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code, relating to trust preferred securities transactions; to"

Page 1, line 2, replace "regarding trust preferred" with "to guarantee loans"

Page 1, line 3, remove "securities transactions"

Page 2, after line 20, insert:

"SECTION 2. A new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code is created and enacted as follows:"

Page 2, line 21, remove "n."

Page 2, line 23, replace "This" with "Section 1 of this"

Renumber accordingly

Page No. 1

38075.0201

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Diana Hall
Operator's Signature

10/2/03
Date

Date: 3-24-03
Roll Call Vote #: |

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate 1116 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Adopt Amendments^{By} Robert Humann

Motion Made By Krebsbach Seconded By Espegard

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Klein	X				
Senator Krebsbach	X				
Senator Nething	X				
Senator Heitkamp	X				
Senator Every	X				
Senator Espegard	X				

Total (Yes) ~~Click here to type Yes vote~~ 7 No ~~Click here to type No vote~~ 0

Absent 0

Floor Assignment ~~Click here to type Floor Assignment~~ NO carrier yet

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

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Donna Baller
Operator's Signature

10/2/03
Date

Date: 3-24-03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.

Senate 1116 Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass As Amended

Motion Made By

Klein

Seconded By

Espegar Heitkamp

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Klein	X				
Senator Krebsbach	X				
Senator Nething	X				
Senator Heitkamp	X				
Senator Every	X				
Senator Espegard	X				

Total (Yes) ~~7~~ 7 No ~~0~~ 0

Absent

0

Floor Assignment

~~Click here to view floor assignment~~ & Nething

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

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Operator's Signature

Dan Hall

Date

10/2/03

REPORT OF STANDING COMMITTEE (410)
March 24, 2003 4:14 p.m.

Module No: SR-45-5603
Carrier: Nothing
Insert LC: 38075.0201 Title: .0300

REPORT OF STANDING COMMITTEE

HB 1116, as engrossed: Industry, Business and Labor Committee (Sen. Mutoh, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1116 was placed on the Sixth order on the calendar.

Page 1, line 1, after "to" insert "create and enact a new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code, relating to trust preferred securities transactions; to"

Page 1, line 2, replace "regarding trust preferred" with "to guarantee loans"

Page 1, line 3, remove "securities transactions"

Page 2, after line 20, insert:

"SECTION 2. A new subdivision to subsection 1 of section 6-09-15 of the North Dakota Century Code is created and enacted as follows:"

Page 2, line 21, remove "n."

Page 2, line 23, replace "This" with "Section 1 of this"

Renumber accordingly

2003 HOUSE INDUSTRY, BUSINESS AND LABOR
CONFERENCE COMMITTEE

HB 1116

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Deanna Hall
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

■ Conference Committee

Hearing Date April 7, 2003

Tape Number	Side A	Side B	Meter #
1	x		0.0-3.4
Committee Clerk Signature <i>Judith Hammer</i>			

Minutes: Conference Committee Chair Dosch called the meeting to order. All appointed members were present: Senators Nething, Espegard & Heitkamp and Representatives Dosch, Klein & Boe.

Rep. Dosch stated the original bill made two authority changes to Bank of North Dakota. BND is now authorized to make guarantee loans and allowed to make direct trust preferred security loans. It was the intent of the House IBL to apply the sunset clause to the guarantee loan portion as it is new and unproven. BND has already been doing the trust preferred security loans on an indirect basis so House IBL wasn't concerned about that. The expiration date was put on the original bill but the way it was written both authorities were included. The Senate broke out the trust preferred securities into a separate section.

Senator Espegard stated that since the guaranteed loans are a novel entity, there will probably be off balance sheets and liabilities. Hence, a sunset clause on that is a good idea. The trust preferred securities is a good program.

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Dorena Hall
Operator's Signature

10/2/03
Date

Page 2
House Industry, Business and Labor Committee
Bill/Resolution Number HB 1116
Hearing Date April 7, 2003

Senator Nething stated that the amendment was drafted by the legal staff at BND, they communicated to Senate IBL that the House intent was to have the sunset clause on section 1.

Rep. Klein moved that the House accede to the Senate amendments.

Senator Nething seconded the motion.

Results of the roll call voter were unanimous: 6-0.

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Deanna Holbrook
Operator's Signature

10/2/03
Date

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

(Bill Number) HB 1116 (, as (re)engrossed):

Your Conference Committee

For the Senate:

<u>Sen Netting</u>	P	<u>Y</u>
<u>Espgaard</u>	P	<u>Y</u>
<u>Heitkamp</u>	P	<u>Y</u>

For the House:

<u>Rep Dosch</u>	P	<u>Y</u>
<u>Klein</u>	P	<u>Y</u>
<u>Boe</u>	P	<u>Y</u>

☒ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)
the (Senate/House) amendments on (SJ/HJ) page(s) 1078 - 1079

☒ and place HB 1116 on the Seventh order.

☐ , adopt (further) amendments as follows, and place
_____ on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged
and a new committee be appointed.

((Re)Engrossed) _____ was placed on the Seventh order of business on the
calendar.

DATE: 4/7/03

CARRIER: Rep Dosch

LC NO. _____ of amendment

LC NO. _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

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Danna Hall
Operator's Signature

10/2/03
Date

REPORT OF CONFERENCE COMMITTEE (420)
April 7, 2003 11:44 a.m.

Module No: HR-62-6943

Insert LC: .

REPORT OF CONFERENCE COMMITTEE

HB 1116, as engrossed: Your conference committee (Sens. Nething, Espegard, Heltkamp and Reps. Dosch, M. Klein, Boe) recommends that the **HOUSE ACCEDE** to the Senate amendments on HJ pages 1078-1079 and place HB 1116 on the Seventh order.

Engrossed HB 1116 was placed on the Seventh order of business on the calendar.

Dennis G. Baller
Operator's Signature

10/2/03
Date

2003 TESTIMONY
HB 1116

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Doreen Hall
Operator's Signature

10/2/03
Date

TESTIMONY TO THE
INDUSTRY, BUSINESS & LABOR COMMITTEE
JANUARY 14, 2003 HOUSE BILL 1116
ROBERT A. HUMANN - BANK OF NORTH DAKOTA

The Bank of North Dakota supports House Bill 1116. Over the last two years BND has been involved in a number of financing packages to enable bank holding companies to issue Trust Preferred Securities (TOPS) to improve bank's Tier 1 capital position. TOPS transactions offer advantages to bank holding companies because the interest payments are tax deductible and the debt is viewed by the regulators as capital on the holding company's balance sheet. In many respects, TOPS are similar to Bank Stock Loans, and in fact, go hand-in-hand with a Bank Stock Loan. Current statute does not allow for BND to provide TOPS financing on a direct basis. The bank holding company and BND have been faced with seeking a lead lender to originate the TOPS loan. BND currently provides bank stock loans on a direct basis and feels that the TOPS loans will compliment BND's existing bank stock loan features. Over the last two years there has been an increase in demand for TOPS transactions, and BND would like to grow the bank stock portfolio by providing TOPS financing. It is recommended to allow BND to provide TOPS financing on a direct basis.

House Bill 1116 would also give BND more authority to guarantee loans as described under Subsection 1. BND currently guarantees small business loans under the Beginning Entrepreneur Guaranty Loan Program. BND has been having discussions with the Small Business Administration regarding a new co-guaranty program which would involve both agencies guaranteeing a portion of a borrower's loan. Specific guaranty parameters would be approved by following BND's loan policy approval process. In an effort to expand financing tools for North Dakota lenders and to provide additional loan dollars to North Dakota residents, your approval is recommended.

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Robert A. Humann
Operator's Signature

1/12/03
Date

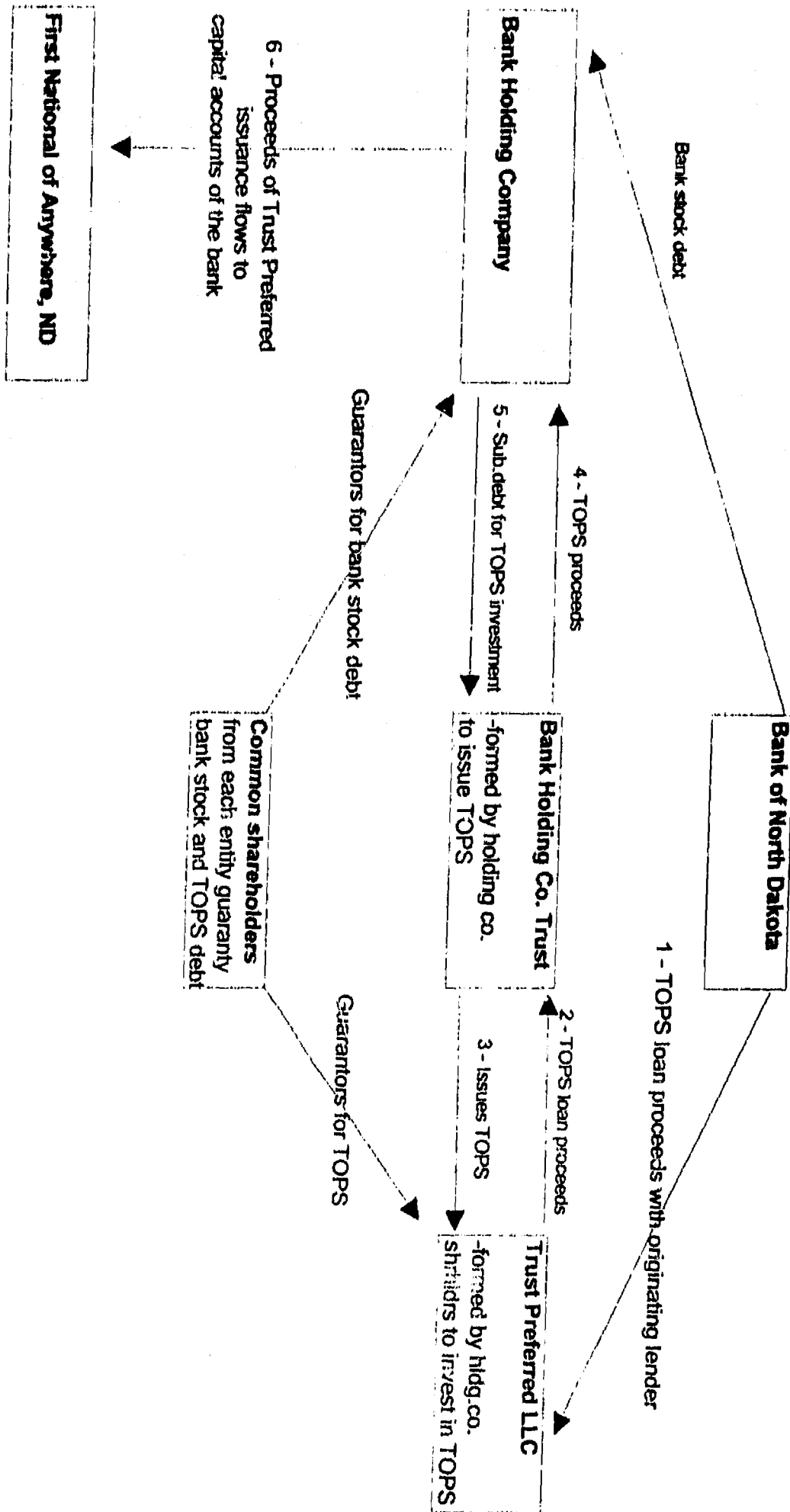
TRUST PREFERRED SECURITIES (TOPS) BACKGROUND INFORMATION:

Over the last two years BND has been involved in a number of financing packages to enable bank holding companies to issue Trust Preferred Securities (TOPS) to improve bank's Tier 1 capital position. The Borrower in a TOPS transaction consists of an investment company, structured as a Limited Liability Corporation, whose ownership mirrors the majority ownership of the bank holding company. The TOPS transaction requires that the holding company establish a business trust as a subsidiary whose sole purpose would be the issuance of TOPS to investors. The proceeds of the investors' TOPS purchase would be lent by the trust to the holding company in the form of subordinated debt. As a result of a 1996 ruling by the Federal Reserve Board, the holding company can then inject these funds as Tier 1 capital into the bank. The terms of the holding company's sub-debt would basically match the terms of the TOPS held by the investor, so that interest payments between the two would match. The end result is that interest payments are tax deductible, while the debt is viewed by the regulators as capital on the holding company's balance sheet.

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Deanna G. G. G. G.
Operator's Signature

10/2/03
Date



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Deanna Bell
Operator's Signature

12/2/03
Date



Commercial Loan Programs

Beginning Entrepreneur | Business Development | Bank Participation | Bank Stock
Oil & Gas | ERA | PAGE | NAICH

Beginning Entrepreneur Loan Guarantee Program

This program is designed to assist in business start-up financing by providing a financial institution with an 85% guaranty of a loan not to exceed \$100,000.

Lead Lender - Any lending institution that is related or funded under the laws of ND or the United States. The lead lender will be responsible for submitting a quarterly report to BND.

Borrower - A North Dakota resident, who has graduated from high school or received a general equivalency certificate, has had some training by education or experience in that type of revenue producing enterprise. The applicant(s), must have a net worth of less than \$100,000 excluding the value of the following personal assets: principal residence, one personal or family motor vehicle, household items and personal belongings.

Guarantee - Bank of North Dakota may guarantee up to 85% of the amount of principal due the lender. The maximum loan may not exceed \$100,000. The Bank may approve a guaranty on a loan up to \$5,000 to a beginning entrepreneur for business start-up expenses including accounting, legal and business planning. The Bank may approve a guarantee on 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 or a one time fee of 1.5% of the guaranteed portion.

Application Process - A lead lender makes an application for this program and is responsible for servicing the loan.

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 loan or 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 \$4,000,000 in loans under this program.

For more information about this program or other Bank of North Dakota programs, contact:

Bank of North Dakota
700 East Main Ave
PO Box 5509
Bismarck ND 58502-5509
(701) 328-5671
1-800-472-2166 ext. 5671
TDD (Telephone Device for the Deaf) 1-800-643-3916

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http://www.banknd.com/ls/ls_commercial1.jsp

01/12/2003

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Deanna Hallmark
Operator's Signature

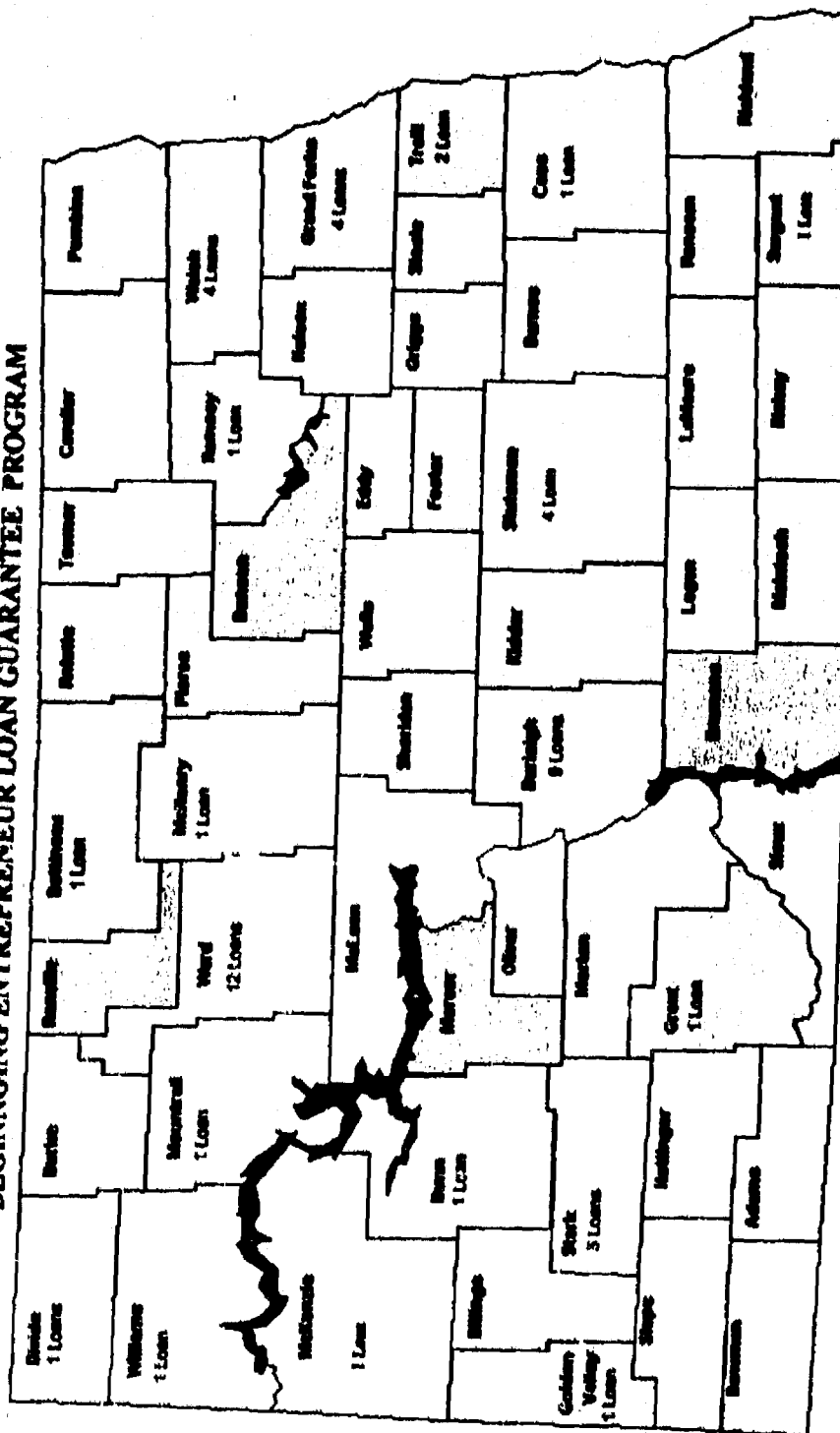
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Date

BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM

	FUNDED LOANS	COMMITTED LOANS	TOTAL LOANS
NUMBER	52	1	53
AMOUNT	\$ 1,830,018	\$ 20,000	\$ 1,850,018
GUARANTEE	\$ 1,547,865	\$ 17,000	\$ 1,564,865

Maximum Loan Amount	\$4,000,000
Beginning Entrepreneur Loan Guarantee Percentage	X 85%
Maximum Guarantee Available	\$3,400,000
Guarantee Amount - Funded/Committed	\$1,139,259
Remaining Guarantee Available	\$2,260,741

**COUNTIES WHICH HAVE PARTICIPATED IN THE
BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM**



This graph depicts loan activity in the Beginning Entrepreneur Loan Guarantee Program from its inception on July 1, 1999 to January 1, 2003

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Donna Hallbach
Operator's Signature

18/2/03
Date

**TESTIMONY TO THE
SENATE INDUSTRY, BUSINESS & LABOR COMMITTEE
FEBRUARY 19, 2003 HOUSE BILL 1116
ROBERT A. HUMANN - BANK OF NORTH DAKOTA**

The Bank of North Dakota supports House Bill 1116. Over the last two years BND has been involved in a number of financing packages to enable bank holding companies to issue Trust Preferred Securities (TOPS) to improve bank's Tier 1 capital position. TOPS transactions offer advantages to bank holding companies because the interest payments are tax deductible and the debt is viewed by the regulators as capital on the holding company's balance sheet. In many respects, TOPS are similar to Bank Stock Loans, and in fact, go hand-in-hand with a Bank Stock Loan. Current statute does not allow for BND to provide TOPS financing on a direct basis. The bank holding company and BND have been faced with seeking a lead lender to originate the TOPS loan. BND currently provides bank stock loans on a direct basis and feels that the TOPS loans will compliment BND's existing bank stock loan features. Over the last two years there has been an increase in demand for TOPS transactions, and BND would like to grow the bank stock portfolio by providing TOPS financing. It is recommended to allow BND to provide TOPS financing on a direct basis.

House Bill 1116 would also give BND more authority to guarantee loans as described under Subsection 1. BND currently guarantees small business loans under the Beginning Entrepreneur Guaranty Loan Program. BND has been having discussions with the Small Business Administration regarding a new co-guaranty program which would involve both agencies guaranteeing a portion of a borrower's loan. Specific guaranty parameters would be approved by following BND's loan policy approval process. In an effort to expand financing tools for North Dakota lenders and to provide additional loan dollars to North Dakota residents, your approval is recommended.

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Robert A. Humann
Operator's Signature

10/2/03
Date