

FINANCING ECONOMIC DEVELOPMENT

2019 REPORT



President's Letter

Bank of North Dakota (BND) celebrated 100 years of promoting agriculture, commerce and industry in North Dakota in 2019. Created so farmers could access a fair lending option, it was Governor William Guy who challenged the Bank to play a larger role in growing the economy.



Governor Guy shared this directive with the 1961 Legislature: "The philosophy of lending of the Bank of North Dakota should reflect our faith in the potential of economic development for our own people."

That statement represented a major shift for the Bank, and over the decades, this vision has evolved in a meaningful way.

Today, it means loan programs have the flexibility to adjust to a rapidly changing landscape. Stakeholders are consulted and help shape program parameters. Partnerships are strengthened and leveraged for efficiencies to serve North Dakotans. The state's tax dollars are invested and returned to the State to help lower city and county tax burdens and support the

general fund.

This year, we saw an increase in the use of the PACE programs while the new Accelerated Growth Loan Program met the financing needs of rapidly growing technology companies. We also introduced disaster relief programs to support our state's farmers and ranchers. The total loan portfolio remained stable from 2018.

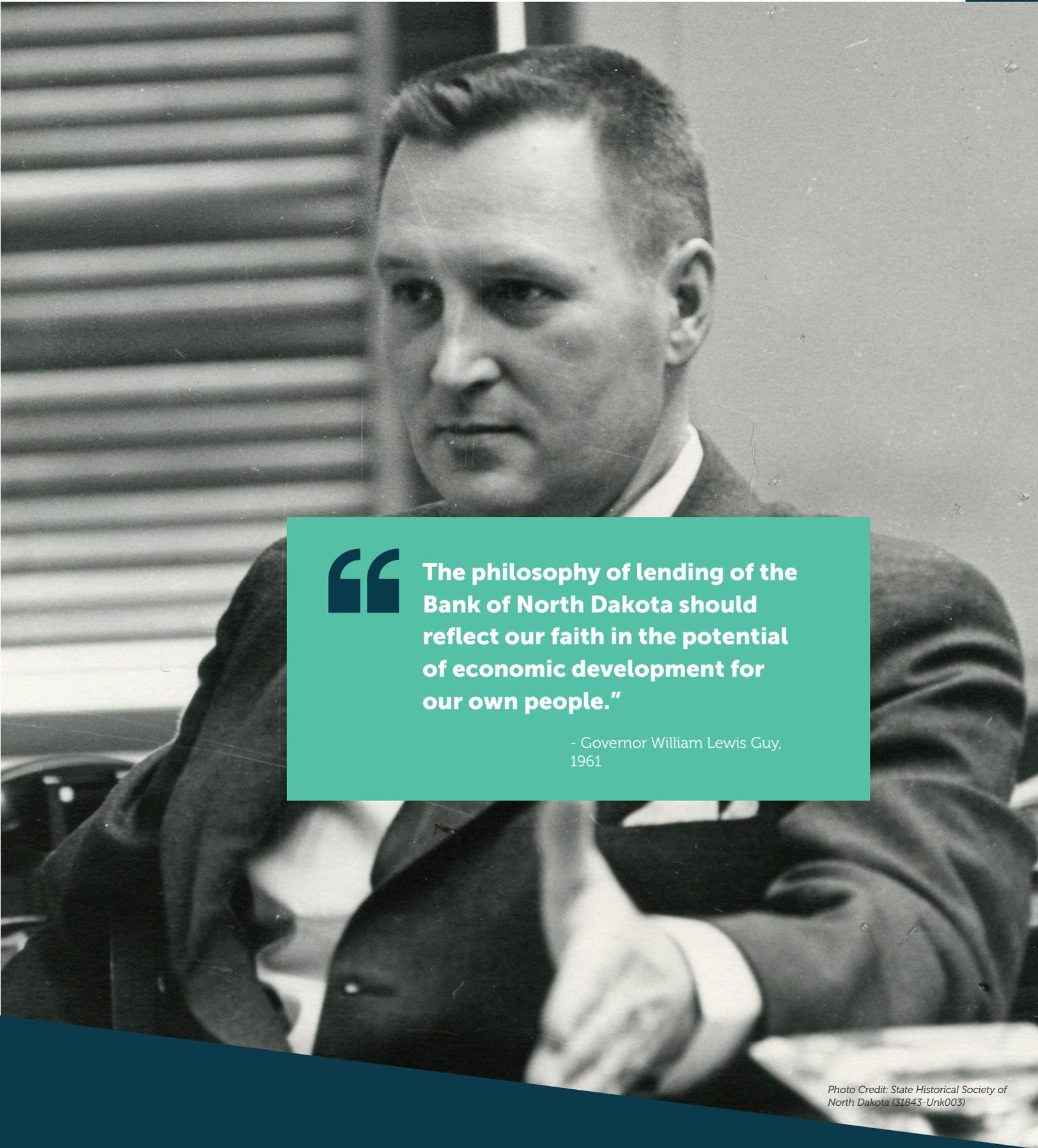
In the last two years, BND and the Department of Commerce (DOC) have collaborated to work more closely together. While the missions of BND and DOC are interlaced, we now have a shared vision that defines roles and creates efficiencies in recruiting and financing economic development.

It is our privilege to fulfill the vision statement we created several years ago: BND will be an agile partner that creates financial solutions for current and emerging economic needs.

A handwritten signature in white ink on a dark blue background, reading "Eric Hardmeyer".

Eric Hardmeyer

President and Chief Executive Officer



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The philosophy of lending of the Bank of North Dakota should reflect our faith in the potential of economic development for our own people.”

- Governor William Lewis Guy,
1961



**Proactive initiatives
to support economic
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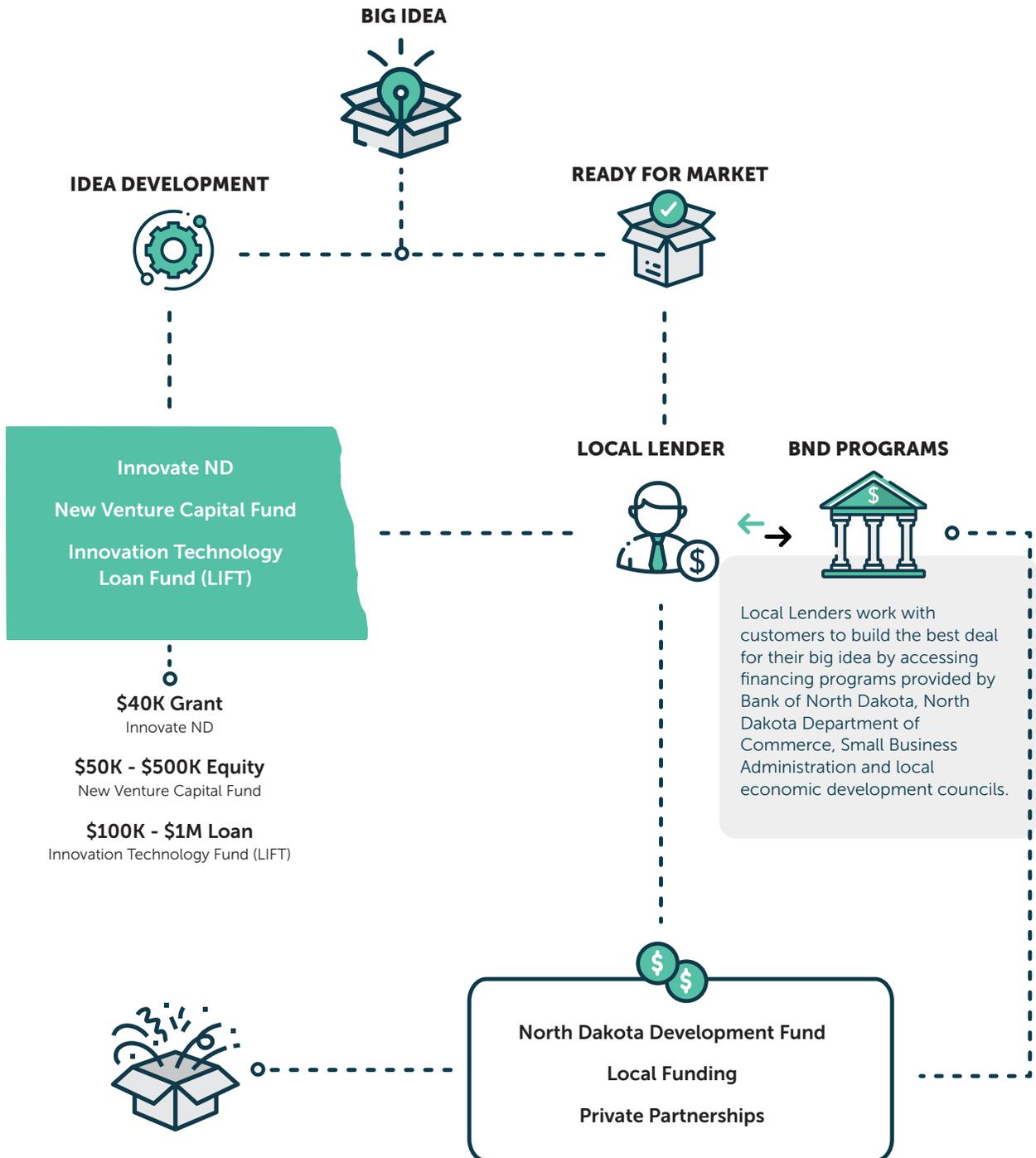
Collaborating to Create a Thriving Economy

Economic development is important to communities across North Dakota. Proactive initiatives to support economic diversification, community building and workforce development keeps North Dakota growing.

The North Dakota Department of Commerce and Bank of North Dakota have key roles to assist with the rapid growth in the state.

	
Leads efforts to attract, retain and expand wealth	Finances initiatives that promote agriculture, commerce and industry
Partners with economic developers to identify and promote business and economic diversification initiatives	Partners with local lenders to distribute economic development loans
Administers grant programs, such as Innovate ND, to advance business growth and development	Advises local lenders on state programs to help them build the best deal for clients
Supports communities to identify infrastructure needs and redevelopment opportunities through the Main Street Initiative	Finances infrastructure needs with low-interest loans to decrease local tax burden
Coordinates with higher education to advance research	Administers College SAVE, the state's 529 plan, to help residents save for postsecondary education
Partners with higher education to deliver grant and specialized workforce development initiatives such as ND Career Builders	Provides lower interest student loans with no fees and the ability to refinance afterward to North Dakota residents

Building the Best Deal for Entrepreneurs





Midwest Drone Group

Grand Forks, ND

Midwest Drone Group flies drones to collect data, photos and video. Between late 2018 and throughout 2019, they deployed drones to 35 states and seven countries providing infrastructure inspection for the energy industry and agriculture, as well as flying for the Federal Aviation Administration test site.

Location: Grand Forks, North Dakota, expanding to Fargo and Watford City in 2020.

Timeline:

- **2012-2014:** Unmanned Applications Institute International (UAI) was a client of Innovate ND.
- **2016:** Isight RPV Services, another Innovate ND client, approached UAI to merge, becoming Midwest Drone Group.
- **Revenue growth:** Grew from \$250,000 in 2016 to \$2.0 million in 2019.

Employees: Currently 15 employees plus six contractors/consultants; will expand to 20-24 employees and six consultants in 2020.

Creating Financial Solutions



Bank of North Dakota's vision is to be an agile partner that creates financial solutions for current and emerging economic needs in North Dakota. BND collaborates with the private and public sectors to assess needs and modifies or adds programs that contribute to economic vitality for its residents.

PACE Programs

Problem: Local lenders and economic developers expressed concerns in round tables held across the state in the fall of 2016 that PACE loan limitations were too low for many business needs. Further, the structure of the program needed to be updated to reflect the current economic realities of stimulating investment as opposed to job creation.

Solution: PACE program loan amounts were increased and loan parameters were updated in 2017.

Results: PACE program loan usage has increased significantly.

Flex PACE Program Loan Originations and Renewals

	2019	2018	2017	2016
Number of Loans	144	117	85	92
Total Loan Amount	\$42,492,436	\$38,800,411	\$24,615,070	\$29,918,574

PACE Program Loan Originations and Renewals

	2019	2018	2017	2016
Number of Loans	11	12	5	3
Total Loan Amount	\$13,125,720	\$15,927,216	\$3,779,409	\$2,461,689



Flex PACE is the bread-and-butter program for our financial institution."

- Brock Romine, Assistant Vice President, First International Bank & Trust



Accelerated Growth Loan Program

Problem: North Dakota-based technology companies did not have access to regular financing because they lacked collateral to back their loans.

Solution: BND worked with local lenders and tech industry leaders to develop the Accelerated Growth Loan which was introduced in 2019. Companies with a record of proven operations, experienced management and the ability to generate cash flow, but with limited assets for traditional bank financing, access this loan through their local lender.

Results:

- 4 companies
- \$8,585,948 in loans
- More than 100 jobs created
- Over \$25 million investment dollars stimulated



We were able to secure a several million-dollar line of credit that we would not normally have been able to do. Banks would say, 'I like you, you have a great business, but there's not enough assets for us to grab.' It allowed us to grow significantly without going to Silicon Valley and sell off part of the business."

- Brady Nash, CEO and Owner, BNG Team



Ag Disaster Relief Loan Program

Problem: Extreme weather conditions including an extended cool spring, heavy rains in late summer and below average temperatures in September, resulted in unharvested crops across North Dakota.

Solution: After meeting with stakeholders in the late fall, BND introduced two new loan programs.

Results: The Ag Disaster Relief Program provides borrowers with the ability to carry-over operating shortfalls, term debt payments, and to restructure existing debt.

The Livestock Feed Program assists with feed costs for livestock producers who can establish an expected shortfall in the amount of feed needed to sustain existing breeding livestock and backgrounding livestock operation levels.

Ag producers access the loans by working with their local lenders. Applications are accepted through June 30, 2020.

Ag PACE Loan Program

Problem: Ag lenders were unable to meet the loan amounts necessary for subsurface field tiling projects.

Solution: The eligible uses for Ag PACE were changed in 2017 to expand the parameters of subsurface field tiling projects.

Results:

2019: 55 loans for \$7,647,444

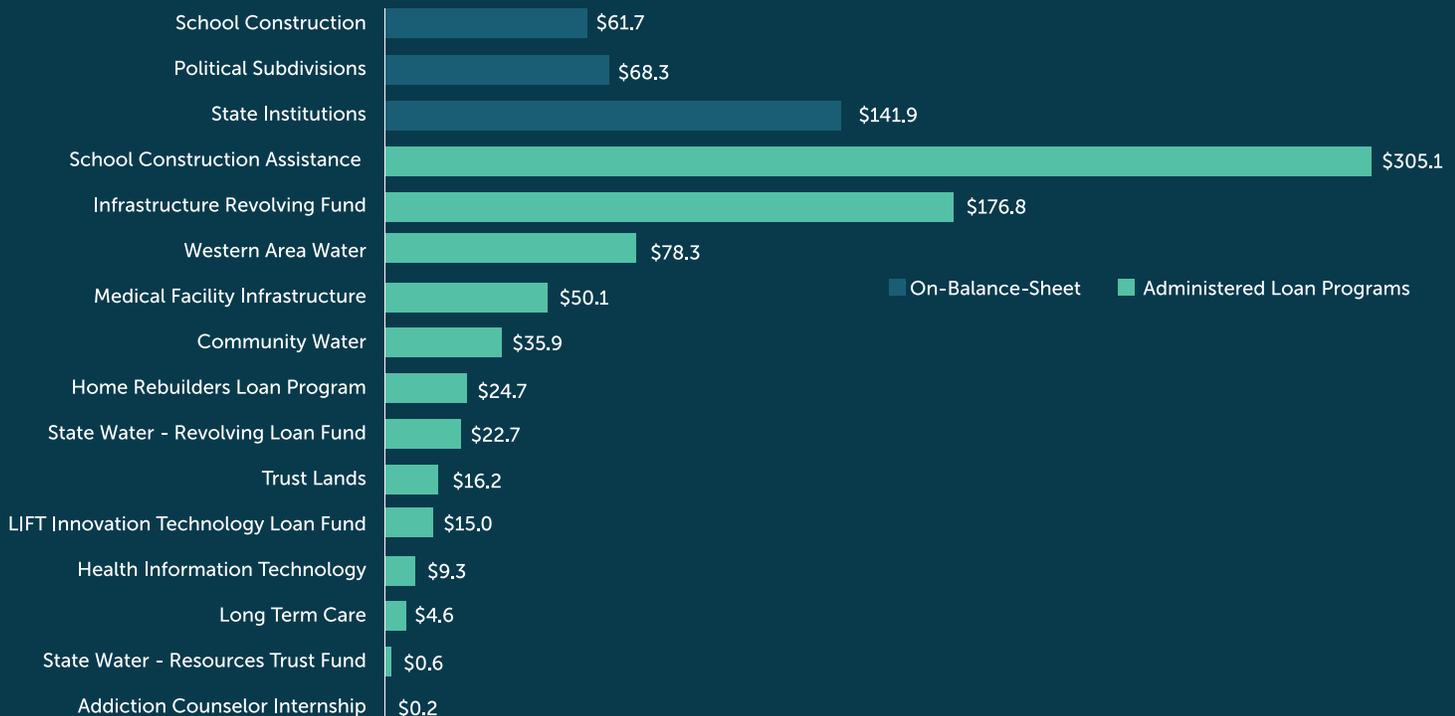
2018: 46 loans for \$8,061,045

Administered Loan Programs

Today, Bank of North Dakota is a \$7 billion dollar institution.

In addition to the programs and loans carried on the Bank's balance sheet, BND serves as administrator for another billion dollars in programs and loans as directed by the North Dakota Legislature. These loan programs provide low-interest, long-term loans to state and local government agencies to finance projects resulting in significant cost savings to taxpayers of North Dakota.

Administered Loan Programs
(in millions)





BND Administered Loan Programs Map





Community Spotlight

Devils Lake, ND

Known for its recreational opportunities, Devils Lake leaders envision a community with a vibrant downtown that offers amenities for residents and accommodates events and conferences. Expanding on the economic aspects of their tourism industry is also on the horizon. Their commitment to economic diversification is being assisted by working with these state programs.

BND Commercial Loans

- **2018:** 9 loans for \$19,276,940
- **2019:** 9 loans for \$14,195,400

BND Infrastructure

- 5 loans totaling \$6,070,000



Watford City and McKenzie County, ND

Responding to the rapid population increases in Watford City and McKenzie County has reignited the pioneer spirit. Resources from a variety of programs are helping them meet the needs of their residents.

BND Commercial Loans

- **2018:** 8 loans for \$52,858,672
- **2019:** 7 loans for \$43,657,199

Administered Loans

- Medical Facility: 1 loan for \$12,500,000
- School Construction: 1 loan for \$10,000,000



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