

REPORT 2022

FINANCING ECONOMIC DEVELOPMENT



LETTER FROM THE PRESIDENT



Todd Steinwand
President/CEO

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The founders of Bank of North Dakota (BND) aspired to provide better financial support to farmers than they were receiving from banks in Minneapolis and Chicago. I am certain the visionaries of that 1919 Legislative Assembly never imagined their endeavor would have the impact it has on our state.

Without question, they could not have conceived that the initial capital of \$2 million for BND would grow to \$10 billion in 2022. They would not have imagined that in one year – 2022 – the BND loan portfolio would invest \$2.8 billion in our state’s farmers, ranchers, students and Main Street businesses, or that the total loan portfolio would be \$5.4 billion.

The success of BND is because of its partnerships with the local financial institutions that work tirelessly with their customers and deliver BND’s programs.

This relationship allows local lenders, who know the needs of their communities best, to spread their risk, and gives financial institutions of any size the ability to lend like the largest of their counterparts.

In addition to the local lender partnership, the Legislature creates special programs and revolving loan funds to provide low-cost funding for schools, community infrastructure, water projects and emerging technologies. These Legislative-Directed Loan Programs

are managed by BND and total more than \$900 million. They are utilized across the state and are illustrated on the map on the pages 5-6.

As a bank, we are seeing increased interest in doing business in North Dakota. Large, value-added energy and agriculture businesses see our state as a business-friendly environment. BND is committed to collaborating with key stakeholders to structure the best financing packages so we can add value to products before they leave the state’s border.

Behind each and every loan is a story, and that is what this report is about. While a large deal like Rainbow Energy Center LLC purchasing the Coal Creek Power Plant made front page news, the new childcare center and gymnastics studio in Carrington, a new grocery store in Powers Lake, an agriculture supplier in McClusky and Lansford, and the expansion of a specialty grain processing facility in Fargo are just as important to us.

Although a great deal has changed since BND opened its doors in 1919, the core of what we are about, has not. It is an honor to play such a key role in financing economic development.

Todd Steinwand

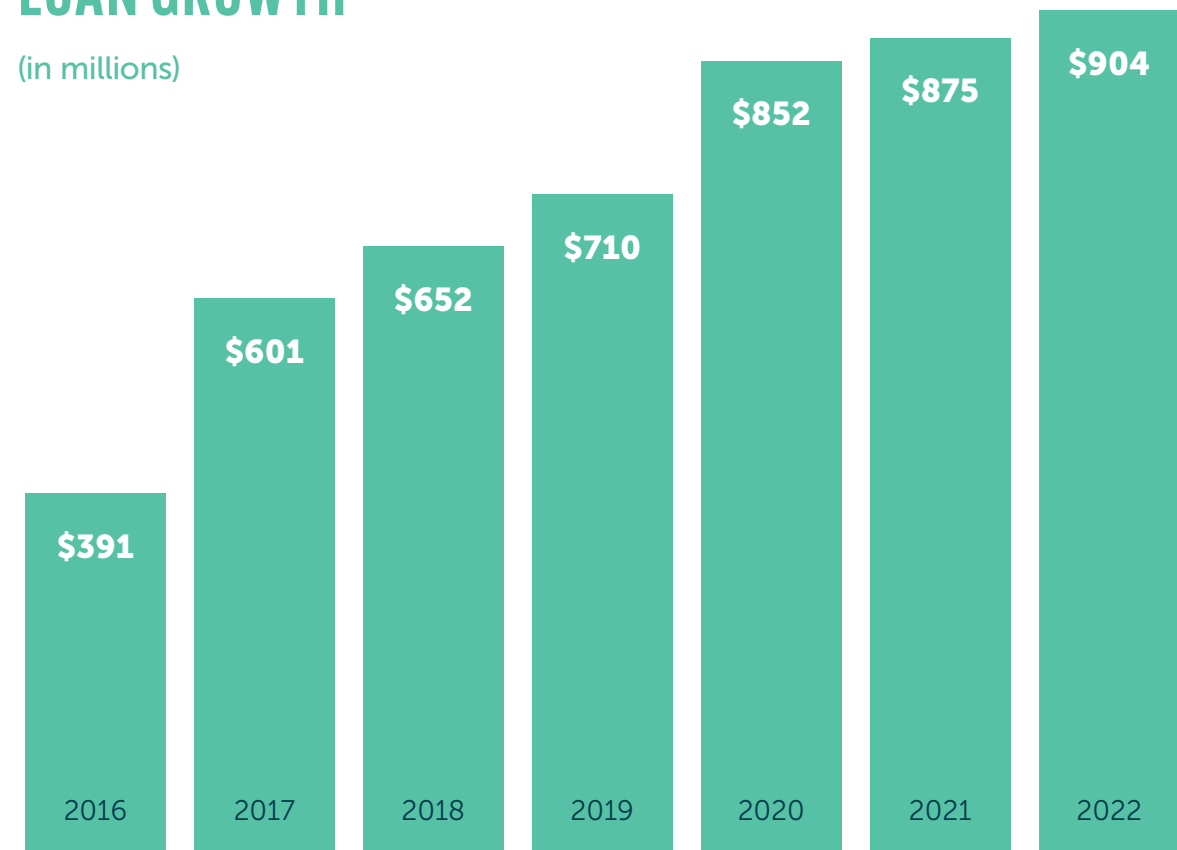
LEGISLATIVE-DIRECTED LOAN PROGRAMS

Infrastructure is an important component of economic development. BND administers four loan programs on behalf of the North Dakota Legislature so communities can support their expanding foundational needs at a lower cost. The Legislature also directs programs aimed at economic development which are detailed in the following pages.

BND currently administers \$904 million in net assets for Legislative-Directed Loan Programs. These programs serve a wide range of purposes, including school construction, water projects, general and medical infrastructure, and disaster recovery.

LEGISLATIVE-DIRECTED LOAN GROWTH

(in millions)









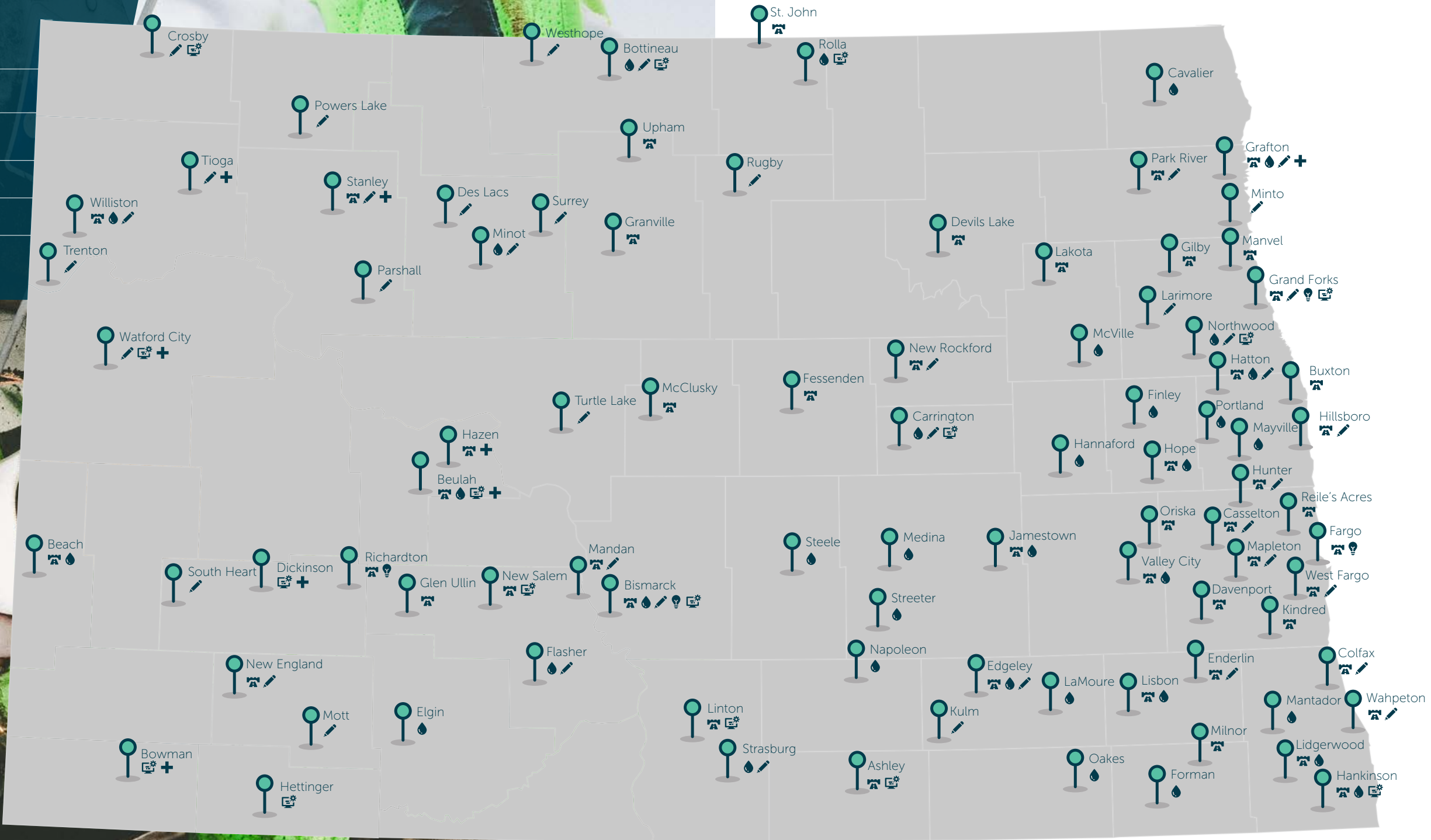
LEGISLATIVE-DIRECTED LOAN PORTFOLIO 2022

(in millions)

School Construction Assistance Revolving Loan Fund	\$311.9
Infrastructure Revolving Loan Fund	\$196.5
Water Infrastructure Revolving Loan Fund	\$64.3
Medical Facility Infrastructure Loan Fund	\$50.6
Rebuilders Permanent Loan Fund	\$43.2
Flex PACE	\$41.9
Value Added Guarantee Loan	\$36.8
Clean Sustainable Energy Authority	\$29.4
Innovation Technology Loan Fund	\$28.8
Beginning Farmer	\$18.1
COVID-19 PACE Recovery	\$15.8
PACE	\$12.6
Ag Diversification and Development Fund	\$9.1
Flex PACE for Affordable Housing	\$8.7
Medical PACE	\$6.9
Health Information Technology Loan Fund	\$6.4
North Dakota Department of Trust Lands	\$5.2
Ag PACE	\$4.9
Western Area Water Supply Authority	\$5.0
Biofuels PACE	\$3.8
Long-term Care	\$3.3
DWR Resources Trust Fund	\$0.6
Addiction Counselor Internship Loan	\$0.2

LEGISLATIVE-DIRECTED LOAN LOCATION MAP 2022

-  Infrastructure Revolving Loan Fund
-  Water Infrastructure Revolving Loan Fund
-  School Construction Assistance Revolving Loan Fund
-  Innovation Technology Loan Fund
-  Health Information Technology Loan Fund
-  Medical Facility Infrastructure Loan Fund



LANSFORD/MCCLUSKY

FARMERS CHOICE SEED

Farmers have numerous challenges when it comes to producing a successful crop. Certainly, not all things are under their control, but choosing quality seed is one they can.

Steve Knorr and Billy Johnson paired their passions for farming to “bring value to their friends, family and neighbors” when they started Farmers Choice Seed in 2018. With Knorr’s sales background and in-depth knowledge of quality seed and Johnson’s ability to clean and treat soybeans, the two have established a highly respected business.

Farmers Choice Seed offers a full range of services including quality seed, fertilizer, crop protection, a network for growers and distributors, and agronomy services. Local producers have an opportunity to enhance their nonfarm income by selling their crops through dealer farmers/agents within its network.

“They will be able to grow their business ...”

- Jim Moen, banker with Peoples State Bank of Velva

Since its beginning, Farmers Choice Seed has experienced year-over-year growth in both its business portfolio and workforce. It started with one full-time employee and now has six full-time, permanent employees and five to seven seasonal employees.

This tremendous growth meant their farmsteads could no longer support their business needs, so they worked with their local banker James Moen from Peoples State Bank of Velva (PSB) to creatively finance a project to construct two facilities. One of the facilities is north of Minot along Highway 83 near Forfar, and the other is west of McClusky, along Highway 200.

To execute the “best” possible financing terms, PSB partnered with Bank of North Dakota (BND) to utilize the Flex Partnership in Assisting Community Expansion (PACE) program. The financing package came together through the support of Souris Basin Planning Council, Lewis & Clark Development Group, PSB, BND and the local communities of Lansford and McClusky.

From a production perspective, Knorr explained the new facilities allow them to treat soybeans and hold corn boxes. Banker James Moen added, “With updated facilities, they



T Agronomist Jory Fecho demonstrates how a PumpStand operates during the seed treatment process. **L** The Lansford location has a bulk seed system which is ready for client seed onload and seed treatment processing. **R** General Manager Todd Jarmin along with Fecho demonstrate how a portion of the system works.



will be able to grow their business while providing timely, high-quality service to their customers.”

Moen worked with Jim Leier and Michael Lehn from BND to access the Flex PACE funding for this project and appreciated their responsiveness. PSB has partnered with BND to share in the financing of other projects for agribusinesses and ag producers.

“I have worked closely with Jim Moen of PSB for a number of years with various BND loan programs and customers. When he called to visit on this deal, I steered the conversation to the Flex PACE Program because that is a perfect fit,” said BND Business Banker Jim Leier. “What makes this deal unique is the two locations over 100 miles apart. Their partnership with Elizabeth Calderon of Souris Basin Planning Council in Minot and Matt Burthold of Lewis & Clark Development Group of Mandan provided the community share of the buydown interest needed to match BND’s buydown interest.”

Farmers Choice Seed is one example of a growing value-added agriculture industry business in North Dakota. The ability to combine different financing resources is a key to their success, and the success of other new ventures in the state.

CARRINGTON

TOTS AND TUMBLING LEARNING CENTER LLC

Located in Carrington, Tots and Tumbling Learning Center LLC started with two people having shared interests in fulfilling the needs of their community and repurposing a beloved vacant space.

In 2021, Whitney Carter, who owned childcare centers in New Town and Parshall, made the decision to move “back home” to Carrington. She wanted to fill a community need for more childcare. As her journey began, she stumbled upon a vacant church building. While taking steps toward purchasing the building, Tammy Sorenson presented her with an idea.

Sorenson, who owns and operates Carrington Gymnastics, had always rented space and approached Carter about purchasing the building together. It was an opportunity to invest in their own property rather

“The Flex PACE loan decreased our bank loan by 50%.”

- Whitney Carter, co-owner of Tots and Tumbling Learning Center LLC

than paying rent. They formed the Tots and Tumbling Learning Center partnership and purchased the building under the joint venture.

Jay Tweed from Bremer Bank was the local banker who built the financing package that included BND’s Flex PACE Loan.

Carter shared, “For business owners who are just starting and trying to make it, the first two years when you need to include your startup expenses are incredibly costly. The Flex PACE Loan decreased our bank loan by 50%.”

“Utilizing the right funding is a key factor in setting a business up for success. Done correctly, it can allow businesses to grab new opportunities, improve old ones, and provide a safety net for unforeseen circumstances,” Tweed explained. “The interest buydown allowed them to free up additional cash for other areas of the business, such as remodeling the building and additional staffing.”

Purchasing the building allows Carter and Sorenson to build equity while providing needed services in



T Whitney Carter stands in the lunchroom of her Milestones Early Learning Center which operates in the rooms of the building’s parameter. **L** Tammy Sorenson, left, and Carter, right, created Tots and Tumbling Learning Center LLC to jointly purchase the vacant building. **R** Sorenson’s Carrington Gymnastics studio is located in the former chapel area of the building.



the community. Tweed said, “Prior to opening, there was a shortage of daycare providers in the area, which as a parent of young children myself, I realize how important it was to have a business address that need. The gymnastics program adds another activity people can enjoy, especially during the winter season when outdoor activities are limited.”

BND Business Banker Bruce Schumacher added, “Reliable childcare is a challenge for workforce across the state. BND recognizes this need and utilizes Flex PACE to support providers. It’s great to be able to assist with this project that fills an empty space while providing excellent childcare and healthy activities for families in the community.”

Sorenson’s Carrington Gymnastics is in the middle of the building with Carter’s Milestones Early Learning Center in the classrooms surrounding it. Their partnership successfully brought two community needs, childcare and fitness, into one building—a beloved church that was sitting vacant.

Built in the 1970s, the church served many community members before abruptly closing a few years ago. Carter explained that people will visit the building and share stories of how they used to attend church services or were married there. She said, “They’re so happy that there’s something happening. It’s filled with kids and lots of good memories.”

POWERS LAKE

PRAIRIE PRIDE FOODS

"We knew how vital a grocery store was to the community, because it was one of the reasons why we originally moved to Powers Lake," shared Connie Olson. When they heard the town's grocery store was for sale and may close, Connie and her husband, Dustin, stepped up to keep it in the community. Seven years after relocating their family from Wyoming, the Olsons are the owners of Prairie Pride Foods in Powers Lake.

The Olsons originally planned to open a sweets shop and barbecue food cart—two things they are passionate about—when they realized they could incorporate those into the grocery store. After a lot of collaboration with Randy Streifel with Liberty State Bank of Powers Lake, the pieces started coming together.

Olson continued, "Randy bent over backward. He really worked hard to find the best deal and did the footwork for us ... he understood the importance of us having a grocery store in town."

Streifel worked with BND Business Banker Jackie Duke to access BND's Flex PACE Loan, a program that has been utilized for other projects in the community. Streifel explained, "The best parts of it were rates, terms and flexibility. You can buy a loan down to 1% for the city, and the BND loan helps facilitate the buydown."

To support their local economy, Powers Lake has a one cent sales tax that is put in a fund to help new business ventures, interest buydowns and more. Members of the community and local officials know how critical it is to have essential services like a grocery store.



T Randy Streifel with Liberty State Bank of Powers Lake shakes hands with Prairie Pride Foods Co-owner Dustin Olson.

As Streifel explained, "When you can offer all your services in your community, it helps everybody including the property owners and the housing market. Even local businesses, like we have on our main street, help our schools."

Duke added, "I believe it's important for small towns to keep their grocery stores for the health of main street and its elderly residents who would have difficulty traveling 40 or 50 miles to buy groceries. Liberty State Bank's willingness

R Connie and Dustin Olson pause their tasks of restocking shelves and managing the cashier counter to take a photo in one of the many aisles of Prairie Pride Foods.

to work with the Olsons, Powers Lake EDC, the building owner and grocery store supplier was a real team effort to help the community maintain their grocery store, and BND was happy to be a part of it."

While the Olsons are learning the ropes of running a grocery store, they are strategically planning for the next phases of their business plan. Those stages include introducing more of Connie's sweet treats and baked goods and Dustin's barbecue meats. They have already been taking small steps toward these but are focusing on building connections and being financially responsible first.

"When it comes to finances, we have to take this slowly. One step at a time and get it to be a profitable commodity to where people want to come here," Olson explained. "They realize that there is stuff to buy in the store. We do have some regulars that are very grateful. They thank us for stepping up because they really need a grocery store and they do appreciate that."

"We knew how vital a grocery store was to the community."

- Connie Olson, co-owner of Prairie Pride Foods



FARGO

DAKOTA SPECIALTY MILLING

With a history as rich as Red River Valley soil, Dakota Specialty Milling has been owned and operated by the Matthaei family for over 50 years. It continues to grow, invest in the community and be forward-thinking in how they operate and serve their customers.

Grains have been a part of Peter Matthaei's family dating back to 1686 when his family had a bakery in Marburg, Germany. His family's passion for baking bread continued through generations. He is the fifth generation in the United States running the family companies.

It progressed when his great grandfather, a baker in Tacoma, Washington, worked with Dr. Robert Jackson to cofound Roman Meal Bread in the 1920s. The company set itself apart by focusing on the health benefits of whole-grain and multigrain breads and grew to be one of the largest in the country.

Then in 1969, they built the first mill in Fargo to support Roman Meal Bread. The proximity to North Dakota State University and local producers, including the North Dakota Mill and Elevator, made it an ideal location. Dakota Specialty Milling eventually turned it into the company's headquarters. Over

"They're a big company, but they have a small company feel because they're family-owned and do things the right way."

- Pat McShane, Bank Forward VP of Business Development and commercial loan officer



T Dakota Specialty Milling Chief Executive Officer Peter Matthaei gives a tour to Bank Forward VP of Business Development and Commercial Loan Officer Pat McShane and BND Business Banker Joel Erickson. **B** Matthaei visits with an Olaf Anderson representative regarding the project.

time, they have gone from baking and licensing to "focusing on milling, blending and toasting for the wholesale bakery, snack food and cereal manufacturers" around the country and to more than 10 other countries internationally.

Pat McShane with Bank Forward said, "The thing that stands out for me with the organization is they are a family-owned business that has been around forever. You can just tell how passionate and knowledgeable Peter is about the business, about

the industry as a whole and about what they're trying to accomplish." He added, "They're a big company, but they have a small company feel because they're family-owned and do things the right way."

To meet changing customer needs and industry trends, the company continues to invest in their facilities and equipment. In recent years, they added a gluten-free line, completed an overhaul of one of their Fargo mills and are wrapping up an expansion project.

The expansion includes replacing and upgrading equipment for their toasting and topping line, adding 40,000 square feet of distribution space and building a new blending line. They will be able to blend baking mixes, concentrates and bases for baked goods along with coatings for fried foods. This previously had been primarily handled at their blending plant in St. Louis, Missouri. With the growth of the business in St. Louis and a large customer demand, it was time to expand that part of the business to Fargo.

The BND PACE Loan and Agriculture Diversification and Development Fund programs helped finance these projects. For their recent expansion project, Dakota Specialty Milling worked with McShane to develop the financing deal along with Joel Erickson, a BND business banker.

"They were looking at a significant expansion to their distribution facility as well as relocating their commercial toasting oven to a different building. Understanding this was going to be a big undertaking, we began looking at programs that could be utilized to help minimize the impact on cash flow," McShane said. "Working with Joel at BND, we determined the project was eligible for the PACE program and

the new Agriculture Diversification and Development Fund for additional interest buydown."

Erickson added, "Bank Forward, BND and the Fargo/Moorhead Economic Development Corporation worked closely to assist Dakota Specialty Milling in funding their expansion. BND is proud of our strong relationships with North Dakota financial institutions and communities."

The additions and upgrades Dakota Specialty Milling invested in will provide more efficiency, safety and automation. Matthaei expressed, "With the current labor challenges, we are excited with our new equipment, that employees will

be safer and more efficient with their time at work. Continuing to invest in these areas is critical to our growth moving forward, both in terms of attracting talent and competing on the world stage."

Dakota Specialty Milling was also able to utilize North Dakota's Automation Tax Credit. This incentive allows a primary sector business an income tax credit of up to 20% of the cost of the machinery and equipment when it replaces a manual manufacturing process and improves job quality or output.

In the long run, Dakota Specialty Milling's projects will help them grow their blending and toasting business, be more competitive in the commodity markets and offer a broader range of products. It will be easier for them to overcome capacity constraints and meet customer demands.

Erickson reflected, "Dakota Specialty Milling is a long-standing business in Fargo. This expansion was a perfect fit for the PACE Program and Agriculture Diversification and Development Fund. Not only will these programs help the company finance their expansion with interest buydown, but the increase in plant capacity will also result in the purchase of more agricultural commodities from North Dakota producers. Because of that, the economic impact will be felt beyond the city of Fargo."

L Equipment like this provides automation, efficiency and safety measures. **R** From left, Erickson, Matthaei and McShane pose for a photo during a site visit.



T An aerial view of Coal Creek at Rainbow Energy Center.



UNDERWOOD

RAINBOW ENERGY CENTER LLC

On May 2, 2022, Rainbow Energy Center LLC celebrated the purchase of Coal Creek Station, the state's largest power plant, from Great River Energy (GRE). GRE, a Minnesota-based company, sold the 1,151-megawatt power plant to Rainbow Energy Center and the associated transmission system, which runs from central North Dakota to Minnesota, to Nexus Line, LLC. Rainbow Energy Center and Nexus Line are both affiliates of the Bismarck-based Rainbow Energy Marketing Corporation.

The sale completes a successful transition for the plant and power line to maintain operations. GRE announced in 2021 that it planned to close the plant which would have displaced 650 workers and had a significant, negative economic impact on the region.

Led by the Office of the Governor, state agencies came together to support the sale of the plant. This included a financing package facilitated through the North Dakota

Transmission Authority (NDTA) under the governance of the Industrial Commission. The complex financing package included NDTA selling \$150 million of bonds. The proceeds of the bonds were then used to provide a loan to Nexus Line to facilitate the purchase of the High-Voltage Direct Current power line. This is the first time NDTA has issued bonds since it was established in 2007. To provide expertise and guidance, the North Dakota Public Finance Authority assisted in issuing of the bonds.

BND's role in the transaction was in purchasing NDTA bonds through a Match Program Loan of \$150 million. The Match Program supports large-scale economic diversification projects. To access the Match Program, entities must provide evidence of considerable financial strength as demonstrated by a long-term investment grade rating. In this instance, NDTA is an agency backed by the moral obligation of the state which qualified it for a loan.

“Our vision was always more than just buying a power plant ...”

- Stacy L. Tschider, president of Rainbow Energy Center & Nexus Line



In 2021, House Bill (HB) 1425 was passed by the North Dakota Legislature. It played a critical role in establishing the ingenious financing structure. Under the bill, the State Investment Board (SIB) is allowed to access up to 10% of the principal of the Legacy Fund for fixed rate investments in North Dakota and purchase CDs from BND which provide a market rate of return to the Legacy Fund. These strategies enabled BND to loan the funds at a competitive rate to NDTA.

It is doubtful that any other state could complete such a complex financial transaction to enable the transfer of a coal plant and transmission line from one entity to another. Today, large financial institutions are reluctant to provide loans to entities that use fossil fuel as a source for power generation. As America's only bank that is owned by a state with a mission of supporting economic development in the state, BND is in a unique position to assist in facilitating this transaction.

In closing, Rainbow Energy Center & Nexus Line President Stacy L. Tschider said, “Our vision was always more than just buying a power plant; this was about preserving a way of life and helping these communities continue to thrive. Without the help and support of the Bank of North Dakota, we would have never been able to push this over the finish line.”

B Honored guests pose during the closing celebration for a historic transfer of Coal Creek Station, transfer line to Rainbow Energy, Nexus Line. From left to right, Priti Patel, John Bauer, Sen. Kevin Cramer, Sen. John Hoeven, Stacy L. Tschider, Loren Koppeseng, Gov. Doug Burgum, Lt. Gov. Brent Sanford, Jeff Jonson, Carroll Dewing, Steve Lee

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