

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on April 30, 2020 beginning at 12:00 p.m.
Ft. Union Room - State Capitol

Present: Governor Doug Burgum, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Also Present: Some attendees are listed on the attendance sheet available in the Commission files
This meeting was open through a call-in number so not all attendees are known
Members of the Press

Governor Burgum called the Industrial Commission meeting to order at approximately 12:00 p.m. and the Commission took up Public Finance Authority Business.

PUBLIC FINANCE AUTHORITY (PFA)

Ms. DeAnn Ament, PFA Executive Director, presented the following Clean Water State Revolving Loan Fund (CWSRF) loan applications for consideration.

City of Bismarck – \$5,000,000

The purpose of the CWSRF project will make hydrogen sulfide control, wastewater disinfection, and dewatering improvements to comply with state and federal requirements.

The requested term for the CWSRF loan is 15 years. The City will issue revenue bonds payable with water user fees. The average annual payment for the revenue bonds will be \$380,165. The reserve requirement will be \$386,250 and the 120% coverage requirement will be \$456,198.

The City has 20,059 residential connections and 2,084 commercial connections which pay base rates depending on meter size ranging from \$6.51 to \$1,367.10 per connection each month. Annually, the City reviews and adjusts utility rates as necessary.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the resolution as follows:

**RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND**

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Clean Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4 and 61-28.2; and

WHEREAS, the Clean Water State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Bismarck (the "Political Subdivision") has requested a loan in the amount of \$5,000,000 from the Program to make hydrogen sulfide control improvements and wastewater disinfection and dewatering improvements to comply with state and federal requirements; and

WHEREAS, the NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

- 1. The Loan is hereby approved, as recommended by the Advisory Committee.**
- 2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.**
- 3. The Executive Director is authorized to fund the Loan from funds on hand in the Clean Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.**
- 4. The Commission declares its intent pursuant to Treasury Regulations '1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.**

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

City of Wyndmere – \$4,365,000

Phase I of the project will include a storm sewer collection system, storm sewer pumping stations, sanitary sewer main extension, water distribution system reconstruction, water services replacement, and street reconstruction.

Ms. Ament noted that Wyndmere received a \$1,794,000 grant from the State Water Commission for this project.

Regarding the CWSRF loan, the requested term is 20 years and the average annual payment will be \$258,095. The City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City will levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds. Currently, there are approximately 365 parcels to be assessed for the watermain project. The average annual assessment will be approximately \$707 per parcel. The City has 199 residential connections and 30 commercial connections which all pay a base rate of \$11.75 per connection each month.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the resolution as follows:

**RESOLUTION APPROVING
LOAN FROM CLEAN WATER STATE REVOLVING FUND**

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Clean Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4 and 61-28.2; and

WHEREAS, the Clean Water State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (NDPFA) and the Bank of North Dakota (the Trustee); and

WHEREAS, the City of Wyndmere (the "Political Subdivision") has requested a loan in the amount of \$4,365,000 from the Program for a storm sewer collection system, storm sewer pumping stations, sanitary sewer main extension, water distribution system reconstruction, water services replacement, and street reconstruction; and

WHEREAS, the NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

- 1. The Loan is hereby approved, as recommended by the Advisory Committee.**
- 2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.**
- 3. The Executive Director is authorized to fund the Loan from funds on hand in the Clean Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.**
- 4. The Commission declares its intent pursuant to Treasury Regulations '1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.**

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Ament presented the following Drinking Water State Revolving Loan Fund (DWSRF) loan applications for consideration.

City of Bismarck – \$5,000,000

This project will replace obsolete cast-iron mains and lead service lines. Regarding the DWSRF loan the requested term is 15 years and the City will issue revenue bonds payable with water user fees. The average annual payment for the revenue bonds will be \$350,591, the reserve requirement will be \$339,900, and the 120% coverage requirement will be \$420,709.

Ms. Ament clarified that the City of Bismarck has two separate projects. The CWSRF loan is for wastewater improvements, while the DWSRF loan is for the replacement of obsolete cast-iron mains and lead service lines.

Ms. Ament noted that the Bismarck DWSRF loan is eligible for up to \$571,000 of loan forgiveness. In response to questions regarding criteria for loan forgiveness, she stated that Congress sets the minimum amount for loan forgiveness each year. Currently, the Environmental Protection Agency (EPA), the federal agency providing funding for the State Revolving Loan Program, has focused on the replacement of lead service lines as a priority, The North Dakota Department of Environmental Quality (DEQ) then ranks projects and determines who is eligible for loan forgiveness. DEQ has determined that a portion of Bismarck's loan was forgivable and established that lead service line replacement projects are eligible for 90% loan forgiveness.

Questions were raised regarding the number of lead service lines and how much will be left to be replaced in Bismarck. Ms. Ament responded that many communities do not have an inventory of the locations and number of lead service lines. Accessing private property poses some additional considerations that many communities are trying to address as they determine the best way forward. DEQ is working on a program and with communities across the state. Bismarck has been planning this project for three years, and a lead

service replacement project has been completed in Enderlin. Otherwise, there have not been a lot of inquiries about lead service line replacement projects. Bismarck is a test project that DEQ hopes can be replicated in other communities.

In response to a question, Ms. Ament clarified that rather than using 319 funds, the annual capitalization grant from EPA is being used. Normally, 20% or approximately \$2 million of the funds received are required to be used for loan forgiveness. A portion has been set aside for lead pipeline replacement. If the loan forgiveness funds are not utilized for that purpose, the funds are then used for other high-ranking projects so the loan forgiveness dollars are not left unused.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approves the resolution as follows:

**RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND**

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, the City of Bismarck (the "Political Subdivision") has requested a loan in the amount of \$5,000,000 from the Program to replace obsolete cast-iron mains and lead service lines; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

- 1. The Loan is hereby approved, as recommended by the Advisory Committee.**
- 2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.**
- 3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.**
- 4. The Commission declares its intent pursuant to Treasury Regulations '1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.**

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

City of Wyndmere – \$1,196,000

Phase I of the project will include a storm sewer collection system, storm sewer pumping stations, sanitary sewer main extension, water distribution system reconstruction, water services replacement, and street reconstruction.

The requested term for the DWSRF loan is 20 years and the City of Wyndmere will issue revenue bonds payable with water user fees. The net average annual payment for the revenue bonds will be \$70,749, the reserve requirement will be \$74,200, and the 120% coverage requirement will be \$84,899.

The City has 199 residential connections and 30 commercial connections which all pay a base rate of \$25.40 per connection each month. The City anticipates raising its rates \$15 per user each month which would generate revenue of \$40,000 annually. The rate increase coupled with the existing water fund net operating revenues is sufficient to meet the 120% net operating coverage requirement.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approves the resolution as follows:

**RESOLUTION APPROVING
LOAN FROM DRINKING WATER STATE REVOLVING FUND**

WHEREAS, the Industrial Commission has heretofore authorized the creation of a Drinking Water State Revolving Fund Program (the "Program") pursuant to N.D.C.C. chs. 6-09.4, 61-28.1, and 61-28.2; and

WHEREAS, the State Revolving Fund is governed in part by the Master Trust Indenture dated as of July 1, 2011 (the "Indenture"), between the North Dakota Public Finance Authority (the "NDPFA") and the Bank of North Dakota (the "Trustee"); and

WHEREAS, the City of Wyndmere (the "Political Subdivision") has requested a loan in the amount of \$1,196,000 from the Program for a storm sewer collection system, storm sewer pumping stations, sanitary sewer main extension, water distribution system reconstruction, water services replacement, and street reconstruction; and

WHEREAS, NDPFA's Advisory Committee is recommending approval of the Loan; and

WHEREAS, there has been presented to this Commission a form of Loan Agreement proposed to be adopted by the Political Subdivision and entered into with the NDPFA;

NOW, THEREFORE, BE IT RESOLVED by the Industrial Commission of North Dakota as follows:

- 1. The Loan is hereby approved, as recommended by the Advisory Committee.**
- 2. The form of Loan Agreement to be entered into with the Political Subdivision is hereby approved in substantially the form on file and the Executive Director is hereby authorized to execute the same with all such changes and revisions therein as the Executive Director shall approve.**
- 3. The Executive Director is authorized to fund the Loan from funds on hand in the Drinking Water Loan Fund established under the Indenture upon receipt of the Municipal Securities described in the Political Subdivisions bond resolution, to submit to the Trustee a NDPFA Request pursuant to the Indenture, and to make such other determinations as are required under the Indenture.**
- 4. The Commission declares its intent pursuant to Treasury Regulations '1.150-2 that any Loan funds advanced from the Federally Capitalized Loan Account shall be reimbursed from the proceeds of bonds issued by the NDPFA under the Indenture.**

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

Ms. Ament reported on loans approved by the Public Finance Authority Advisory Committee.

Buxton – \$906,000

This CWSRF \$906,000 loan will go towards the design and construction of a shallow drain tile network to alleviate standing water after rainfall events. The requested term for the CWSRF loan is 30 years. The City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

Missouri West Water Association – \$750,000

This \$750,000 DWSRF loan will increase flows for current users and add additional capacity for the growth of Harmon Lake area and North Mandan/Highway 25. The new pipeline will be installed to parallel and loop existing lines to increase capacity and pressure within the existing system. The requested loan term is 30 years and revenue bonds payable with user fees will be issued for this loan.

Valley City – \$300,000

This \$300,000 DWSRF loan is for watermain replacement on 5th Avenue Northwest from Main Street to 12th Street Northwest. The project will also include street reconstruction, sanitary sewer, storm sewer and lighting. The requested term for the loan is 20 years and the City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

Valley City – \$675,000

This \$675,000 CWSRF loan is for sanitary sewer and storm sewer replacement on 5th Avenue Northwest from Main Street to 12th Street Northwest. The project will also include street reconstruction, watermains and lighting. The requested term for the loan is 20 years and the City will issue improvement bonds payable with special assessments. The improvement bonds will be a contingent general obligation of the City, backed by the statutory requirement that the City levy a general deficiency tax in the event that the revenues from the collection of special assessments are not sufficient to pay the debt service on the improvement bonds.

NORTH DAKOTA BUILDING AUTHORITY (NDBA)

Ms. Ament, North Dakota Building Authority Authorized Officer, presented the North Dakota Building Authority Facilities Improvement Bonds, 2020 Series A General Authorization Resolution for consideration.

The 2019 Legislature approved the following NDBA projects included in SB 2297 and HB 1003:

1. \$40,000,000 North Dakota State University – Science Hall to replace Dunbar Hall
2. \$30,000,000 Valley City State University – Communications and Fine Arts building
3. \$6,000,000 University of North Dakota – Gamble Hall
4. \$4,000,000 Dickinson State University – Pulver Hall
5. \$20,000,000 North Dakota State University – Ag products development center
6. \$10,000,000 University of North Dakota – deferred maintenance and parking projects

Two of the projects (Gamble Hall and Ag Products Development Center) need a match and are not ready to move forward at this time. Rather than paying interest on bonds, it has been determined that it may be

more economic to fund in two separate financings. NDBA is planning to issue \$60,000,000 of bond anticipation notes (BANS) that will be sold to the Bank of North Dakota with an interest rate of 1.5% that will mature on December 31, 2020.

Long-term financing – The North Dakota Building Authority Facilities Improvement Bonds, 2020 Series A, can be secured when the market stabilizes, and projects have a greater demand for funds. This will also delay the need for the State to seek a rating from the rating agencies.

The following construction projects on the North Dakota University System campuses will utilize the BANS funds:

1. \$16,000,000 North Dakota State University – Science Hall replacing Dunbar Hall
2. \$30,000,000 Valley City State University – Communications and Fine Arts building
3. \$10,000,000 University of North Dakota – deferred maintenance and parking projects
4. \$4,000,000 Dickinson State University – Pulver Hall

If the Gamble Hall project at UND and/or the NDSU Ag Products Development Center project secure the required match after the BANS are issued, additional bonds will be issued.

It is anticipated that North Dakota Building Authority 2020 Series A Bonds to pay off the BANS and fund the remainder of the project costs would be issued between the end of August and December 31, 2020. The NDBA 2020 Series A Bonds will be repaid with appropriations from General Fund dollars in future biennia (exclusive of the deferred maintenance and parking project on the University of North Dakota campus).

The Board of Higher Education meet earlier this week and approved the issuance of the BANS and the NDBA 2020 Series A Bonds associated with these projects.

Public Finance Management, the NDBA’s financial advisor, and Scott Wegner, the NDBA’s bond counsel, prepared all the bond documents and members of the Finance Team have reviewed the bond documents. The NDBA Authorized Officers, Mr. Morrisette, Ms. Fine and Ms. Ament, recommend that the Industrial Commission approve the General Authorization Resolution.

Ms. Ament indicated that BANS can be considered a low interest bridge loan. It makes more sense to draw down funds as needed rather than paying interest on the whole amount at this time.

It was moved by Attorney General Stenhjem and seconded by Commissioner Goehring that the Industrial Commission approves the resolution as follows:

**NORTH DAKOTA BUILDING AUTHORITY
FACILITIES IMPROVEMENT BONDS, 2020 SERIES A
GENERAL AUTHORIZATION RESOLUTION**

WHEREAS, the Industrial Commission of North Dakota (the “Commission”), acting in its capacity as the North Dakota Building Authority (the “NDBA”), is empowered by the provisions of the North Dakota Century Code Chapter 54-17.2 (the “Act”) to issue evidences of indebtedness to finance legislatively authorized projects primarily for use by the State; and

WHEREAS, the Sixty-sixth Legislative Assembly of the State of North Dakota enacted Senate Bill No. 2297 ("SB 2297") and House Bill No. 1003 (“HB 1003”) authorizing the NDBA to issue evidences of indebtedness to finance in part the construction of the projects identified therein (the “Projects”); and

WHEREAS, the NDBA as authorized by SB 2297 and HB 1003, and at the request of the State Board of Higher Education of the State of North Dakota (the "Agency"), hereby authorizes the issuance of the North Dakota Building Authority, 2020A Bond Anticipation Notes (the "Notes") and above-captioned 2020 Series A Bonds (the "Bonds"), pursuant to the Act; and

WHEREAS, the proceeds of the Notes will be used to provide interim financing for costs of the Projects and the Bonds will be used as authorized by SB 2297 and HB 1003 for the specific authorized purposes of providing the funds for construction of the Projects, the capitalization of interest on the Bonds and paying the costs of issuance of the Bonds; and

WHEREAS, the NDBA wishes to authorize the issuance of not to exceed \$112,000,000 in aggregate principal amount of the Bonds upon the terms stated herein and in the Indenture (as defined below) and to use the proceeds thereof in furtherance of the purposes set forth in SB 2297 and HB 1003; and

WHEREAS, in furtherance of the above state objectives, the NDBA has caused to be prepared and filed in the office of the Executive Director and Secretary of the Commission the proposed forms of the following documents (together, the "Note Documents"):

- A. Financing Agreement; and**
- B. Notes; and**

WHEREAS, in furtherance of the above stated objectives, the NDBA has caused to be prepared and filed in the office of the Executive Director and Secretary of the Commission the proposed forms of the following documents (collectively, the "Bond Documents"):

- A. Preliminary Official Statement;**
- B. 2020 Series A Trust Indenture (the "Indenture") between the NDBA and the Bank of North Dakota, as Trustee; and**
- C. Loan Agreements I and II between the Issuer and the Agency (together, the "Loan Agreement"); and**

WHEREAS, it appears that each of the instruments above referred to and on file with the Executive Director and Secretary of the Commission is in substantially the appropriate and final form and is an appropriate document to be approved or executed and delivered by the NDBA as may be necessary for the purposes intended; and

WHEREAS, in the judgment of the Commission, it is advisable that the NDBA, by the Executive Director and Secretary of the Commission, the Director of the Office of Management and Budget and the Executive Director of the North Dakota Public Finance Authority (each an "Authorized Officer"), jointly or severally, be authorized, and are hereby so authorized, to do all things necessary to establish the final rates and terms of the Notes and the Bonds and to complete the transaction described herein, and in the Note Documents and the Bond Documents; and

WHEREAS, the NDBA, in conjunction with prior bond issuances, has executed undertakings to provide continuing disclosure which provide that the NDBA would file with certain repositories its audited financial statements by December 15 after the end of each fiscal year (June 30); and

WHEREAS, the December 15 filing date does not allow the NDBA's auditors sufficient time to complete the annual report and the NDBA, in a subsequent undertaking to provide continuing disclosure provided for filing its annual report by March 31 of the following year after the end of the prior fiscal year (June 30); and

WHEREAS, to make the filing time uniform and provide consistent financial information, and to address changes in law, the NDBA shall amend and restate the prior undertakings to provide continuing disclosure by changing December 15 to March 31, and by updating the undertakings to comply with current reporting requirements.

NOW BE IT HEREWITH RESOLVED:

1. The NDBA is hereby authorized to issue, execute, sell and deliver the Notes, in substance as provided in the Financing Agreement and in the final forms of the Note Documents as approved by an Authorized Officer, provided that the Notes (i) shall be sold to the Bank of North Dakota, (ii) are in a maximum principal amount not to exceed \$60,000,000, (iii) bear interest at a fixed interest rate not exceeding 1.50%, and (iv) mature not later than December 31, 2020.

2. The NDBA is hereby authorized to issue, execute, sell and deliver the Bonds, in substance as provided in the Indenture and in the final forms of the Bond Documents as approved by an Authorized Officer, provided that the Bonds meet the following conditions:

A. The Bonds: (i) shall be sold, issued, executed and delivered at such time as an Authorized Officer shall determine, in one or more series, in an aggregate principal amount not to exceed the amount set forth in the preambles to this Resolution; (ii) shall bear interest at fixed rates determined by an Authorized Officer, provided, however the true interest rate not exceed 5.00%; (iii) shall be subject to redemption prior to maturity, at prices and otherwise as determined by an Authorized Officer to be in the best interests of the NDBA; and (iv) shall mature not later than December 1, 2042.

B. The Bonds shall be issued as bonds the interest on which is exempt from federal income taxation, unless otherwise determined by an Authorized Officer.

C. The Bonds shall not constitute debt of the State, any agency or any political subdivision thereof. Neither the faith and credit nor the taxing powers of the State, any agency or any political subdivision thereof may be pledged to the payment of the principal of or interest on the Bonds.

D. The Bonds shall be special limited obligation bonds of the State payable solely from the revenues and assets pledged therefore under the Indenture and Loan Agreements.

3. All acts, prior acts and proceedings of the officers, agents, and employees of the Commission and the NDBA, which are in conformity with the purpose and intent of the Financing Agreement, Indenture, the Loan Agreement and this Resolution and in furtherance of the issuance and sale of the Notes and the Bonds, shall be and are hereby in all respects approved, ratified and confirmed.

4. The forms and substance of the Note Documents and the Bond Documents and any other documents that an Authorized Officer deems necessary or desirable to effect the issuance of the Notes and the Bonds are hereby approved, with such changes, variations, omissions and insertions as an Authorized Officer shall approve. The execution of the applicable Note Document and Bond Document by such Authorized Officer shall constitute conclusive evidence of such approval.

5. The Preliminary Official Statement, in substantially the form on file with the Executive Director and Secretary of the Commission, with such changes, omissions, insertions and revisions as an Authorized Officer shall deem advisable, is hereby authorized, and the furnishing of the information in the Preliminary Official Statement and in a final Official Statement for the Bonds, and the use of such Preliminary Official Statement and final Official Statement in connection with the offering of the Bonds to the public, are hereby approved. Provided, an Authorized Officer is authorized and directed to update and revise the Preliminary Official Statement as may be necessary to describe current social and economic factors.

6. An Authorized Officer is authorized and directed to execute amended and restated undertakings to provide continuing disclosure to change the reporting date and reporting requirements consistent with current law and the terms of the existing agreements.

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

NORTH DAKOTA MILL (Mill)

Mr. Vance Taylor, Mill President and CEO, presented the North Dakota Mill Third Quarter Report.

*North Dakota Mill
Review of Operations
3rd Quarter Ended 3/31/20*

SUMMARY

Profits for the 3rd Quarter of the year were \$3,580,299 compared to \$2,216,800 last year. Operating activity for the nine months ending March resulted in a profit of \$10,006,105 compared to \$9,220,665 last year, an increase of 8.5%.

	Quarter		Year-to-Date	
	3/20	3/19	3/20	3/19
Profits	\$ 3,580,299	\$ 2,216,800	\$ 10,006,105	\$ 9,220,665
Sales	79,094,767	76,468,017	232,224,952	238,633,500
Cwt. Shipped:				
Spring	3,487,934	3,340,914	10,386,954	10,447,830
% to Total	93.3%	93.6%	93.2%	93.5%
Durum	249,001	288,574	759,580	726,963
	<u>3,736,935</u>	<u>3,569,488</u>	<u>11,146,534</u>	<u>11,174,793</u>
Bulk Shipments	3,104,960	2,948,268	9,202,600	9,202,130
% to Total	83.1%	82.6%	82.6%	82.4%
Bag Shipments	586,809	585,413	1,816,888	1,861,058
% to Total	15.7%	16.4%	16.3%	16.6%
Tote Shipments	46,165	35,808	127,046	111,605
% to Total	1.2%	1.0%	1.1%	1.0%
Family Flour Shipments	87,687	86,412	282,253	273,019
% to Total	2.3%	2.4%	2.5%	2.4%
Organic Flour Shipments	41,261	34,128	107,814	106,810
% to Total	1.1%	1.0%	1.0%	1.0%
Grain Purchased				
Spring	7,461,280	6,702,196	22,637,463	21,839,062
Durum	518,909	465,700	1,657,742	1,471,018
Total	<u>7,980,180</u>	<u>7,167,896</u>	<u>24,295,205</u>	<u>23,310,080</u>

SALES

3rd Quarter

Sales for the 3rd Quarter were \$79,094,767 compared to \$76,468,017 last year. Shipments of 3,736,935 cwts. are 167,447 cwts. above last year. Bag shipments for the 3rd Quarter are 586,809 cwts., which is 1,397 cwts. above last year's 3rd Quarter. Tote shipments for the 3rd Quarter are 45,165 cwts., which is

9,357 cwts. above last year. Family flour shipments reached 87,687 cwts., which is 1.5% above last year's 3rd Quarter.

Year-to-Date

Sales for the nine months ended March were \$232,224,952 compared to \$238,633,500 last year, a decrease of 2.7%. Shipments of 11,146,534 cwts. are 28,259 cwts. below last year, a decrease of 0.3%. The average settled price of grain purchased decreased \$0.38 per bushel from last year. Year-to-date bag shipments are 1,816,888 cwts., a decrease of 44,170 cwts. from last year. Tote shipments for the year are 127,046 cwts., which is 15,442 cwts. above last year. Family flour shipments for the nine months ended are 282,253 cwts., an increase of 3.4% from last year. Organic flour shipments were 107,814 cwts., an increase of 1,005 cwts. from last year.

OPERATING COSTS

3rd Quarter

Operating costs for the 3rd Quarter were \$10,109,333 compared to \$9,089,852 last year, an increase of \$1,019,481. Operating cost per cwt. of production was \$2.72 compared to \$2.53 last year, an increase of 11.2%.

Year-to-Date

Year-to-date operating costs are \$28,093,051 compared to \$ 26,600,529 last year, an increase of 5.6%. Operating cost per cwt. of production for the nine months ended was \$2.52 compared to \$2.37 last year, an increase of 6.3%.

PROFITS

3rd Quarter

Profits for the 3rd Quarter were \$3,580,299 compared to \$2,216,800 last year. Gross margins as a percent of gross sales for the quarter were 17.8% compared to 15.4% last year.

Year-to-Date

Operating activity for the nine months ended March led to a profit of \$10,006,105 compared to \$9,220,665 last year, an increase of 8.5%. Year-to-date gross margins are 17.0% compared to 15.6% last year.

RISK MANAGEMENT

Risk Management Position

The table below shows the Mill's hedge ratio by futures month going forward. A hedge ratio shows the relationship between the Mill's net cash position and the Mill's futures position. At month end several customers indicated they would need to stretch out the delivery periods for flour they have on contract with the Mill due to COVID-19. As a result, the Mill's hedge positions ended up slightly off on March 31. These positions will be adjusted in April. The Mill does remain at risk for changes in the basis.

Position Report
31-Mar-20

Period	Hedge Ratio
May-20	1.2
July-20	1.2
Sept-20	1.2
Dec-20	1.2
Mar-21	1.1
Net Position	1.2

Mr. Taylor noted that the Mill had a solid 3rd quarter with YTD profits of approximately \$10 million compared to \$9.2 million YTD last year. The increase in profits is due to increased shipment volumes and margin gains. The hedge ratio is slightly high due to stretched out flour deliveries. Adjustments have been made and this will continue to be watched closely.

Mr. Taylor provided an update on Coronavirus impacts, noting that the Mill continues to do everything possible to protect employees and is complying with CDC guidelines. The Mill is working with the Department of Health and using the guidance from the Agriculture Department for agri-businesses as well. A positive case occurred with an employee on a late-night shift crew and the employees on that late-night shift crew were required to be quarantined by the Health Department. That employee has recovered, hasn't shown any symptoms and will report back to work soon. A significant amount of employee testing has occurred with all tests coming back negative with one employee waiting for results. The Mill has completed extra cleaning and is now screening all employees.

Mr. Taylor clarified that the employees quarantined for 14 days were paid. The Commission requested that the Mill track all expenses related to COVID-19, including additional cleaning, in order to be reimbursed from federal funds.

Mr. Taylor noted that the 4th quarter has seen an increase in demand from retailers that make bread for grocery stores, but a decrease in demand related to restaurants. Overall demand may be down 30% for the month of April, but it is too soon to predict the full effect the pandemic will have on 4th quarter results.

Planting is getting started in northeastern North Dakota. As of Monday, 5% of the wheat was planted for the state. There are still wet conditions and Mr. Taylor noted that it is anticipated the number of wheat acres will be down compared to last year. However, much of it will be dependent on the weather. The current low prices for corn are having farmers consider planting small grains. More soybeans may be planted because it is so wet.

In response to a question, Mr. Taylor stated that currently bulk sales have not seen a recovery in demand. The Mill is starting to hear from customers that demand will start to come back in the coming months.

It was noted that there is an increase in family flour sales. However, it would take a large amount of family flour sales to make up for the reduction in bulk sales. Family flour sales are only 2.5% of the Mill's total sales and the increase in family flour sales is not enough to offset decreases in other areas.

Governor Burgum thanked the team at the Mill for the work done during the pandemic.

Mr. Taylor reported that the Mill is working on the engineering and surveying for the wheat unloading project. Unit train loading/unloading capability has been congested with railcars, making it tough to run full trains. The Mill has avoided demurrage by having space to park excess cars.

BANK OF NORTH DAKOTA (BND) (Bank)

Mr. Eric Hardmeyer, BND President, introduced Mr. Darrell Lingle, Eide Bailly. Mr. Lingle reported on the following independent auditor audits. (Copies of the audits are available in the Commission files.)

Beginning Farmer Revolving Loan Fund – 12/31/19

The audit had an unmodified clean opinion regarding the financial statements. Regarding internal control over financial reporting, the audit did not identify any deficiencies that would be material weaknesses.

There were no instances of noncompliance or other matters required to be reported under government auditing standards.

Community Water Facility Loan Fund – 12/31/2019

The audit had an unmodified clean opinion regarding the financial statements. Regarding internal control over financial reporting, the audit did not identify any deficiencies that would be material weaknesses. There were no instances of noncompliance or other matters required to be reported under government auditing standards.

North Dakota Guaranteed Student Loan Program – 12/31/2019

The audit had an unmodified clean opinion regarding the financial statements. Regarding internal control over financial reporting, the audit did not identify any deficiencies that would be material weaknesses. There were no instances of noncompliance or other matters required to be reported under government auditing standards.

Governor Burgum thanked the team for their work on the audits.

Mr. Hardmeyer reported on the First Quarter 2020 Performance Highlights. (A copy is available in Commission files.)

Mr. Hardmeyer noted that while BND had a strong 1st quarter, due to the pandemic it is anticipated that this will change, and the balance sheet will look different moving forward. The net income is currently slightly above budget. An additional \$600,000 has been reserved for credit losses and deposits are expected to decrease. The leverage ratio is at 14.21% which exceeds BND's internal benchmark of 10%. As of December 31, 2019, the leverage ratio for all insured commercial banks in the state was 10.69%.

Mr. Hardmeyer provided information on the Net Loans to Earning Assets which is currently at 67.99%. BND management expects this percentage to change as loans are originated and funded, noting that the new loan programs will impact this percentage. He also provided a chart reflecting the 10-year history of BND's assets, loans, and deposits. Bank management anticipates that Bank deposits will be decreasing as a result of lower oil, sales tax, and income tax revenues.

Mr. Todd Steinwand presented information on loan activity. The first quarter saw significant activity in originations in all areas. The number of commercial loans increased approximately 75%. Due to secondary market upheaval, there has been an increased demand in residential loans in the second quarter. Student loans also had a good start during the first quarter.

In response to a question, it was clarified that loans from federal stimulus programs will be tracked separately. While BND did not get involved with PPP program loans, there is good data available regarding the number of loans and volume amount.

BND is tracking the Small Employer Loan Fund (SELF) and COVID-19 Pace Recovery (CPR) programs separately. The SELF program opened on Wednesday, April 29th, at 8:30 a.m. and received the first application at 8:38 a.m. Since then several applications have been received and approved. Currently, BND is working with local banks regarding outreach on CPR loans. Mr. Steinwand noted the great work done by the BND staff over the weekend to get this program up and running this week.

Mr. Hardmeyer noted that BND announced it would help with liquidity issues by buying PPP loans. However, the Federal Reserve is allowing banks to lend against PPP loans, so it is likely that BND won't

see any activity in that area. However, BND will be tracking COVID-19-related loans and reporting on a weekly basis.

It was noted that there were over 11,000 loans in North Dakota for the first round of PPP. Governor Burgum thanked BND for their efforts to provide outreach on the program.

Mr. Steinwand reviewed the information on the State Loans and Administered Programs and stated that it is on this graph that the information on the SELF loans will be reported in the future.

Mr. Kirby Evanger reported that the total allowance for loan losses as a percentage of total loans is 2.12% compared to 2% a year ago and the increase is timely with the pandemic. The unallocated reserve is healthy at 7% (\$7 million). The North Dakota average is currently 1.36%. The Bank is strongly reserved, and it is strategic in light of current circumstances. Analysis was completed by the end of quarter and approximately \$3 million was taken out of the unallocated reserve.

Mr. Evanger reviewed the Credit Quality by the following categories – Commercial, Farm, Residential, and Student Loans. Agricultural loans have increased in delinquency percentages to 4.32% which is attributed to late harvests, pandemic, federal funds being delayed, and local banks being inundated with work delaying loan restructuring. On the residential side, BND has seen a great deal of activity with the low interest rates. BND management anticipates that this loan portfolio will probably see an increase in the percentage of delinquencies as the loan portfolio shrinks. BND is providing delinquent student loan borrowers up to six months of payment deferrals as an economic relief response to the impact of the pandemic. Approximately 7,400 loans totaling \$214 million have been deferred to date which is approximately 18% of the student loan portfolio.

Mr. Hardmeyer briefly commented on the College Save portfolio and noted that the net assets dropped as a result of the pandemic and the market value of US assets declining. Contributions continue to increase. The Bank continues to work on a new program that should be rolling out in next couple of months.

Mr. Hardmeyer presented an Ethanol Recovery Program (ERP) for consideration, along with an amendment to the General Loan Policy regarding the Value-Added Loan Guarantee Program. (A copy of the information sheet on the Ethanol Recovery Program (ERP) is available in the Commission files.) Mr. Hardmeyer stated that this brings in two different programs currently provided by BND – PACE and Fuel Production Loan Guarantee program. The loan policy changes will accommodate some of the features of the loan recovery program. This will provide a backstop on loans provided to the ethanol industry. The guaranty is provided by the SIIF fund. Loans will be made by the private sector and participated in by BND.

Mr. Steinwand stated that the Bank has had discussions with the ethanol businesses in the state. The general consensus is that this will help, but they are doing everything they can to cut costs and will not access unless necessary. Mr. Steinwand provided an example in which a \$15 million loan would provide 18 months of money at 1%. Hopefully, this would provide enough time to recover from the COVID-19 impacts.

Commissioner Goehring noted that ethanol plants have a large impact to rural communities and 40% of the ethanol industry in the country is shut down. He expressed appreciation of the work of the Legislature and BND to have this tool in the toolbox.

Attorney General Stenehjem stated that it is a tribute to North Dakota to have a Bank that allows us to be flexible and nimble in response to needs.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission approve the Ethanol Recovery Program (ERP) as follows:

Purpose

This program is intended to assist local financial institutions in providing low interest loans to support North Dakota ethanol producers in their economic recovery due to negative impacts from the COVID-19 Pandemic. Applications will be received through November 30, 2020.

Loan Terms

- At the discretion of the lead bank, principal and interest payments may be deferred for up to 6-months or the borrower may make interest only payments for up to 6-months.
- After the deferral or interest only period, the remaining loan balance will term out as a CPR PACE loan with up to a 7-year amortization with a 5-year Balloon.
- Upon conversion to term, loan will receive interest rate buydown to 1% for a maximum of 5-years or until such time the buydown dollars are fully expended.
- Borrower means an individual, corporation, limited liability company, partnership or any combination of these if there is common ownership.
- BND may take not less than 50 percent or more than 80 percent of the total loan amount as its participation percentage.

Eligibility

A qualified business is a commercial facility producing ethanol and related products in North Dakota.

Use of Proceeds

- Loan funds will be used to support working capital needs in the state of North Dakota.
- Loan funds may not be used for capital purchases or business expansion.
- Loan funds cannot be used to refinance any existing debt or for the relocation of the business within North Dakota.

Loan Limit / Amount

- Maximum Loan Amount is \$15,000,000 or \$.50 per bushel of corn that would have normally been purchased (or the volume of equivalent feedstock capacity) in the first two quarters of 2020, whichever is less as a determinant for loan amount.
- Maximum Buy Down Amount from BND is \$500,000 per biennium, per borrower.
- BND will guarantee 100% of loans issued under this program for up to \$15,000,000.

Interest Rate and Fees

- BND to net 3.50% fixed for up to 5-years on its portion of the loan.
- The lead lender will have the option to add up to a 0.25% service fee on BND's participation.
- Buy Down of the interest rate to 1% will only occur on permanent financing.

Collateral

BND must share in collateralization with the lead bank, and on a pro-rata basis at time of liquidation.

How to Apply

BND offers this loan by partnering with local financial institutions. To apply, contact your lender.

and further amends the Bank of North Dakota General Loan Policy regarding the Value-Added Loan Guarantee Program as follows:

VALUE-ADDED LOAN GUARANTEE PROGRAM

The Bank may guarantee loans made to entities for value added agriculture and energy projects in compliance with N.D.C.C. § 6-09.7 (Fuel Production Loan Guarantee Program). The intent of this program is to encourage lenders to provide financing for projects, which must be located in North Dakota, that add value to North

Dakota commodities with a guarantee provided by the Bank. The Bank shall establish, and at all times maintain, an adequate guarantee reserve fund in a special account at the Bank.

Value added agriculture is a change made to primary agriculture products (crops and livestock) that increase the product's value, thereby creating new economic activity and jobs in one of three ways:

- Process activities that create value for the product and/or introduce the product to new markets;
- Diversification and/or modification of primary agriculture product; or
- Pre-production modifications that increase yield, quality and uses Value added agriculture does not include; farm production of crops and livestock; biotechnology and research and development activities focused on increasing primary agricultural production; human capital investments; agritourism; seed production; and transportation.

Value added energy is a change made to hydrocarbons or by-products of hydrocarbons produced in North Dakota that increase the product's value, thereby creating new economic activity and jobs in one of three ways:

- Process activities that create value for the hydrocarbon or by-products and/or introduce the product to new markets;
- Modifications of hydrocarbons or by-products that result in increased production, quality or uses;
- Pre-production modifications that increase production of hydrocarbons through drilling or mining activities.

A loan guarantee means an agreement that in the event of default by the eligible borrower under a promissory note, the Bank shall pay the lender the amount agreed upon up to 100 percent of the amount of principal due the lender on a loan at the time the claim is approved by the Bank. The loan guarantee to an individual project may not exceed fifteen years. The Bank of North Dakota may take not less than 50 percent or no more than 80 percent of the total loan amount as its participation percentage.

The maximum dollar amount of any guarantee on a single loan may not exceed \$25,000,000. The extent of the value of all loan guarantees issued by the Bank may not, at any one time, exceed \$50,000,000. A lender is any bank, credit union, farm credit association, and saving and loan association that is regulated or funded under the laws of this state or the United States and which has provided financing to an eligible project.

The loan guarantee reserve fund will be funded from the Strategic Investment and Improvements Fund created by section 15-08.1-08. Money in the guarantee reserve fund are available to reimburse lenders for guaranteed loans in default. The amount of reserves for all guaranteed loans must be determined by a formula that will assure, as determined by the Bank, an adequate amount of reserve.

The securities in which the moneys in the reserve fund may be invested must meet the same requirements as those authorized for investment used by the State Investment Board. The income from such investments must be made available for the costs of administering the state guarantee loan program and income in excess of that required to pay the cost of administering the program must be deposited in the reserve fund.

Lender shall pay Bank of North Dakota a guaranty fee in an amount equal to one percent (1.0%) of BND's total guaranty amount, except for the Ethanol Recovery Program in which the fee shall be 0%. The guaranty fee shall be paid at the time of loan closing. On each anniversary date of the note, an on-going guaranty fee of one-half percent (.50%), except for the Ethanol Recovery Loan Program which the fee shall be 0% of BND'S total outstanding guaranty amount shall be due through the maturity date of the notes approved for guaranty. If the lender terminates the guaranty of this agreement, the guaranty fee will not be refunded.

This program can be used in conjunction with other Bank loan programs.

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hardmeyer presented amendments to the General Loan Policy regarding COVID-19 PACE Recovery (CPR) loans for consideration.

Mr. Evanger noted that loans that exceed \$15 million currently come to the Bank Advisory Board and Commission for approval. For CPR loans, some borrowers could get into the \$15 million range. Because of this, an exception is being proposed for CPR loans over \$15 million on an aggregate basis and \$7.5 million if on a watchlist. The Investment Committee would be the highest approval level for CPR loans.

Due to the urgent nature of CPR loans, it is also proposed that environmental due diligence not be required unless the real estate taken as collateral is on the Top 20 High Risk Industry List.

In response to a question, Mr. Evanger indicated that CPR is the only program anticipated to reach and exceed these levels. SELF loans have a cap of \$50,000 and employee level of 10.

Mr. Evanger provided information on how the entire BND staff is being utilized to handle the increased number of loan applications. It is anticipated that SELF loans could have high initial demand with possibly 2,000 loans in that program alone. More volume is expected with CPR due to the size of the program with BND's \$1.2 billion potential exposure. The estimated average loan size is \$300,000, which would result in 6,000 loans. Additional training is being done and BND management has reached out to BND retirees with commercial loan experience to see if they would be interested in coming back for a period of time.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that in response to the need for timely processing of COVID-19 PACE Recovery (CPR) loans, the Industrial Commission amends the Bank of North Dakota General Loan Policy as follows:

Pages 12 and 13 of the General Loan Policy:

The President, with the advice of the Financial Institutions Market Manager and Chief Credit Officer, shall establish lending authority for individual business bankers, residential, and student loan staff consistent with their experience, expertise and demonstrated lending judgment and will be reviewed annually. Commercial and agriculture authorities shall be distinguished between non-watchlist and watchlist classifications. Non-watchlist includes credits that are risk rated 1-4. Watchlist includes credits that are risk rated 5-8. The Bank's lending authorities are as follows:

Loan Approval Table

	NON-WATCH LIST CREDITS	WATCH LIST CREDITS
Individual Loan Approval	Authorities for all credit actions except : extensions	Authorities for all credit actions except : charge offs and moves to and from nonaccrual
Business Bankers	Up to \$500,000	Up to \$250,000
Direct Farm RE Loan Specialist	Up to \$500,000	Up to \$250,000
E.D. & Govt Program Manager	Up to \$500,000	Up to \$250,000
Special Assets Manager	Up to \$1,000,000	Up to \$750,000
Sole Serial Sign-Off (requires any of the following to approve):		
President	Up to \$1,500,000	Up to \$750,000
Chief Credit Officer	Up to \$1,500,000	Up to \$750,000
Chief Business Development Officer	Up to \$1,500,000	Up to \$750,000
Financial Institutions Market Manager	Up to \$1,500,000	Up to \$750,000
Dual Serial Sign-Off (requires any of the following to approve):		
President	\$1,500,001 up to \$5,000,000	\$750,001 up to \$2,500,000
Chief Credit Officer	\$1,500,001 up to \$5,000,000	\$750,001 up to \$2,500,000
Chief Business Development Officer	\$1,500,001 up to \$5,000,000	\$750,001 up to \$2,500,000
Financial Institutions Market Manager	\$1,500,001 up to \$5,000,000	\$750,001 up to \$2,500,000
Investment Committee		
	\$5,000,001 up to \$15,000,000	\$2,500,001 up to \$7,500,000
Advisory Board		
	Loans in excess of \$15,000,000	Loans in excess of \$7,500,000

Industrial Commission		
	Loans in excess of \$15,000,000	Loans in excess of \$7,500,000

INVESTMENT COMMITTEE

Watchlist loans between \$2,500,001 and up to \$7,500,000 and non-watchlist loans between \$5,000,001 and up to \$15,000,000 require approval from the Investment Committee. The Investment Committee of the Bank shall consist of seven members appointed by the President with no more than three members from Business Development or Credit Administration. It is the responsibility of an absent voter to find a substitute to vote in their place. A minimum of six voting members or delegates must be present for a quorum with a simple majority ruling.

For a credit relationship which exceeds \$15,000,000, the Investment Committee may renew the loan without further action by the Industrial Commission or Advisory Board provided: 1) the loan has a risk rating code of 4 or better; 2) the quality of the loan has not deteriorated; and 3) the Advisory Board and Industrial Commission have previously approved the loan.

For COVID-19 PACE Recovery (CPR) loans only, normal aggregation of exposure will be required to determine appropriate approval level for CPR requests (Business Banker, Sole, Dual, Investments Committee); however, the highest approval level be limited to Investments Committee, even if aggregate exposure exceeds \$15 million non-watchlist (\$7.5 million watchlist).

Unless otherwise stated in Century Code, Investment Committee will have full authority to set pricing, rates, and fees for all loans including loan programs.

DISCRETIONARY LENDING AUTHORITY FOR SOLE AUTHORITY AND INVESTMENT COMMITTEE

For a non-watchlist relationship which has the approval of the Investment Committee, Advisory Board, or Industrial Commission, it will be within Sole Authority to approve an increase in the Bank’s exposure up to the Sole lending authority maximum without further action by the Investment Committee, Advisory Board, or Industrial Commission. For a credit relationship which has prior approval only at the Investment Committee level, this discretionary authority is subject to a cap of \$15,000,000 for overall exposure. This discretionary authority is not subject to a cap for overall exposure if it has the prior approval of Advisory Board or Industrial Commission. This discretionary lending authority is valid for one year after approval at the highest level. An approved annual review also qualifies for another year of discretionary lending authority as outlined above. Dual authority does not have any discretionary authority.

For a non-watchlist credit relationship which has the prior approval of the Advisory Board or Industrial Commission, it will be within the authority of the Investment Committee to approve an increase in the Bank’s exposure not to exceed \$5,000,000 without further action by either the Advisory Board or Industrial Commission. The Investment Committee minutes will specifically note action taken under this rule.

For a credit relationship which has not previously required the approval of the Advisory Board or the Industrial Commission, it will be within the authority of the Investment Committee to approve an increase or renewal in the Bank’s exposure not to exceed \$1,000,000 without further action by either the Advisory Board or Industrial Commission despite the fact that the additional exposure may exceed the \$15,000,000 loan approval level granted to Investment Committee. The Investment Committee minutes will specifically note action taken under this rule.

Page 27 of the General Loan Policy:

Potential borrowers are to complete an *Environmental Questionnaire* on any loan request exceeding \$100,000 to be secured by real estate except one- to four-family residential real estate or bare farmland. The questionnaire is also to be completed by a customer if the banker or originating lender detected any potential contamination in the site inspection of a non-real estate secured loan request. The questionnaire is to be completed, dated, and signed by the customer or a party authorized by the customer (the customer may elect

to contract with an outside expert to complete the questionnaire) and placed in the customer file. The questionnaire is to be reviewed by the banker prior to committing or funding these credit requests.

If answers on the questionnaire indicate any potential environmental contamination issues, a Transaction Screen Assessment (TSA) or Phase I or Phase II Assessment must be performed by a qualified third party with environmental expertise, at the customer's expense, before proceeding with the loan request, or the banker may need to decline the loan request. *For CPR loans only, BND will not require any environmental due diligence if the type of real estate is not in BND's Top 20 High Risk Industry List. Real estate taken as collateral that is on the Top 20 High Risk Industry List automatically requires a Phase I Environmental Assessment.*

The following table includes High Risk Industries for potential environmental contamination. An environmental questionnaire is not necessary for these high-risk industries, but they do require an automatic Phase I Assessment. An automatic Phase I Environmental Assessment is required for the following High-Risk Industries:

- GASOLINE STATIONS
- FUEL DEALERS
- REGISTERED OR UNREGISTERED STORAGE TANKS (ABOVE OR BELOW GROUND)
- AUTOMOTIVE REPAIR & MAINTENANCE
- LAUNDRY & DRY-CLEANING SERVICES
- WASTE MANAGEMENT & REMEDIATION SERVICES
- COMMERCIAL PRINTING FACILITY
- PHOTO DEVELOPING LABS
- CATTLE FEEDLOTS
- JUNKYARD OR LANDFILL
- INDUSTRIAL OR COMMERCIAL HYDRAULIC EQUIPMENT WITH POLYCHLORINATED BIPHENYLS (PCB's)
- PIPELINE TRANSPORTATION
- SALT WATER DISPOSAL WELLS
- OIL & GAS EXTRACTION
- MINING (EXCEPT OIL & GAS)
- PETROLEUM & COAL PRODUCTS MANUFACTURING
- CHEMICAL MANUFACTURING OR STORAGE
- RECYCLABLE MATERIAL MERCHANT WHOLESALER
- CHEMICAL & ALLIED PRODUCTS MERCHANT WHOLESALERS
- PETROLEUM & PETROLEUM PRODUCT MERCHANT WHOLESALERS

There was discussion about an expiration date. It was noted that the application period for the CPR program expires on November 30, 2020 and would be a good timeframe for a sunset to the proposed General Loan Policy modifications. Mr. Evanger suggested a date of March 31, 2021.

In response to a question, Mr. Hardmeyer assured the Commission that all information will continue to be evaluated to identify and address any potential risks and the Bank understands the risks being taken. The Bank will reserve for it and credit quality will continue to be assessed. There will be a heightened level of attention of credit risks in view of the Bank's efforts to meet the needs of the citizens of North Dakota.

It was the consensus of the Commission that while the authority for larger loans is being temporarily delegated, the Bank should report on activity to the Commission on a regular basis on those loans that would have previously come to the Industrial Commission.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem to amend the previous motion and set an expiration date on the proposed modifications to the General Loan Policy for those loan applications received prior to November 30, 2020 and direct Bank management

to provide regular reports on the approved CPR loans. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye to amend the motion. The motion carried unanimously.

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye on the amended motion. The amended motion carried unanimously.

Mr. Hardmeyer presented the Bank of North Dakota Advisory Board January 16, 2020 and February 20, 2020 nonconfidential meeting minutes.

It was moved by Attorney General Stenehjem and seconded by Governor Burgum that under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 following the Bank of North Dakota executive session the Industrial Commission close the meeting to the public and enter executive session for the purpose of attorney consultation. The purpose of the executive session will be to consult with the Commission's attorney(s) regarding current adversarial proceedings in:

Case No. 05-2019-cv-00085/Northwest Landowners Association vs. State of North Dakota, et al.

On a roll call vote, Governor Burgum and Attorney General Stenehjem voted aye. The motion carried unanimously.

Pursuant to N.D.C.C. 6-09-35, the Industrial Commission entered into executive session regarding Bank of North Dakota business. Commission members and those present in the BND executive session were reminded that the discussion during the BND executive session must be limited to those items listed on the agenda which was anticipated to last between 25 and 35 minutes. It was noted that any formal action by the Commission would occur after it reconvened in open session. Only Commission members, their staff, and BND staff participated in that executive session.

The Commission members and those present in the DMR executive session were reminded that the discussion during the DMR executive session must be limited to consultation with the Commission's attorney(s) regarding Case No. 05-2019-cv-00085. Any formal action by the Commission will occur after it reconvenes in open session. The DMR executive session was anticipated to last between 5 and 10 minutes.

Only the Commission members, their staff, DMR staff, and counsel with the Attorney General staff participated in the DMR executive session.

Governor Burgum closed the meeting at 1:30 p.m. for the BND executive session to discuss the following items:

- Consideration of loan applications.
- Presentation of the following reports:
 - Non-Accrual Loans Quarterly Recap/Detail
 - Problem Loans – Adversely Classified Quarterly Recap
 - Loan Charge-Offs and Recoveries Y.T.D. 03-31-20
 - Update on Concentration of Credit Report and loan portfolios.
- Presentation of Bank of North Dakota Advisory Board January 16, 2020 and February 20, 2020 confidential meeting minutes.

DMR staff and counsel were asked to dial into their session at approximately 2:00 p.m. using the instructions given.

BND EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

Bank of North Dakota Personnel Present:

Eric Hardmeyer	Bank of North Dakota
Todd Steinwand	Bank of North Dakota
Kirby Evanger	Bank of North Dakota
Tim Porter	Bank of North Dakota

Others in Attendance:

Reice Haase	Governor's Office
John Schneider	Department of Agriculture
Karlene Fine	Industrial Commission Office
Andrea Pfennig	Industrial Commission Office

The BND executive session ended at 2:01 p.m. The DMR executive session began at 2:02 p.m.

DMR EXECUTIVE SESSION

Members Present:

Governor Doug Burgum
Attorney General Wayne Stenehjem
Commissioner Doug Goehring

Others in Attendance:

Reice Haase	Governor's Office
John Schneider	Department of Agriculture
Matt Sagsveen	Attorney General's Office (phone)
Nici Meyer	Attorney General's Office (phone)
Lynn Helms	DMR (phone)
Bruce Hicks	DMR (phone)
Karlene Fine	Industrial Commission Office
Andrea Pfennig	Industrial Commission Office

The DMR executive session ended at 2:11 p.m. The Commission reconvened in open session. Governor Burgum noted that during the DMR executive session, guidance was provided to the Commission's counsel regarding the case listed on the agenda. During the BND executive session, the Commission made a motion regarding four loan requests.

On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye on the loan applications. The motion carried unanimously.

ADMINISTRATIVE BUSINESS

Ms. Fine, Industrial Commission Executive Director, presented a recommendation regarding the appointment of David Flohr as the Housing Finance Agency Executive Director for consideration noting

that Mr. Flohr has 36 years of experience. Under his leadership as Interim Executive Director, HFA has taken on additional responsibilities including the Continuum of Care, is exceeding loan production projections so far in 2020; and has managed challenges that are impacting the Agency's ability to issue and sell bonds.

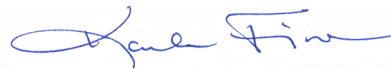
Housing Finance Agency Advisory Board members have expressed their support for Mr. Flohr and his leadership at the Agency.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission accept the recommendation of the Industrial Commission Executive Director/Secretary and appoint David Flohr as Housing Finance Agency Executive Director effective May 1, 2020 at an annual salary of \$147,000. On a roll call vote, Governor Burgum, Attorney General Stenehjem, and Commissioner Goehring voted aye. The motion carried unanimously.

Attorney General Stenehjem provided an update on the status of the PHMSA petition challenging the State of Washington on its laws regarding oil conditioning. The report from Sandia National Laboratories has been completed. The findings are favorable to North Dakota's case. PHMSA had 180 days to act on North Dakota's petition once it was published, with an option to extend the timeline for 90 days for good cause. PHMSA elected to extend the timeline. As the report found that Bakken Oil is not more volatile than conventional or Permian Basin oil, Attorney General Stenehjem indicated that he feels it is likely PHMSA will make a determination in North Dakota's favor. Attorney General Stenehjem will provide an update at the July Commission meeting.

With no further Industrial Commission business, Governor Burgum adjourned the meeting at 2:15 p.m.

North Dakota Industrial Commission



Karlene Fine, Executive Director and Secretary