MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

80

2005 HOUSE FINANCE AND TAXATION

HB 1480

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1480

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date January 26, 2005

Tape Number	Side A	Side B	Meter #
1		X	24.7
Committee Clerk Signatu	are Dan	ice Stein	

Minutes:

REP. WES BELTER, CHAIRMAN Called the committee hearing to order.

REP. PAM GULLESON, DIST. 26, SE NORTH DAKOTA Introduced the bill. See attached written testimony, plus a map of North Dakota showing North Dakota Empowerment Program Communities.

REP. DROVDAL Related to the map handout, if this program is good for the colored areas in the state, why don't we make it for the whole state?

REP. GULLESON We actually do, the ten percent would apply to the whole state, the twelve percent is the enhancement portion of this, it applies to the targeted incentive.

She related to the fiscal note, which was much higher than what she anticipated. I think because it shows eleven million, I think they included existing research.

REP. CONRAD It seems to me, we wouldn't have this, if we didn't have the dollars, how can we use them?

Page 2
House Finance and Taxation Committee
Bill/Resolution Number **HB 1480**Hearing Date **January 26, 2005**

REP. GULLESON That is true, and the other thought is, there are times when there is a cost to expand an opportunity, then you reap the benefit at a time down the road. That is always hard to determine. What we could do, is put in place of policy, that takes us so far, and if we think we need to sunset it for the first four years, revisit, see what the activity and impact is, tweak those numbers, those are all options.

REP. OWENS When you change that from purchasing to selling, my first thought is, if I had a company and I had extra credit, and I want to sell, now I can't sell the bobcat.

REP. GULLESON They are the ones that could use this. This applies to whoever is filing in North Dakota

DAVID MARTIN, PRESIDENT OF FARGO CHAMBER OF COMMERCE Testified in support of the bill. We are a regional chamber of commerce with more than 1800 member firms, including members in twenty North Dakota communities. This bill would provide a corporate income tax credit for research and experimental expenditures for qualified research. The federal government, currently, provides research and development tax credit, and North Dakota is able to piggy back on that. We believe we could have a competive advantage enhanced in North Dakota, over other states. We believe bills of this nature can improve the state's competitivness in a global marketplace.

TEX HALL, CHAIRMAN OF THE MANDAN, HIDATSA & ARIKARA TRIBES

Testified in support of the bill. See attached written testimony.

He gave a long term view, stating tribes have fifty percent unemployment. This would do great wonders for our tribe.

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House Finance and Taxation Committee
Bill/Resolution Number **HB 1480**Hearing Date **January 26, 2005**

DELORE ZIMMERMAN, DIRECTOR, COORDINATING CENTER RED RIVER

VALLEY RESEARCH CORRIDOR. Testified in support of the bill. See attached written testimony together with a brochure showing what the corridor can do for you.

BRIAN WALTERS. FARGO Testified in support of the bill. Referred to Delore Zimmerman's testimony. Historically, the United States has been in the position of being the innovator and the producer of goods and services for the world. He stated some of the less developed countries have invested in the areas of education, especially in math and science. They have created an advantage in wage differentials in the white color positions, and now you see them in the Wall Street Journal and Business Week, the same type of conversations that we thought were restricted to the United States. It has also been well documented, in the U.S. economy, our best opportunities to grow is in technology. Eighty percent of the new jobs created are in the area of technology. We need to grow these kinds of jobs, diversify and expand our economy and all of the things that go with that, higher wages, increased population.

DAVID STRAYLY, GREATER NORTH DAKOTA CHAMBER OF COMMERCE

Testified in support of the bill, and also submitted a letter from Jim Melland, with the Economic Development Corporation from Grand Forks, in support of the bill.

MARY LOFTSGUARD, STATE TAX DEPARTMENT Testified in a neutral position. She raised some questions regarding Section 4 of the bill, which would allow for the sale of unused credits. We wonder if the intent was that the purchaser should be involved with some development in our state. Do the credits need to be audited and verified. Another question was, what happens in the case of a federal audit of the seller. Many times, in a federal audit, tax

Page 4
House Finance and Taxation Committee
Bill/Resolution Number HB 1480
Hearing Date January 26, 2005

credits change. She wanted clarification about, would the carry forward provisions for credits be allowed.

REP. BRANDENBURG Related to the fiscal note, would it off set?

MARY LOFTSGUARD In looking at a way to generate a fiscal note that had some resemblance to reality, we took a look at the companies that had claimed a research product and used that under the provisions of this bill.

REP. BRANDENBURG Income went to subdivisions?

MARY LOFTSGUARD I am not sure what income you are talking about.

REP. BRANDENBURG If you have a tax credit, you have to invest first of so many millions of dollars, the investment was put into the subdivisions, local property taxes, so actually, the income went to the people with income tax, and property taxes, does that make sense?

MARY LOFTSGUARD I think what you are saying is that in essence, the only credit they are getting currently, is for expenses in North Dakota. Whatever they have expended for property, wages, etc., would have had to been spent in North Dakota at the local level, to generate the credit.

REP. SCHMIDT Would any of those corrections here that you asked, would that help this fiscal note?

MARY LOFTSGUARD No

With no further testimony, the committee hearing was closed.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB HB 1480

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 7, 2005

Tape Number	Side A	Side B	Meter #
1	X		3

Minutes:

COMMITTEE ACTION

REP. BELTER Asked John Walstad to walk through the amendments prepared for HB 1480. **JOHN WALSTAD** HB 1480 as prepared makes three changes in the corporate income tax credit for research and experimental expenditures. Under current law, a corporation is entitled to a credit for the amount of its research and experimental expenditures above its base period research expenditures. This bill will take out that consideration. The credit will apply to the entire amount of its investment in research. That is the biggest change. The other two things, the credit is 8% of the first million and a half above that base period research level, this will change that to 10%, and the third big change is, if the research is conducted within one of these USDA zones, that rate then goes up to 12%. We have an amendment to this, and the amendment was prepared, I guess, as a response to the shockingly high fiscal note that was attached, which was

Page 2
House Finance and Taxation Committee
Bill/Resolution Number **HB 1480**Hearing Date February 7, 2005

like eleven million dollars. The amendment will put a limit on the credits of up to two million dollars per year, per corporation. That is a credit, a dollar for dollar subtraction from tax liability. On page 2 of the bill, there is some language that allows a corporation to sell its credits to another corporation, this amendment will take that out so those credits cannot be sold. It is hard for me to see how this will substantially reduce the fiscal note. It looks to me like any corporation can have a two million dollar credit.

REP. BELTER Asked for clarification on the fiscal note from Kathryn Strombeck.

MARY LOFTSGARD, STATE TAX DEPARTMENT Appeared to answer any questions relating to the fiscal note.

REP. BELTER It says, the bill as written reduces the fiscal note, is that by 4.1 million or down to 4.1 million?

MARY LOFTSGARD It means down to 4.1 million.

REP. GRANDE Related to the 10% to 4% figures

MARY LOFTSGARD The law as it is written now, will gives the company 8% of the first one and a half million dollars, and then 4% after that, what that scenario would do is give them 10% of the first one and a half million and then 4% over that. You would have a dual rate structure.

REP. GRANDE The four percent is already struck out, so are we removing that amendment?

MARY LOFTSGARD The only amendment that I am aware of out there, is the one that would set a cap at two million dollars and would also delete transferability of credits, these other scenarios are just other options.

REP. WRANGHAM What does that do to the fiscal note?

Page 3
House Finance and Taxation Committee
Bill/Resolution Number **HB 1480**Hearing Date **February 7, 2005**

REP. BELTER Answered stating it will drop the fiscal note down to 4.1 million dollars from the 11.6.

REP. CONRAD Are these existing companies that would now be eligible for credit they are not now getting?

MARY LOFTSGARD Yes, the fiscal note would be on companies that actually are doing business and taking that. We have no way of knowing how many new companies will take this credit.

REP. CONRAD Are these companies going to take this credit or are new companies going to take it?

MARY LOFTSGARD Both

REP. CONRAD If the companies that are presently taking it at the new rate, how much of that four million is existing companies?

MARY LOFTSGARD It would all be existing companies because we, basically, just used those companies that are already doing research.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1480

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 8, 2005

Tape Number	Side A	Side B	Meter #
1	X		9

Minutes:

COMMITTEE ACTION

REP. BELTER Presented amendments to committee members prepared for Rep. Gulleson.

The amendments will reduce the fiscal note from 11.6 million down to 4.1 million.

REP. GRANDE Made a motion to adopt the amendment #50608.0101 as presented.

REP. IVERSON Second the motion. Motion carried by voice vote.

REP. IVERSON Made a motion for a do not pass as amended.

REP. GRANDE Second the motion. **MOTION CARRIED**

7 YES 4 NO 3 ABSENT

REP. IVERSON Was given the floor assignment.

FISCAL NOTE

Requested by Legislative Council 02/10/2005

Amendment to:

HB 1480

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.

	2003-2005 Biennium		2005-2007	Biennium	2007-2009 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues			(\$4,100,000)				
Expenditures							
Appropriations							

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

	Biennium	2000	5-2007 Bieni	nium	2007	7-2009 Bien	mum
Counties Cit	School ies 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.

Engrossed HB 1480 alters the existing corporate income tax credit for research and experimental expenditures.

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

The provisions of Engrossed HB 1480 include increasing the credit percentage, removing the base year expenditure requirement from the computation of the credit, and providing a \$2 million ceiling on the credit.

It is estimated that the fiscal impact of Engrossed HB 1480, if enacted, is a reduction in state general fund revenue of \$4.1 million for the 2005-07 biennium.

- B. **Expenditures:** Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.
- C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/11/2005

FISCAL NOTE

Requested by Legislative Council 01/18/2005

Bill/Resolution No.:

HB 1480

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.

	2003-2005 Biennium		2005-2007	Biennium	2007-2009 Biennium		
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	
Revenues			(\$11,600,000)				
Expenditures							
Appropriations			•				

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

2003-2005 Biennium 2005-2007 Bienniu					2005-2007 Biennium		7-2009 Bien	nium
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.

HB 1480 alters the existing corporate income tax credit for research and experimental expenditures.

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

The provisions of HB 1480 include changing the credit amount from the current graduated 8% and 4% to a flat 10%, with 12% for expenditures in certain rural areas. It also removes the base year expenditure requirement from the computation of the credit, and allows for the sale of unused credits to certain qualifying corporations.

It is estimated that the fiscal impact of HB 1480, if enacted, is a reduction in state general fund revenue of \$11.6 million for the 2005-07 biennium.

- B. Expenditures: Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.
- C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/25/2005

Date: **7-8-05**Roll Call Vote #:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES BILL/RESOLUTION NO. #8 1480

House FINANCE & TAXATION	1			— Comn	nittee
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If the vote is on an amendment, brie	ny maic	ate intent:			

REPORT OF STANDING COMMITTEE (410) February 8, 2005 1:09 p.m.

Module No: HR-25-2121

Carrier: Iverson

Insert LC: 50608.0101 Title: .0200



REPORT OF STANDING COMMITTEE

HB 1480: Finance and Taxation Committee (Rep. Belter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (7 YEAS, 4 NAYS, 3 ABSENT AND NOT VOTING). HB 1480 was placed on the Sixth order on the calendar.

Page 1, line 8, after "credit" insert "of up to two million dollars"

Page 2, line 19, remove "A corporation entitled to a credit under this"

Page 2, remove lines 20 through 22

Renumber accordingly



2005 TESTIMONY

нв 1480

HB 1480 Testimony submitted by Representative Pam Gulleson January 26, 2004

North Dakota is known for being among the nation's leaders in the production of soybeans, wheat and other commodities. But, what many people don't know is that we are also becoming among the nations leaders in the production of advanced research. Over the last 3 years over \$200 million dollars in federal research dollars have been directed to North Dakota's two research institutions, where advanced level research in the areas of nanoscience, polymers and coatings, bioscience, food safety, aerospace, and much, much more is occuring. Senator Dorgan's Red River Valley Research Corridor initiative and the Governor's Centers of Excellence are generating interest and creating opportunities for companies to co-locate near our research institutions and benefit from the work that is being produced there. The result is that North Dakota universities have joined the ranks of this nations finest universities in research and development.

Unfortunately, North Dakota continues to lag behind in converting that research into industry and employment opportunities. A number of national studies, including the National Science Foundation's Science and Engineering Indicators for States places North Dakota's rating in the Industry-Performed Research and Development in the lowest tier of states measured.

With this bill, it is our goal to narrow the gap between North Dakota's accelerating academic research activities and it's laxluster record of developing a science and technology industry sector. This bill is narrow in its scope as it aims to fuel the growth of an R&D industry in North Dakota and targets those USDA-designated areas throughout the state where outmigration, under-employment and low per capital income are occuring at higher-than-average rates.

Bill provisions:

- 1). Currently, the federal government provides a 20% research and development tax credit on calculated increases in R&D spending. North Dakota, and at least 34 other states offer additional credits. North Dakota's current credit is 8% and can be used on the calculating increases.
- 2). Expands the amount of the R&D tax credits from 8 to 10% and enhances the existing credit by applying the credit to existing expenses.
- 3). Targets portions of our state that have a history of higher unemployment, high outmigration or low per capita income with enhanced R&D tax credit of 12% in an effort to attract industry to those areas where we would like to enhance growth.
- 4). New language in Section 1, subsection 4 could create competitive advantages for North Dakota by allowing corporations who are entitled to a credit under this section to sell any unused



credits to another corporation if the corporation <u>selling</u> the credit has fifty or fewer employees in this state.

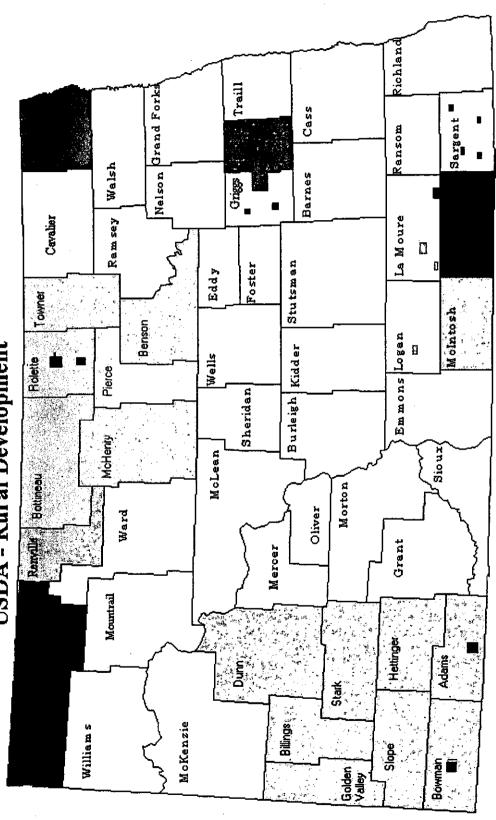
Clearly, it is an exciting day in North Dakota. Our two research universities are serving as the engines of growth for a new Science and Technology economy in North Dakota. Rarely, do we have this type of opportunity in front of us. It is my hope that we can take a serious look at this state's tax and other policy to ensure that we are positioned to benefit the entire state from this opportunity.

Amendment on HB 1480 Page 2, line 21 strike "purchasing" and replace with "selling"



H13/480 Rep. Gulleson

North Dakota Empowerment Program Communities USDA - Rural Development



Dakota Partners - Rugby Champion Community

- Burke-Divide Champion Community
- Cavalier County Champion Community
- Dakota Heartland Champion Community **a**
- CONAC REAP Zone (Includes Pierce County)
- Rolette County Champion Community
- Renville County Champion Community
- Dakota State Line Regional Alliance Champion Community

Griggs - Steele Empowerment Zone

- SW REAP Zone
- Pembina County Champion Community
- Dakota Partners Bowman/Hettinger



MANDAN, HIDATSA & ARIKARA NATION

Three Affiliated Tribes • Ft. Berthold Reservation 404 frontage Road • New Town, ND 58763-9402

59th LEGISLATIVE ASSEMBLY HOUSE COMMITTEE ON FINANCE & TAXATION HONORABLE WESLEY R. BELTER, CHAIRMAN & COMMITTEE MEMBERS

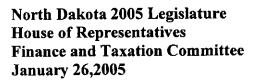
TESTIMONY OF TEX G. HALL, CHAIRMAN MANDAN, HIDATSA & ARIKARA NATION ON SENATE BILL 1480

Chairman Belter and Committee Members, my name is Tex Hall and I am the Chairman of the Mandan, Hidatsa & Arikara Nation. Thank you for allowing me to testify before you today.

Senate Bill 1480 would amend Section 57-38-30.5 of the North Dakota Century Code to allow for a twelve percent tax credit qualified research done within the boundaries of North Dakota's Indian Reservations as well as other economically disadvantaged communities. This Bill promotes business and job creation in areas that have high unemployment rates and therefore benefits both the State and North Dakota Tribes.

I urge this committee to recommend a DO PASS on SB 1480.

Again, thank you for allowing me to testify.



Delore Zimmerman, Ph.D. Director, Coordinating Center Red River Valley Research Corridor

Testimony Re: House Bill 1480
A BILL for an Act to amend and reenact section 57-38-30.5 of the North Dakota Century Code, relating to a corporate income tax credit for research and experimental expenditures; and to provide an effective date.

Red River Valley Research Corridor

The Research Corridor is an initiative started and championed by U.S. Senator Byron Dorgan to expand upon the research capacity at North Dakota universities to build & attract high-tech businesses, generate new economic opportunities create good-paying jobs for the region.

The Research Corridor is anchored by our two major research institutions – North Dakota State University and the University of North Dakota – and is connected to other colleges, universities and businesses throughout the state.

In addition to investing federal research dollars to unleash the potential of North Dakota's science & technology sectors, the Corridor serves as a mechanism for networking businesses and universities in the region to create collaborative ventures and for marketing the our state's science and technology assets outside the state.

Since 2002, \$200 million of federal investments in research, training & manufacturing contracts have been directed to universities and businesses in the state.

In 2004, \$65 million was directed to projects including the Center for Nanoscale Science and Engineering (NDSU), the Neurosciences Research Center (UND), and the National Center for Hydrogen Energy (EERC-UND).

Building a Science and Technology-Based Economy

There is a strong relationship between an economy's use of science and technology and it's standard of living. The Milken Institute's Annual State Science and Technology Index shows that 75% of the variability in a state's per capita income can be accounted for by it's ability to convert these S&T assets into economic development.

The National Science Foundation's Science and Engineering Indicators for States shows that North Dakota's universities are performing at a high level, with North Dakota ranked in the top tier (quartile) as measured by academic R&D per \$1,000 of gross state product. On the other hand, North Dakota's level of industry-performed R&D (as a share of private-industry output) is ranked in the bottom tier (quartile) among states. Similarly, North Dakota's share of total industry employment in high-tech establishments is ranked in the 4th quartile.

Table 1: Science and Engineering Indicators for North Dakota, 2004

Academic R&D	1 st quartile
Industry-performed R&D	4 th quartile
High tech employment	4 th quartile

Source: National Science Foundation

As Table 1 shows North Dakota has not converted it's science and technology assets into industry and employment opportunities to the extent that other states have done.

My conclusion is that if we are going to move our state forward in building a science



and technology based economy we need to foster more R&D activity within the private sector while continuing to build on the tremendous capabilities of our universities and university-affiliated research centers.

considerably to our state's efforts to build a more science and technology-enriched economy.

The Proposed R&D Tax Credit

Government induces or encourages R&D through two principal mechanisms: R&D subsidies and R&D tax credits. Government can also purchase R&D for it's own purposes including defense and public health.

I have a few observations about R&D tax credits and House Bill 1480.

R&D tax credits are a relatively more market-oriented approach to stimulating R&D as they let the firm choose the research projects they will do.

In the proposed changes to the bill the base level and dollar limitations are removed. The latter change is particularly good for companies with large research expenditures while the former is extremely helpful for companies that are new to the research endeavor. They may have not done research before or they may have not established the accounting procedures required to claim the credit.

Finally, allowing companies to sell their R&D tax credits is a valuable tool, particularly for startup companies who might be heavy in R&D but some distance away from break-even. This is a provision that has been added in others states where the experience has been that startups do not take advantage of the credit because it is not something that is relevant to their financial situation.

Overall, it is my belief that the proposed changes will stimulate industry-performed R&D in the state and contribute







January 25, 2005

To:

North Dakota Legislative Assembly

House Committee on Finance and Taxation

Re:

HB 1480 Letter of Support

Mellan)

Dear Committee Members:

The amendments to the corporate income tax credit for research and experimental expenditures made in this bill are of high value to companies in industries targeted in the state's economic development efforts. The Grand Forks Region Economic Development Corporation supports this bill.

As an example of how this bill can help, we are currently working to recruit a value-added agri-business from out-of-state with a potential by-product that requires research and development. The company is working on a research contract with appropriate UND scientists to develop potential products. The increased tax credit in this bill provides North Dakota with an advantage over similar credits in other states and helps us to secure the company's expansion to our region.

Similarly, there are several small companies in our region that annually spend a significant portion of their revenues on research and development of new technologies and products. The enhanced tax credit will encourage additional funding. In addition, the provisions of this bill allowing small companies (under 50 employees) to sell the tax credit to other companies provides additional incentive to maximize research expenditures even when corporate profits are not large enough to take full advantage of the credits.

Research and experimental expenditures are of core importance for economic development in target industries. Such activity provides additional private sector funding of colleges and universities scientific activities, and ultimately provides career opportunities for our high-quality North Dakota workforce.

This bill is an attractive enhancement for North Dakota economic development priorities and we strongly urge your favorable consideration.

Sincerely,



Gulleson, Pam M.



Strombeck, Kathy L.

Wednesday, February 02, 2005 12:06 PM

Gulleson, Pam M.

RE: HB 1480

Rep. Gulleson;

Biennial fiscal impacts are as follows:

- Bill as written, except add a \$2 million per company cap: -\$4.1 million per biennium
- Bill as written, except add a second rate, as in current law, to 10%/4%: -\$3.6 million per biennium
- Bill as written, except add a second 4% rate AND a \$2 million per company cap: -\$2.7 million per biennium

Please let me know if you would like us to consider additional scenarios.

Kathy Strombeck 8-3402

----Original Message-----From: Gulleson, Pam M.

Sent: Tuesday, February 01, 2005 5:09 PM

To: Strombeck, Kathy L. Subject: RE: HB 1480

Hi Kathy- If possible, that would be very helpful. That gives up some options as we look at this bill. I told Wes that I'd get him an amendment tomorrow. Thanks, Pam

ginal Message----From: Strombeck, Kathy L.

Sent: Tuesday, February 01, 2005 4:38 PM

To: Gulleson, Pam M. Subject: HB 1480

Rep. Gulleson:

I believe you are looking for a revised fiscal estimate on this bill. Are there some specific amendments you are referring to? I know there is a version that caps the credit to \$2 million per taxpayer. There is also a version that continues with a bracketed rate, starting at a higher rate (10% as in your bill as introduced) and reverting back to a 4% rate, as in current law. And there may be an amendment that does both.

Would you like a fiscal impact of "all of the above" or which version are you considering?

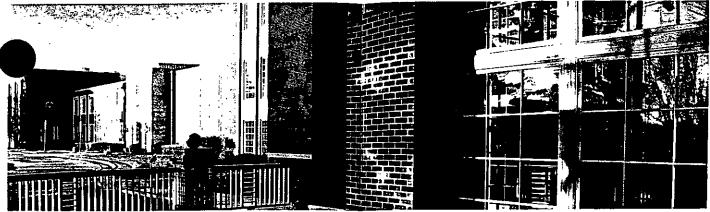
Kathy Strombeck Office of Tax Commissioner 8-3402



WHAT CAN THE CORRIDOR DO FOR YOU?

If you're a researcher or entrepreneur, we have programs and infrastructure in place and ready to work for you immediately. Contact us and we'll put you in touch with the right people to help you find research funding, license your technology, turn an idea into a company or make a growing company stronger.





Energy and Environmental Research Center (UND)

RED RIVER VALLEY RESEARCH CORRIDOR

The beginning

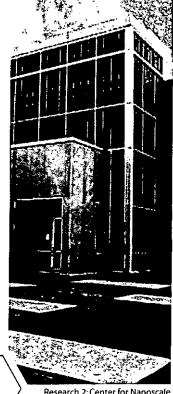
The first step in creating the Corridor was taken in early 2002 when U.S. Senator Byron Dorgan convened a meeting with the presidents of North Dakota state universities and colleges to propose a bold new program to draw millions of federal research dollars to North Dakota. Today, the University of North Dakota (UND) in Grand Forks and North Dakota State University (NDSU) in Fargo anchor a research

or that works cooperatively state's other colleges and sities and collaborates with high-tech businesses from all corners of the state.

The Red River Valley Research Corridor was designed to expand on the research capacities of North Dakota's universities to help build and attract high-tech businesses, generate new economic opportunities, and create good-paying jobs for the region.

The result

Since 2002, more than \$100 million in scientific research funding has been directed to UND and NDSU, helping to develop them into worldclass research institutions. Success in these areas has led to millions of dollars of research work for other colleges and universities and regional high-tech companies, creating jobs and economic growth throughout the state.



Research 2: Center for Nanoscale Science and Engineering (NDSU)

RESEARCH CAPACITIES

all universities

CONNECTIVITY (NETWORKING)

Networks have been called "possibility factories." Here in the Corridor there's plenty of networking going on—connectivity via technology networks, and relationships via people networks.

You can quickly connect to and mobilize the best people, resources and capabilities for your company or project. The following organizations provide regular opportunities for people in business, finance, government and universities to find out what's new and what's happening:

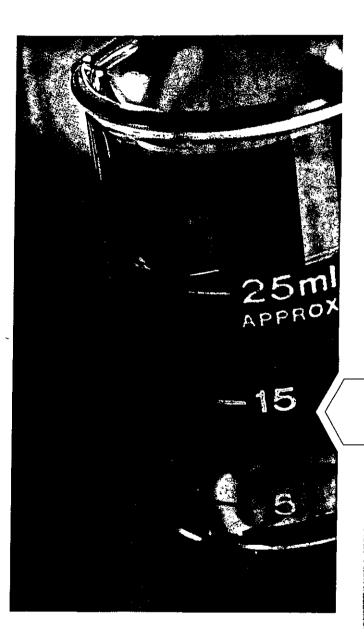
- 501 Entrepreneur Society www.ndsuresearchpark.com/info/events_services.epl
- Center for Innovation "Entrepreneur Forum" www.entrepreneurforum.net
- 701 TechForum www.vastlane.org/701techforum

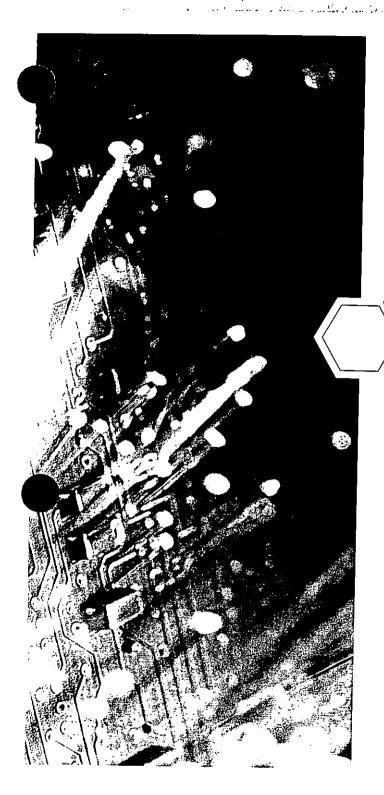
We're also connected to national and international destinations with airports featuring frequent daily jet service to major regional hubs within the United States.

- Hector International Airport, Fargo www.fargoairport.com
- Grand Forks International Airport www.gfkairport.com









TECH TRANSFER

If innovation is your quest, you can find it here in the Corridor—whether you are looking for a technology or process developed at the university or seeking specific expertise to help solve a problem. A spirit of collaboration thrives here and the team is in place for successful commercialization.

North Dakota State University www.ndsu.nodak.edu/techtransfer University of North Dakota www.und.nodak.edu/research

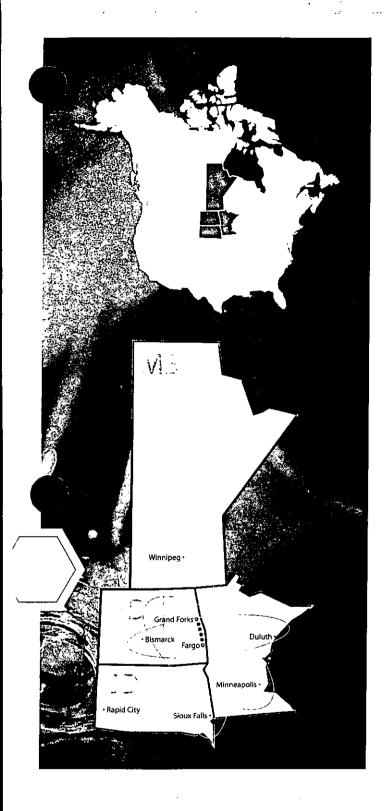
North Dakota's EPSCoR program is building the state's research competitiveness through infrastructure improvements, science outreach and recruitment, and initiatives that result in university-business collaborations. www.ndsu.nodak.edu/epscor

RED RIVER VALLEY RESEARCH CORRIDOR COORDINATING CENTER

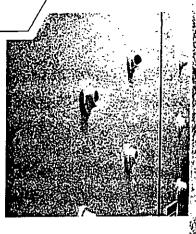
The Center was established to catalyze the region's science and technology-based development strategy. The Center is led by Dr. Delore Zimmerman, President of CEO Praxis, Inc. in Grand Forks and Fargo. The Center works to:

- · Acquire federal research funding.
- Provide key infrastructure that will attract research work.
- Convene technology action summits to activate regional networking and to connect with potential collaborators and investors to create opportunities in the Corridor.
- Identify and fill gaps in technology infrastructure.
- Market the state's research and technology assets outside the region.
- Provide links between business investment capital and state colleges, universities and commercialization teams.

You can contact the Coordinating Center at www.theresearchcorridor.com







REGIONAL SCIENCE AND

North Dakota's Red River Valley Corridor is a great place to grow a company. Here are a few examples of some of our most successful science and technology-based firms. For more information on any of the companies, visit their websites.

Aatrix Software Grand Forks, N.D. www.aatrix.com

Agri ImaGIS Maddock, N.D. www.satshot.com

Agsco, Inc. Grand Forks, N.D. www.agscoinc.com

Aldevron Fargo, N.D. www.aldevron.com

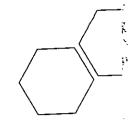
Alien Technology Fargo, N.D. www.alientechnology.com

Arrow-Tech, Inc. Rolla, N.D. www.arrowtechinc.com

Appareo Systems Fargo, N.D. www.appareosystems.com

Bobcat Company West Fargo, N.D. www.bobcat.com CEO Praxis, Inc. Grand Forks, N.D. www.ceopraxis.com





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KEY RESEARCH AREAS

Connect with innovative research, development and commercialization work in the following key science and technology areas:

For details, check out the websites for each university.

North Dakota State University www.ndsu.edu/research

- Nanoscale science and engineering
- Wireless networks
- Microsensors, including RFID (radio frequency identification)
- Polymers and coatings
- Agriculture and other biosciences

University of North Dakota www.und.edu/research

- Biosciences—medicine, neuroscience, biodefense
- Energy and the environment
- Aerospace sciences and engineering
- Healthy foods and human health

RESEARCH AND TECHNOLOGY PARKS

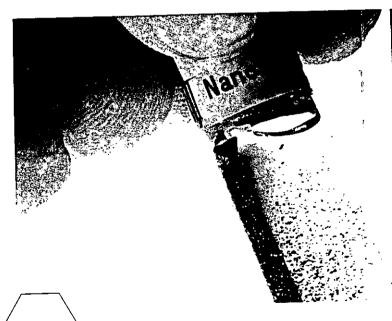
The Research Corridor offers several excellent options where you will have ready access to state-of-the-art facilities and to faculty, staff and students. For details on each park, visit their websites.

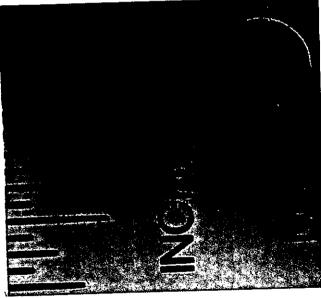
Fargo

- NDSU Research and Technology Park www.ndsuresearchpark.com
- Center for Nanoscale Science and Engineering www.ndsu.edu/cnse

Grand Forks

- University Research and Technology Park www.utechpark.net
- Energy and Environmental Research Center www.undeerc.org







DO YOU HAVE "THE NEXT BIG IDEA"?

The Red River Valley Research Corridor is ready with infrastructure and programs in place to help you obtain funding for research, to start your company, or to make your growing company more dynamic and profitable.

It's been done here before—many times—and you can do it again. To connect with the action in the Corridor, simply contact us online or by phone.



Coordinating Center 100 North Third Street Suite 30 Grand Forks, ND 58203

Fargo Office 101 North Tenth Street Suite 300 Fargo, ND 58102

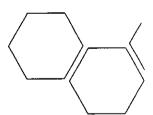
Toll-free: 888.775.0192 Fax: 701.775.3909 Email: delore@theresearchcorridor.com www.theresearchcorridor.com

BUSINESS DEVELOPMENT

To find out what we can do to help your company or research project, contact us online at www.theresearchcorridor.com

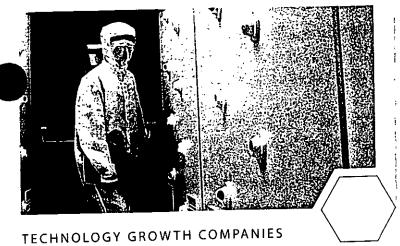
Learn more about business in the Corridor by visiting these websites:

- Fargo-Cass County Economic Development Corporation www.fedc.com
- Grand Forks Region Economic Development Corporation www.grandforks.org
- North Dakota Department of Commerce www.growingnd.com
- UND Center for Innovation www.innovators.net
- NDSU Research and Technology Park www.ndsuresearchpark.com/ entrepreneurship
- Red River Valley Research Corridor Coordinating Center www.theresearchcorridor.com



generating

ECONOMIC OPPORTUNITIES



ECHNOLOGI GROW

Cirrus Design Grand Forks, N.D. www.cirrusdesign.com

Clinical Supplies Management, Inc. Fargo, N.D. www.csm-plus.com

Dakota Technologies Fargo, N.D. www.dakotatechnologies.com

DakTech Computers Fargo, N.D. www.daktech.com

Denet Labs Grand Forks, N.D. www.denetlabs.com

Global Electric Motorcars (GEM) Fargo, N.D. www.gemcar.com

Imation Wahpeton, N.D. www.imation.com

Killdeer Mountain Manufacturing, Inc. Killdeer, N.D. www.kmmnet.com

Meridian Environmental Technology, inc. Grand Forks, N.D. www.meridian-enviro.com

Microbeam Technologies, Inc. Grand Forks, N.D. www.microbeam.com Microlap Technologies, Inc. Rolla, N.D. www.microlap.com

Microsoft Business Solutions Fargo, N.D. www.microsoft.com

Neuropsychiatric Research Institute

Fargo, N.D. www.nrifargo.com

Orion Biosciences Fargo, N.D. www.orionbiosciences.com

Packet Digital Fargo, N.D. www.packetdigital.com

Pedigree Technologies Fargo, ND www.pedigreetechnologies.com

Phoenix International Fargo, N.D. www.phoeintl.com

Pracs Institute Fargo, N.D. and East Grand Forks, Minn. www.pracs.com

SEO Precision, Inc. Crosby, N.D. www.seoprecision.com Technology Applications Group, Inc. Grand Forks, N.D. www.tagnite.com

EDUCATION

This is the Brain Belt. North Dakota students consistently outrank those from other states in science, math and reading scores. We rank first in high school graduation, and we're at the top in student "chance for college" scores every year.

Learn more about education in the Corridor by visiting these websites:

- Fargo Public Schools www.fargo.k12.nd.us
- Grand Forks Public Schools www.gfschools.org
- North Dakota University System www.ndus.edu
- University of North Dakota www.und.edu
- North Dakota State University www.ndsu.edu
- North Dakota State College of Science www.ndscs.edu
- Skills and Technology Training Center www.trainfargo.com
- North Dakota Workforce Training www.trainnd.com

A BALANCED LIFE

We've got a good thing going here in the Corridor. The housing is affordable, the public schools are excellent and the living is easier. Families, students, workers and good neighbors are discovering that cities and towns in the Corridor and throughout North Dakota are ideal places to live, work and play.

Learn more about the Corridor lifestyle by visiting these websites:

- Fargo-Cass County Economic Development Corporation www.fedc.com
- Grand Forks Region Economic Development Corporation www.grandforks.org
- Fargo-Moorhead Chamber of Commerce www.fmchamber.com
- Grand Cities (Grand Forks and East Grand Forks) www.gfchamber.com
- North Dakota Department of Commerce www.growingnd.com
- Greater North Dakota Chamber of Commerce www.ndchamber.com

