

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on January 11, 2016 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

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

Also

Present: Lynn Helms, DMR
Bruce Hicks, DMR - Oil and Gas Division
Alison Ritter, DMR
Hope Hogan, Attorney General's Office
John Morrison, Crowley Fleck
Jan Swenson, BCA
Bill Kalanek, XTO Energy
Tessa Sandstrom, ND Petroleum Council
Justin Kringstad, Pipeline Authority
Bonnie Storbakken, Governor's Office
Christy Schafer, Agriculture Department
Pamela Link, LIVNA
Lacee Anderson, Savage/Ames
Members of the Press

Governor Dalrymple called the Industrial Commission meeting to order at 9:00 a.m. and took up Department of Mineral Resources business.

Mr. Lynn Helms, Department of Mineral Resources Director, presented orders for cases heard on November 18 and 20, 2015 as follows: (Copies of the orders are available in the Commission files.)

Case 23981, Order 27094 - risk penalty – Mr. Helms stated that Oasis Petroleum is seeking the risk penalty and there is an objection from Gerrity Bakken, LLC. The issue centers around whether or not Gerrity Bakken, LLC was properly served an invitation to participate in a well. After looking at extensive filings, staff concluded that Gerrity Bakken did receive proper notice; they were properly served the invitation to participate and that somehow they misplaced it in their office or did not respond. Therefore Oasis should get the risk penalty. Oasis was able to provide evidence that they did properly serve that invitation. He said that is what the order states and recommended approval of Order 27094.

Case 23981: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 27094 issued in Case 23981, be approved this 11th day of January, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 24591, Order 27095 - risk penalty – Mr. Helms stated that this is an application by Mr. B. K. Killion to not have the risk penalty assessed against him by Oasis Petroleum. A copy of the U.S. Postal Card was entered into the record showing that the invitation to participate was sent but on the back is the response of the post office as to the attempted delivery. In this case Mr. Killion had moved from College Station, Texas to Casper, Wyoming and did not leave a forwarding address. The item was not properly served on Mr. Killion. It was returned to Oasis as unclaimed mail and Oasis did not make any follow up attempts to locate Mr. Killion and serve him with this invitation in Wyoming. Order 27095 states that the invitation to participate was not properly served and that Oasis cannot assess the risk penalty against Mr. Killion. Oasis can go ahead and send a new invitation to participate if they so desire.

Case 24591: It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that Order 27095 issued in Case 24591, be approved and effective this 11th day of January, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Case 24606, Order 26970 - authorization for sale of oil – He said this case involves an application by GADECO to sell roughly 800 barrels of oil that they produced while working on a well at an illegal location. They made application to sell this oil and distribute proceeds on the basis of 75% going to the spacing unit where the well bore was supposed to be and 25% to the well bore where the oil actually came from. Ritter, Laber & Associates objected to the application and said that GADECO shouldn't be allowed to sell the oil because their leases have expired in the spacing unit where the well bore was supposed to be drilled. Mr. Helms stated that it is possible to sell the oil and put the proceeds in suspense and distribute once the court determines who actually owns the oil.

However, there is a second issue. Ritter, Laber & Associates brought up the fact that this oil was produced in violation of the Commission's rules and regulations and is, therefore, illegal oil, should be seized by the Commission and the statutory process for illegal oil should be followed in dealing with the 800 barrels of oil. After a lot of research by the Commission's Assistant Attorney General and attempts to get GADECO to tell the Oil and Gas Division who the mineral owners are in the offended spacing unit, the staff is proposing an order that denies GAEDCO's application and determines that the 800 barrels of oil is illegal oil. If the Commission approves the order, Ms. Hogan will begin the process of going through District Court to seize the oil, sell it at a sheriff's sale and put the proceeds into the General Fund where proceeds go for illegal oil.

In response to a question Mr. Helms indicated that the proposed percentage distribution would have had proceeds going to mineral owners of the spacing unit where the oil had not come from. The conclusion of the staff based on the way the well bore was constructed is that all the oil came from the neighbor's spacing unit where the well was not supposed to be. So it is truly illegal oil -- it was produced from the neighbor's spacing unit. GAEDCO should not be permitted to sell the oil and distribute the proceeds. He reviewed what had happened in the drilling process that resulted in the well being drilled in the wrong spacing unit and the current status of the well - well bore is plugged and abandoned. The oil is currently stored on the well location.

Case 24606: It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that Order 26970 issued in Case 24606 denying the application and making a determination that the oil in question is illegal oil, be approved and effective this 11th day of January, 2016. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

It was noted that this is only the second time that staff can remember that the Commission has made a determination that certain oil is illegal oil and the only time that they will be able to confiscate and sell it.

Mr. Helms discussed a resolution regarding the appointment of hearing examiners. He said they update the list of hearing examiners from time to time. The goal is to make sure that anyone who might conduct a hearing in the Oil and Gas Division or anyone who actually drafts an order shows up on this list. The most significant change is that Mr. Fred Anderson has been removed and Mr. Ziesch has been added. Mr.

Anderson has moved to a different position within the Department and Mr. Ziesch was hired recently and may be needed to conduct administrative hearings.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring that the Industrial Commission adopt the following resolution:

**RESOLUTION OF THE
INDUSTRIAL COMMISSION OF NORTH DAKOTA
NAMING HEARING EXAMINERS**

Whereas, Section 38-08-04.1 of the North Dakota Century Code provides that the Industrial Commission may use hearing examiners under such rules and regulations as the Commission may prescribe; and

Whereas, Section 43-02-03-93 of the North Dakota Administrative Code provides that the Commission may by motion designate and appoint qualified individuals to serve as examiners,

NOW, THEREFORE, the Industrial Commission rescinds all prior appointments of examiners and designates and appoints the following individuals to serve as the Commission's examiners as it relates to the Commission's responsibilities under Chapter 38-08 of the North Dakota Century Code:

Hope L. Hogan, Assistant Attorney General
Matt Sagsveen, Assistant Attorney General
Chris Harvey, Assistant Attorney General
Lynn D. Helms, Director, Department of Mineral Resources and Director, Oil and Gas Division
Bruce Hicks, Assistant Director, Oil and Gas Division
Mark Bohrer, UIC, Treating Plant and Horizontal Drilling Manager, Oil and Gas Division
Dave Hvinden, Field Supervisor, Oil and Gas Division
Michael Ziesch, EGIS Staff Officer, Department of Mineral Resources
Dave McCusker, Petroleum Engineer, Oil and Gas Division

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

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that under the authority of North Dakota Century Code Sections 44-04-19.1 and 44-04-19.2 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 attorneys regarding the following pending adversarial administrative proceedings:

**Case 23087
Case 23088
Case 23230
Case 24595
Case 24683
Case 24686**

Governor Dalrymple stated for the record: I remind the Commission members and those present in the executive session that the discussion during executive session must be limited to the announced purpose for entering into executive session which is anticipated to last approximately one hour. The Commission

is meeting in executive session to consult with the Commission's attorney(s) regarding the previously identified adversarial administrative proceedings. Any formal action by the Commission will occur after it reconvenes in open session. Commission members, their staff, employees of the Department of Mineral Resources and counsel with the Attorney General staff will remain but the public is asked to leave the room at this time. When the executive session ends the Commission will reconvene in open session.

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

At 9:15 a.m. the Commission entered into executive session for purposes of attorney consultation regarding pending adversarial administrative proceedings.

EXECUTIVE SESSION

Members Present:

Governor Jack Dalrymple
Attorney General Stenehjem
Agriculture Commissioner Doug Goehring

Department of Mineral Resources Personnel Present:

Lynn Helms Department of Mineral Resources Director
Bruce Hicks Department of Mineral Resources Oil and Gas Division Assistant Director
Alison Ritter Department of Mineral Resources Public Information Officer

Others in Attendance:

Hope Hogan Assistant Attorney General, Office of the Attorney General
Bonnie Storbakken Governor's Office
Christy Schafer Agriculture Department

No action was taken during the Executive Session which was adjourned at 10:51 a.m. and the Commission returned to open session and the public was invited to return to the meeting.

Governor Dalrymple reconvened the open portion of the meeting at 10:51 a.m.

Governor Dalrymple said Case 23087, Case 23088, Case 23230, Case 24595, Case 24683 and Case 24686 were reviewed in great detail and at this time the Commission is not going to be taking any final action on these six cases as a result of the discussion. The Commission has provided its attorney guidance regarding the development of the final orders for the pending six cases. The staff will be reporting back to the Commission with their final recommendations. Governor Dalrymple said he appreciated the discussion the Commission had today. He especially appreciated learning a couple of things, one is that the Department of Mineral Resources Oil and Gas Division's area of responsibility has to do with operating rules; environmental impact is really not in the Division's purview--that is the Health Department and other agencies that protect the environment. It is an important point not everyone is well aware of. The other thing is that going forward the Commission will have a written narrative on what specifically is to be done in exchange for any discounting of a fine. That is something that not everybody understands. He thanked Mr. Helms and the Department for all their work on these matters.

Commissioner Goehring stated that he appreciated getting an understanding of the discussions that are taking place and how the actions being taken are leveraging two things -- a response and a change in behavior.

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Mr. Helms said this Wednesday there will be a hearing on the Corral Creek Unit. It is the hearing to review the development plan which was approved about three years ago. He also indicated that next month the staff will be bringing administrative rule changes which will include new pipeline rules as addressed by House Bill 1358.

Being no further Department of Mineral Resources business, Governor Dalrymple adjourned this portion of the meeting at 10:55 a.m. and the Commission took up Pipeline Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

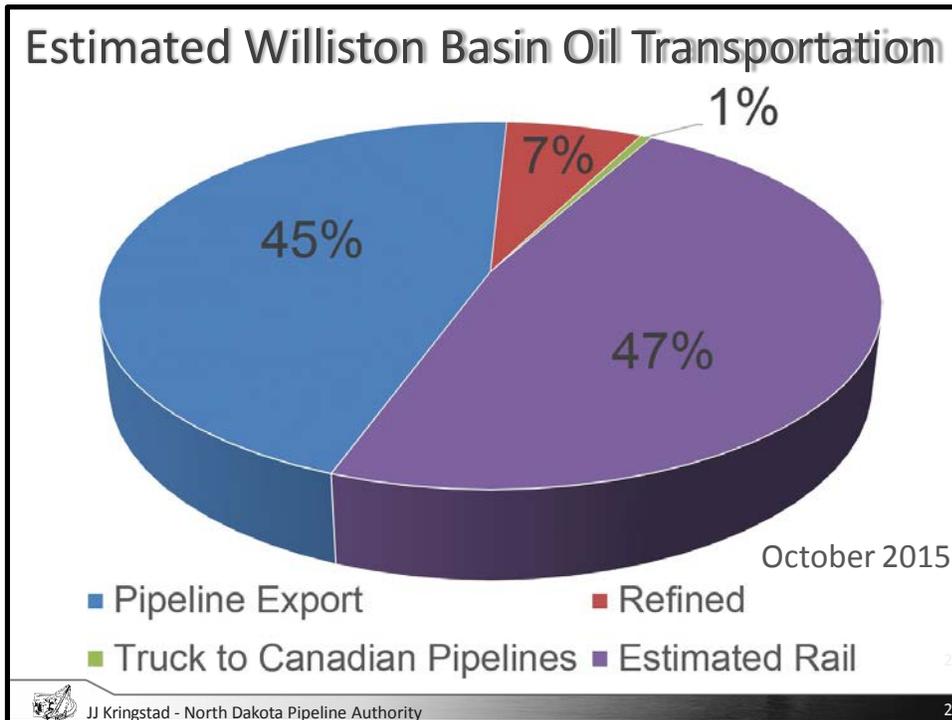
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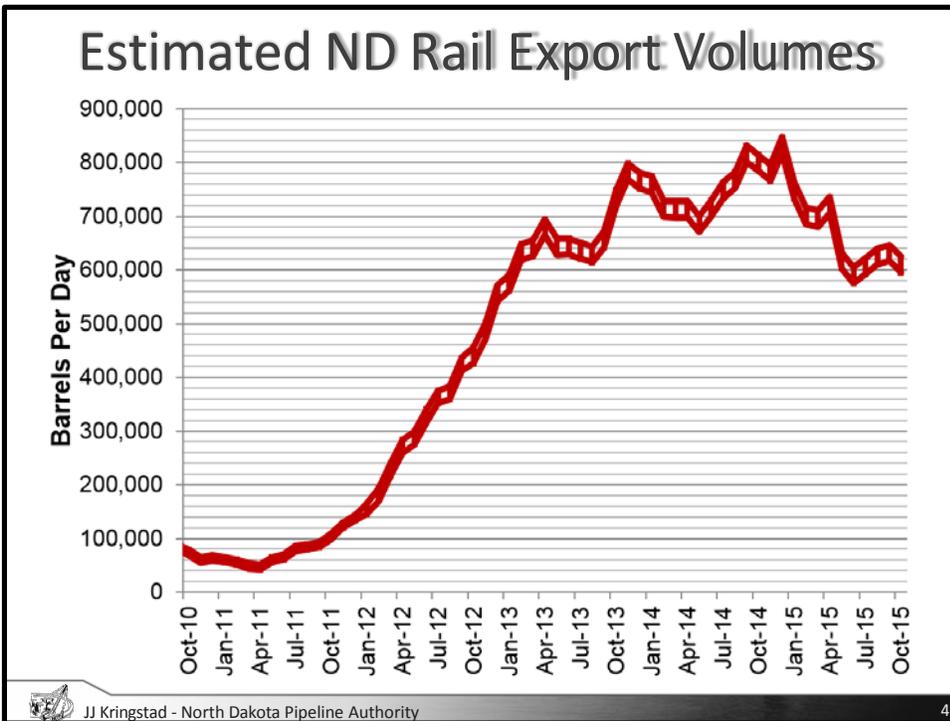
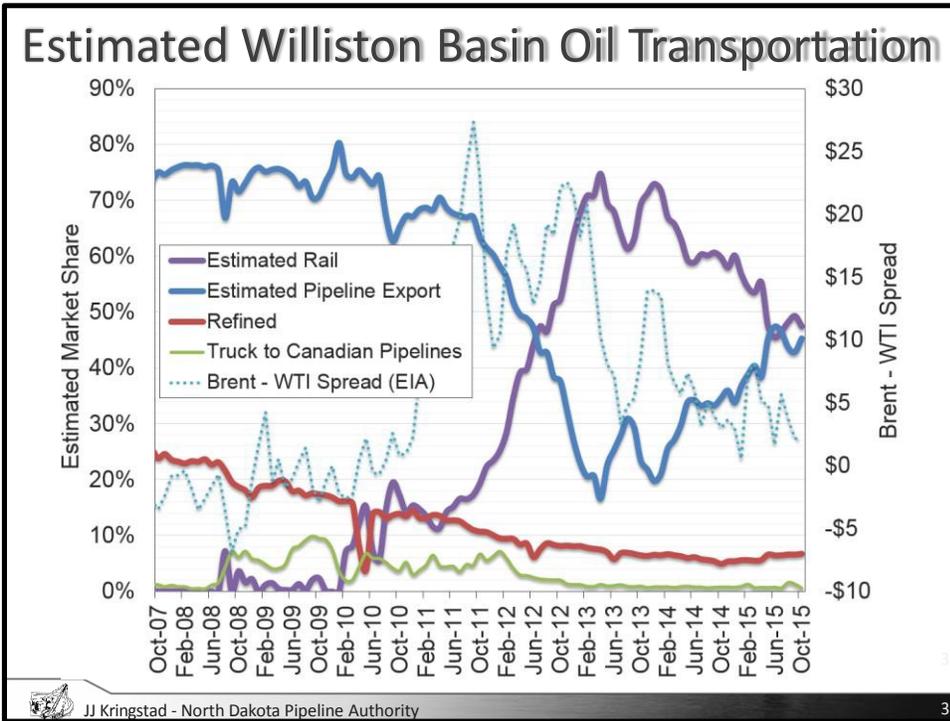
Present: Governor Jack Dalrymple, Chairman
Attorney General Wayne Stenehjem
Agriculture Commissioner Doug Goehring

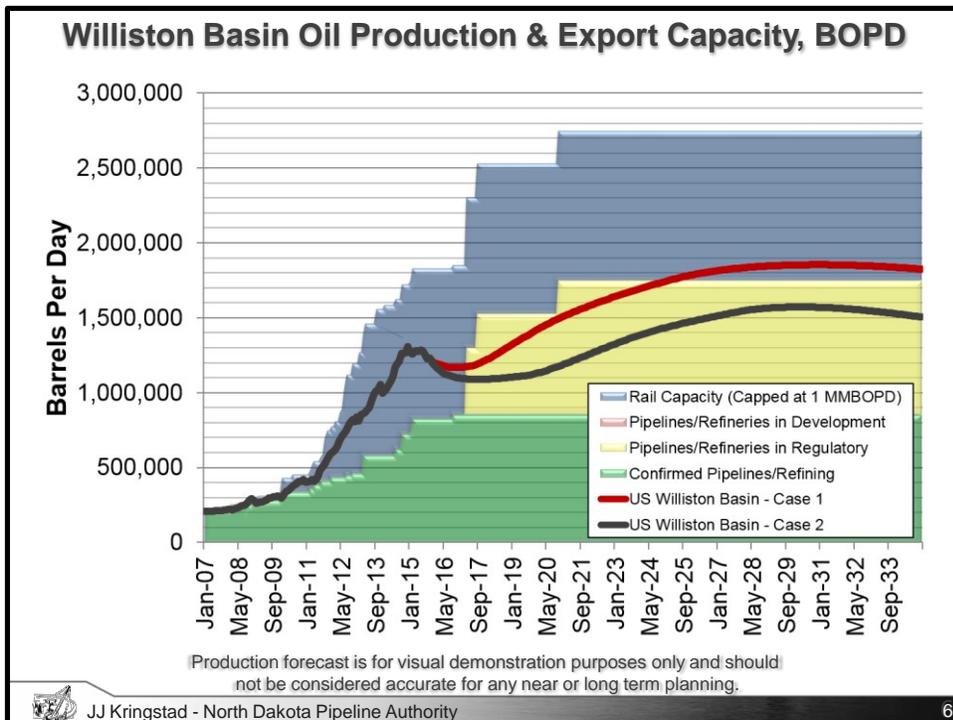
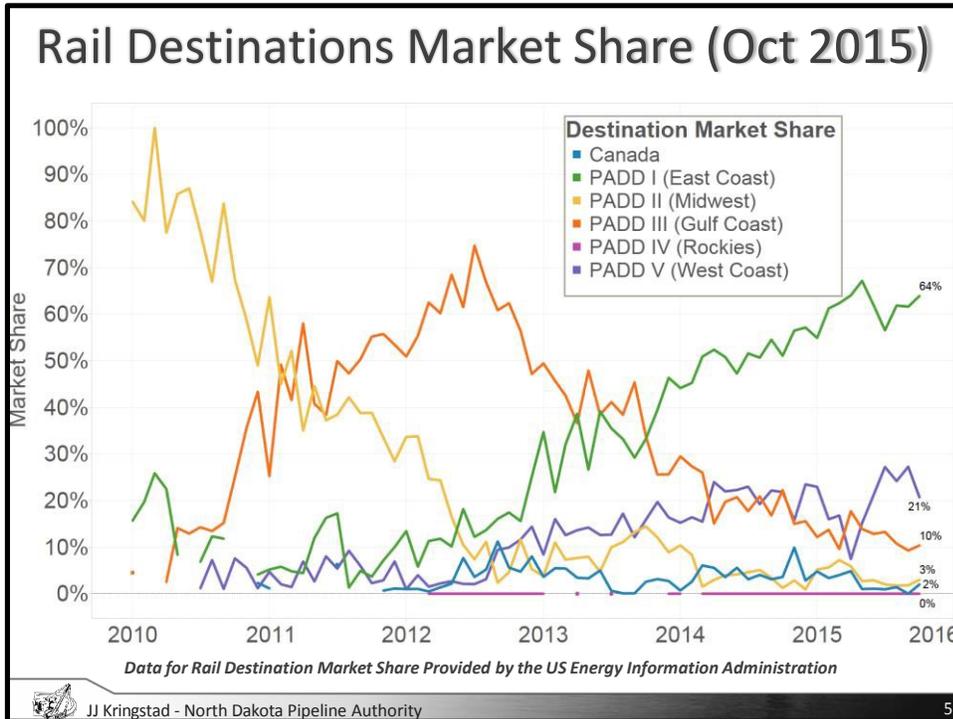
Also Present: John Morrison, Crowley Fleck
Jan Swenson, BCA
Bill Kalanek, XTO Energy
Tessa Sandstrom, ND Petroleum Council
Justin Kringstad, Pipeline Authority
Bonnie Storbakken, Governor's Office
Christy Schafer, Agriculture Department
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Members of the Press

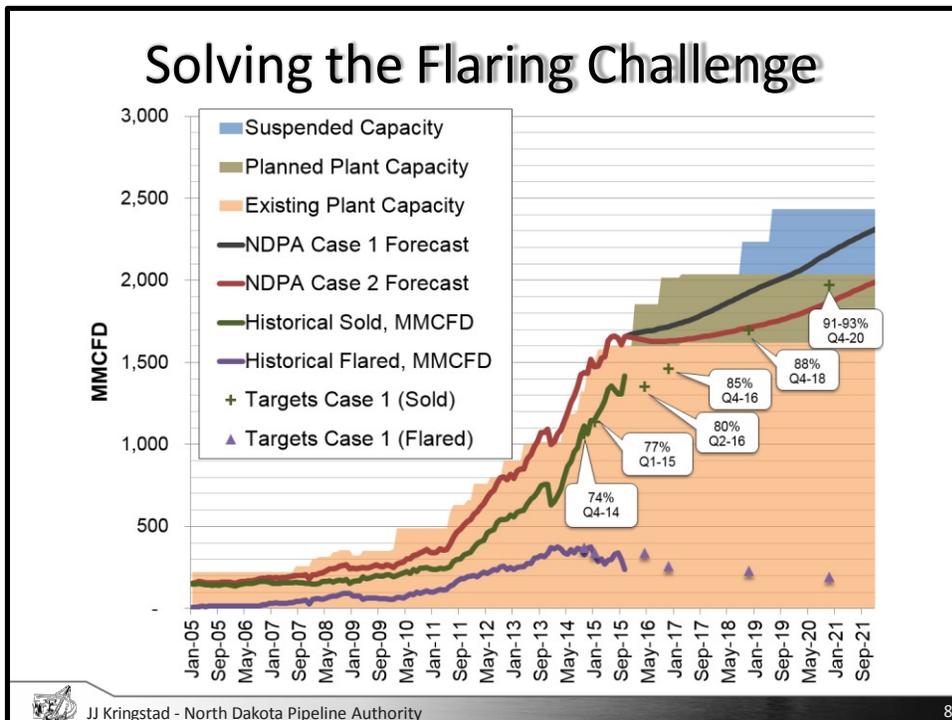
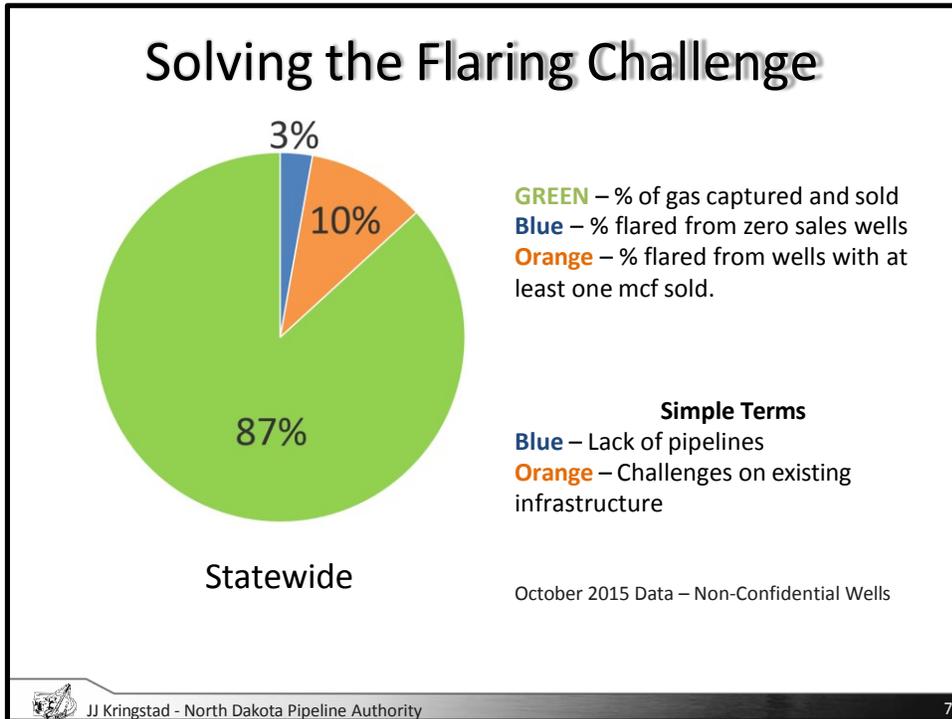
Governor Dalrymple called the North Dakota Pipeline Authority portion of the Industrial Commission meeting to order at 10:55 a.m. following completion of Department of Mineral Resources business.

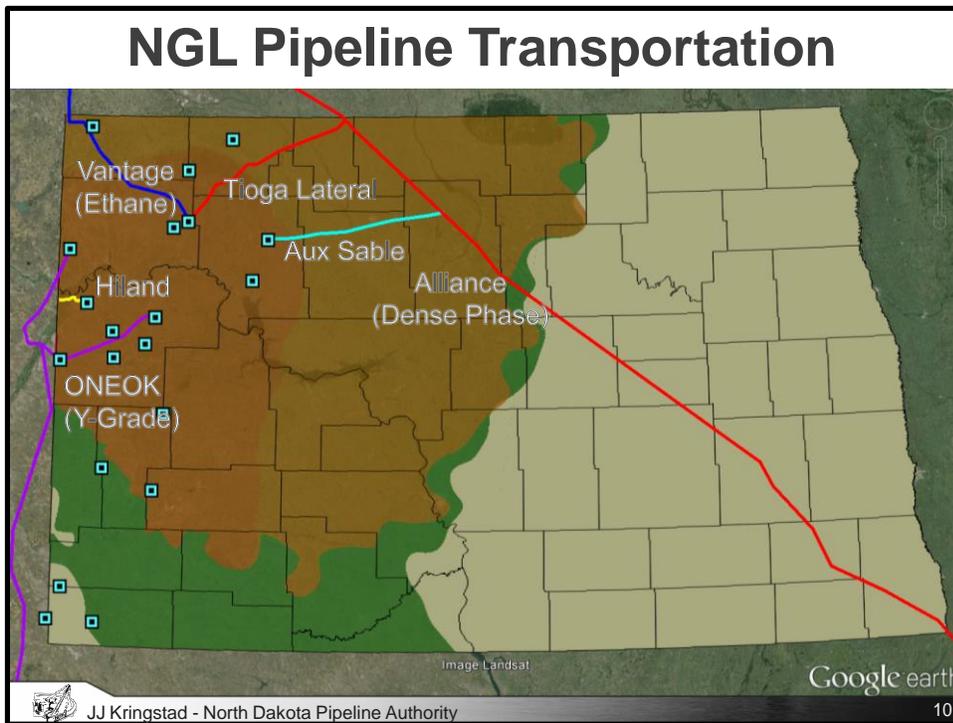
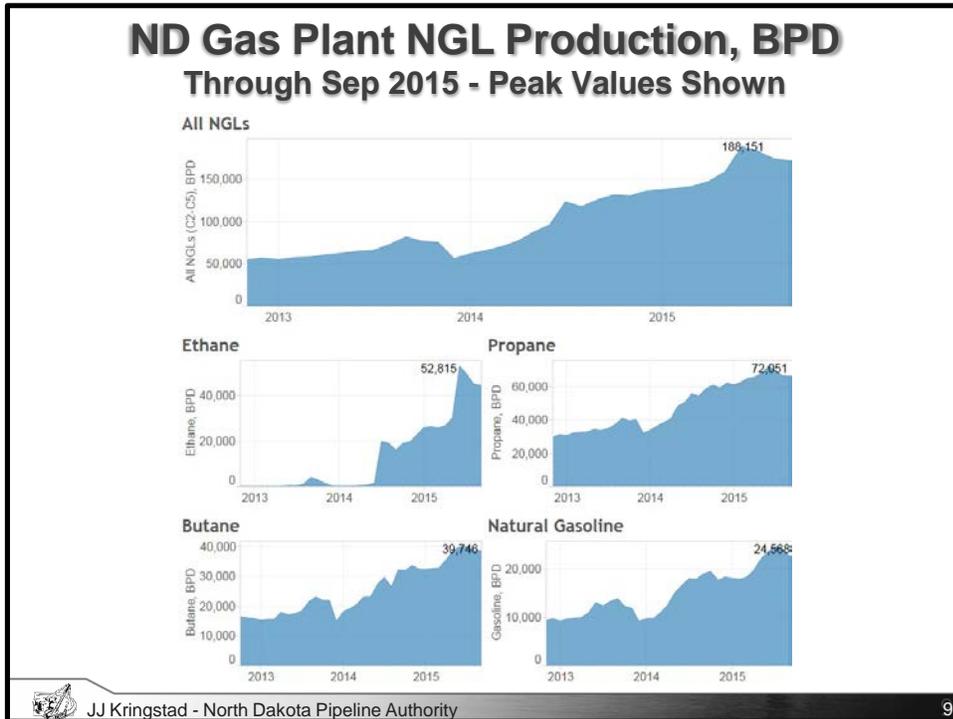
Mr. Justin Kringstad, Pipeline Authority Director, presented the Quarterly Pipeline Authority report as follows:











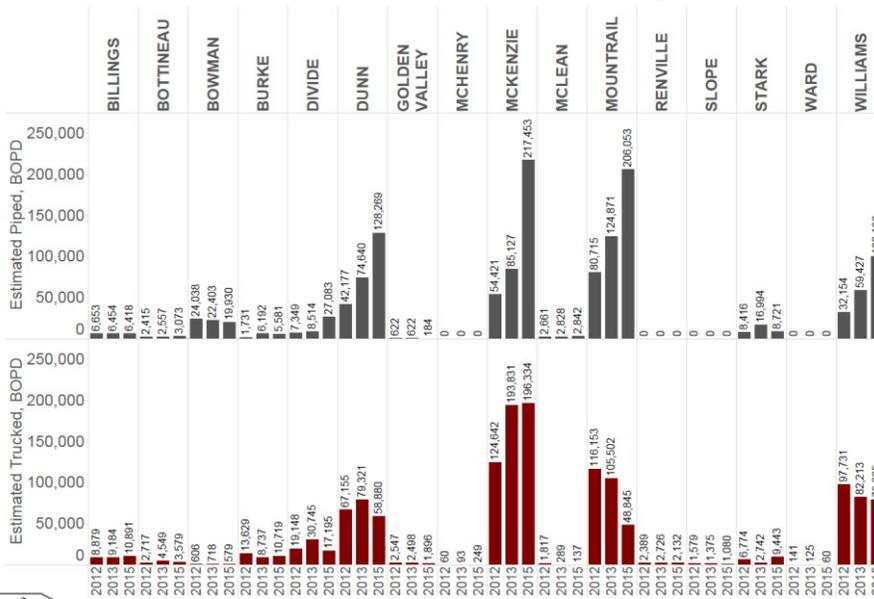
Recent Video Presentations

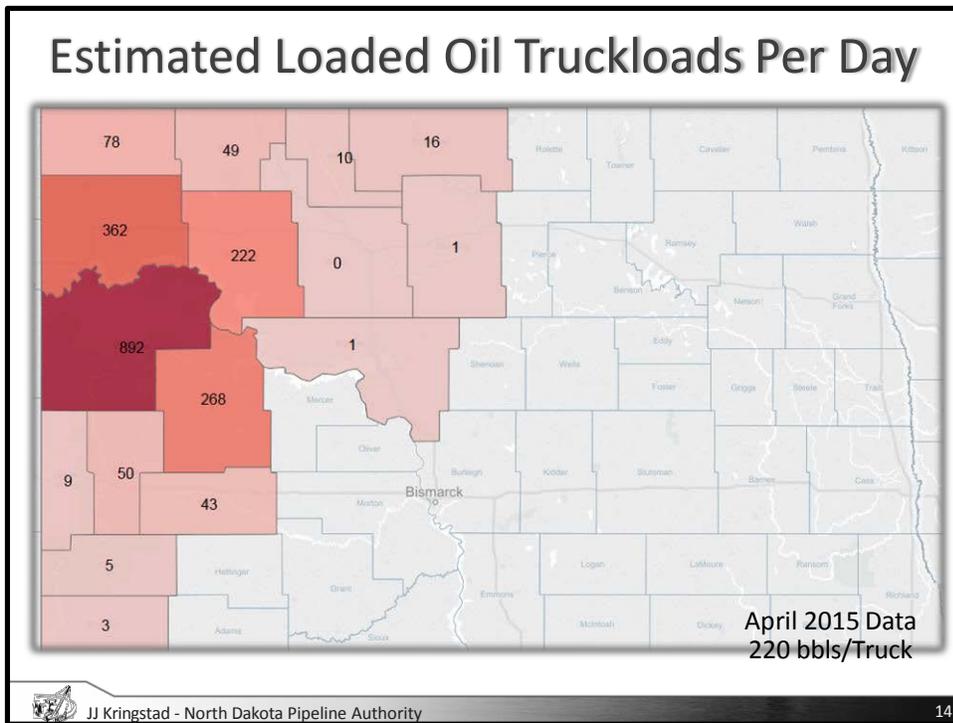
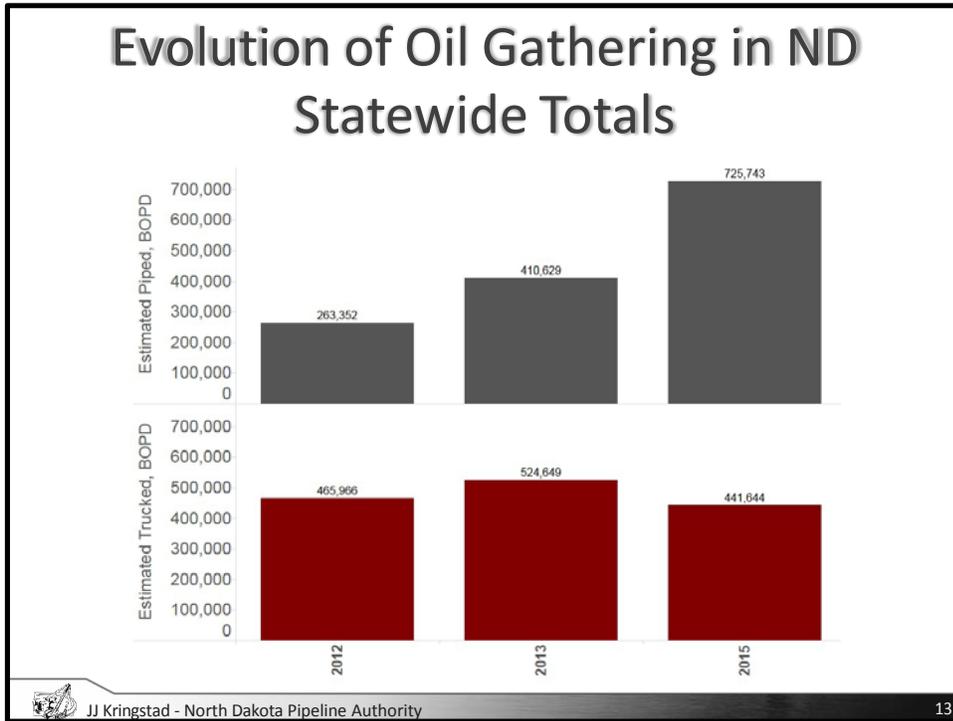
- Over 3,100 video downloads since Aug-15
- Major topics include:
 - Bakken economics
 - Production insight, trends, and expectations
 - Crude oil gathering

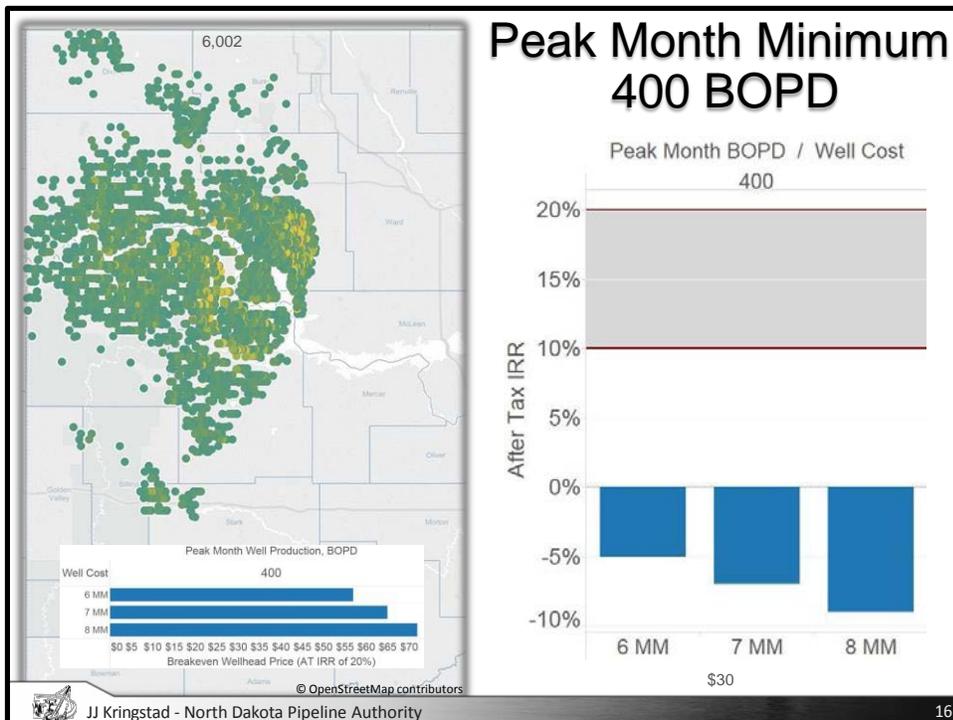
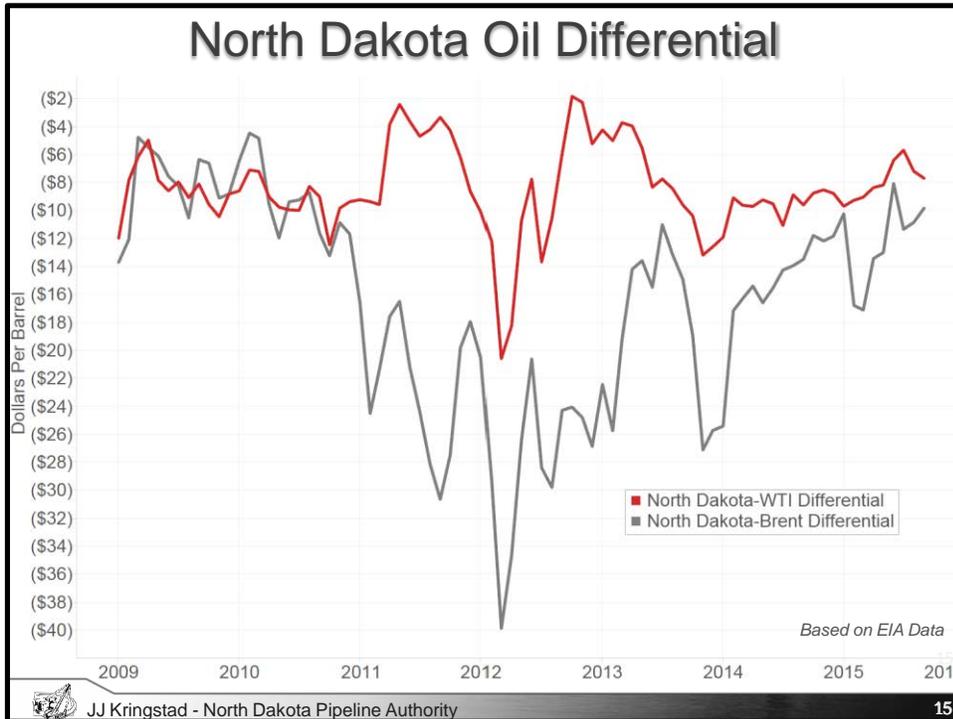
All videos available for replay online

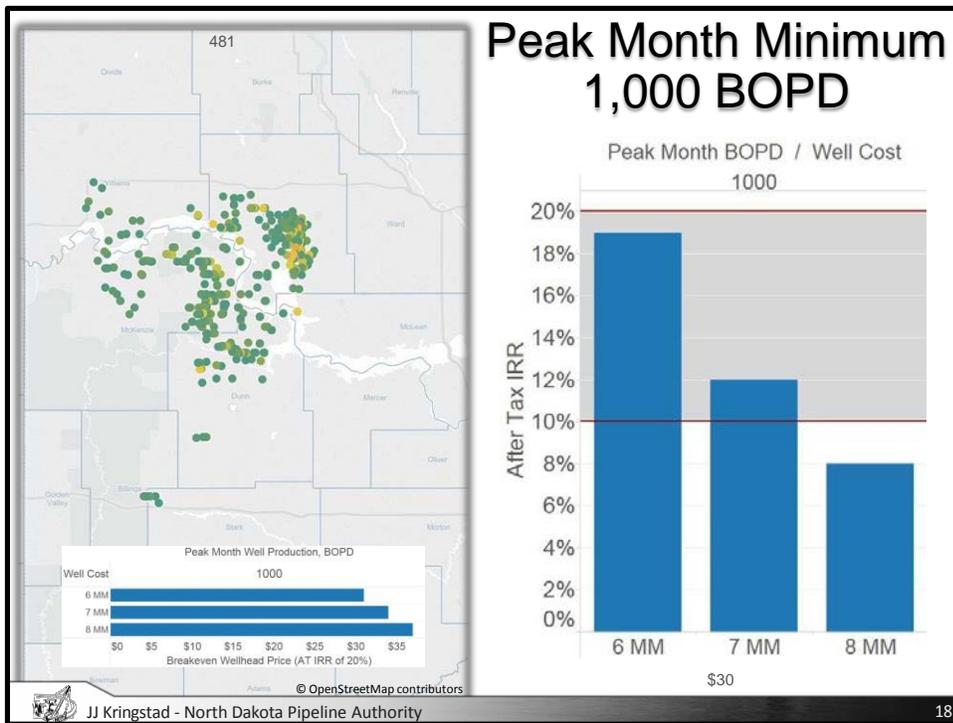
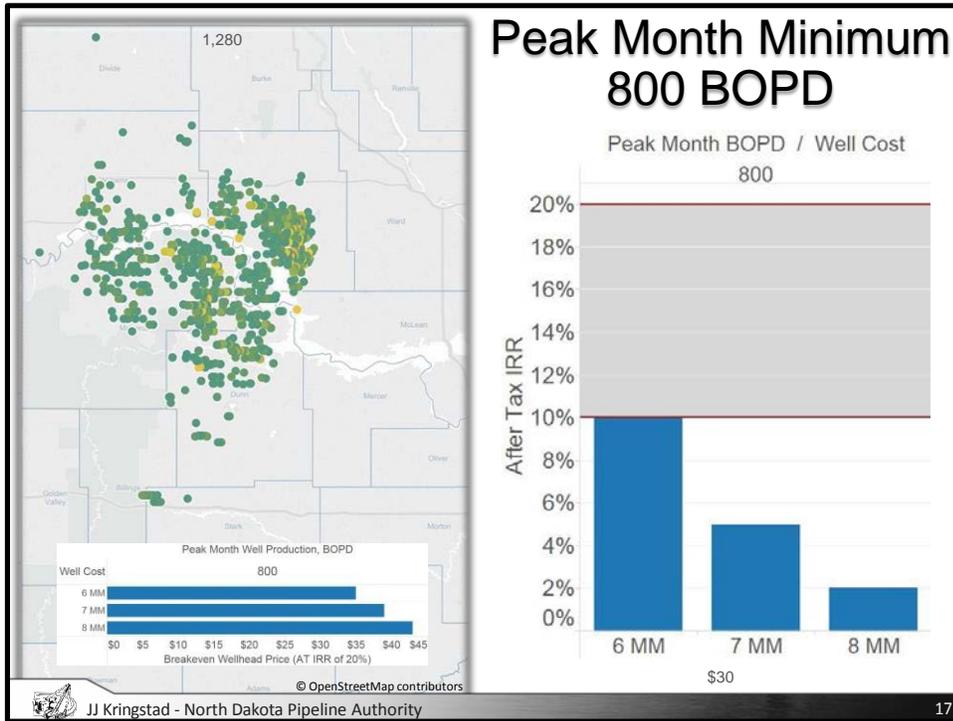


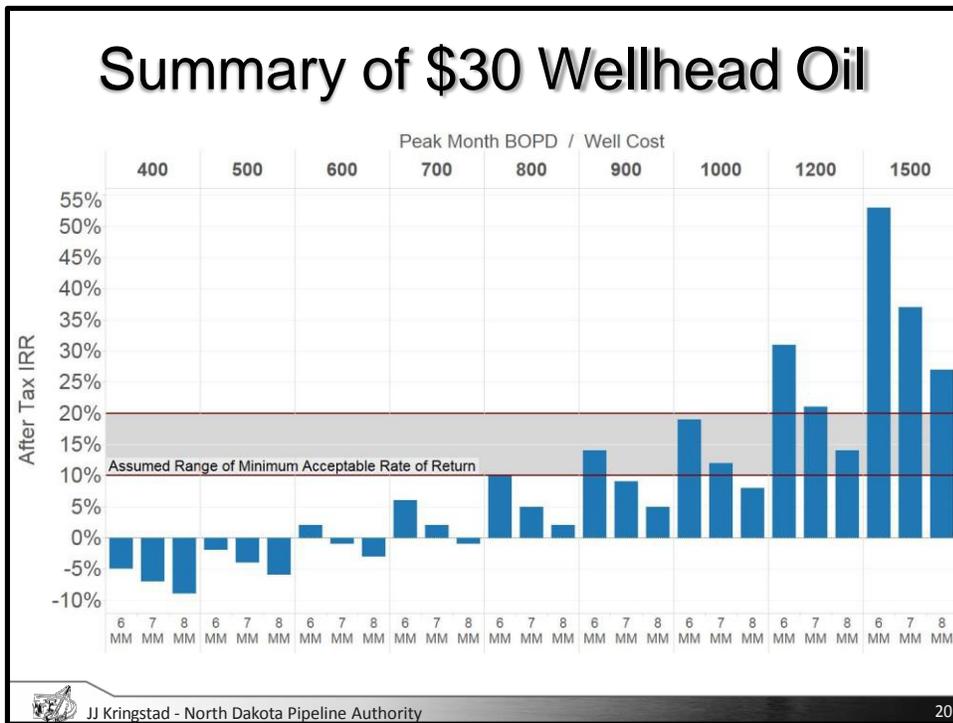
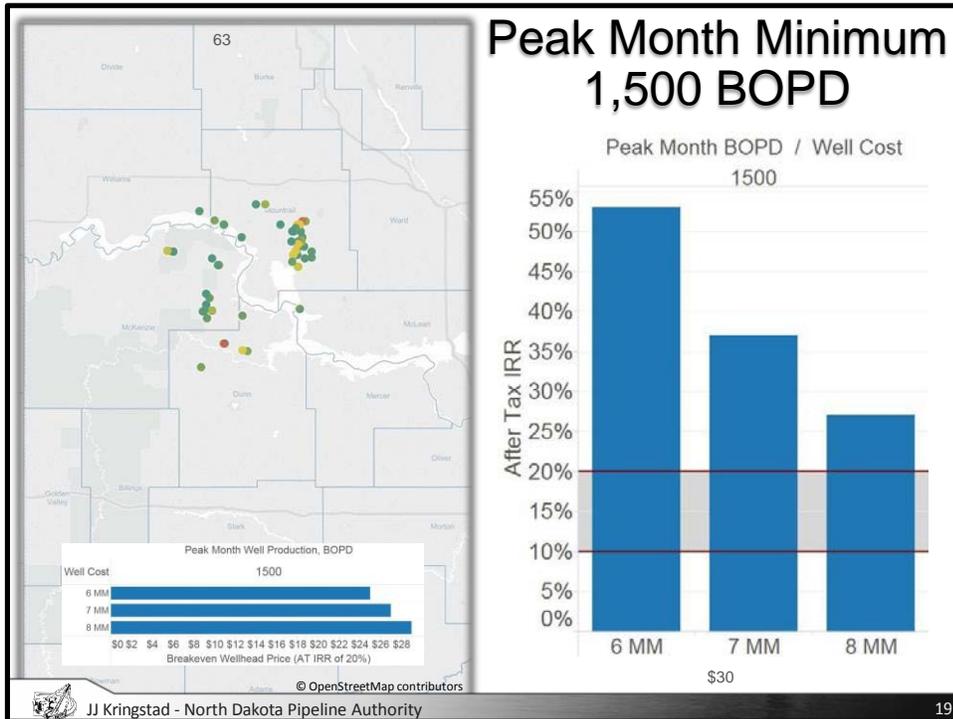
Evolution of Oil Gathering in ND

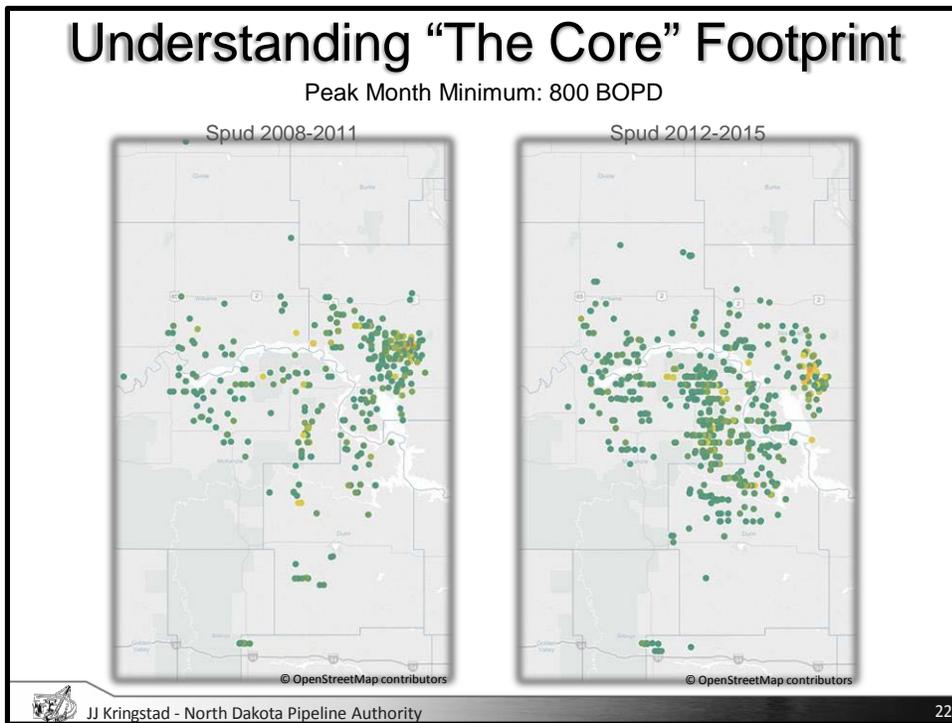
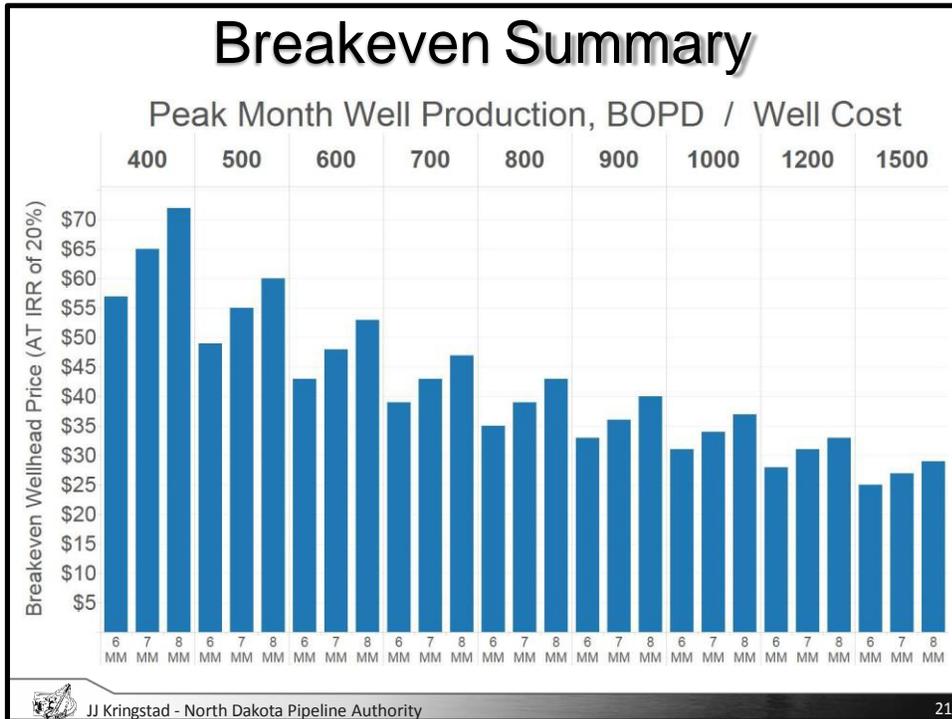


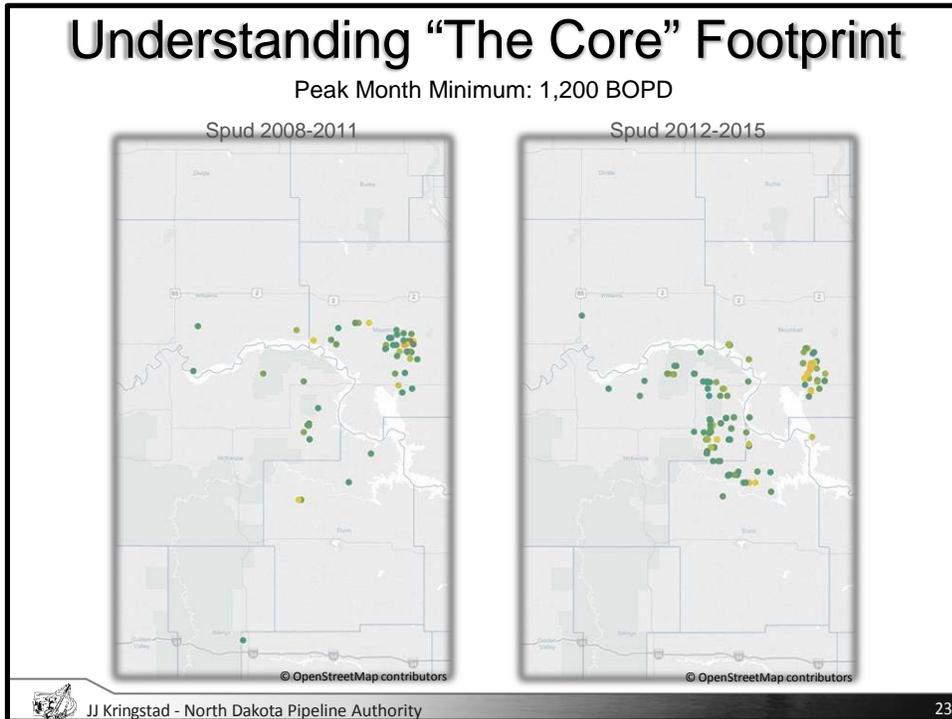












Mr. Kringstad gave an update and timeline on future pipeline projects -- Dakota Access and Sandpiper.

Being no further Pipeline Authority business, Governor Dalrymple adjourned this portion of the meeting at 11:15 a.m. and the Commission took up Western Area Water Supply Authority business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

Karlene Fine, Executive Director and Secretary

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

Also

Present: Jaret Wirtz, WAWSA
Bonnie Storbakken, Governor's Office
Christy Schafer, Agriculture Department
Lacey Anderson, Savage/Ames
Members of the Press

Governor Dalrymple called the Western Area Water Supply Authority portion of the Industrial Commission meeting to order at 11:15 a.m. following completion of Pipeline Authority business.

Ms. Karlene Fine, Industrial Commission Executive Director and Secretary, presented the December financial report and Debt Reduction Report and Request for amendment to prior Commission action as follows: (A complete copy of the report is available in the Commission files.)

RE: Western Area Water Supply Authority - Industrial Sales - December, 2015 & Debt Repayment Report

Attached is the Western Area Water Supply Authority (WAWS) financial information for the month of December, 2015.

Page 1 prepared by the Bank of North Dakota, reflects debt service payments through the month of December, 2015. Joel Erickson, BND, has noted that WAWS has paid ahead on the BND \$50 million loan by approximately \$11.7 million.

The next 3 pages (pages 2, 3 & 4) I prepared based on the information provided by WAWS staff reflecting December revenues and expenses and net income. On page 2 you will see that there were no capital improvement disbursements (highlighted in orange) and the one principal payment made in December is highlighted in yellow. Net income for the month of December was (\$348,887.28) before making their principal payment. Page 5 is the balance sheet prepared by WAWS staff as of December 31, 2015. As noted on the Balance Sheet the Accounts Receivables are \$1,855,291.21 which is included in the assets of \$2,040,494.26. You previously requested a list of the Accounts Receivables which are attached as pages 6 & 7. I have added the Profit & Loss report for the year 2015 (Page 8) which shows net income for the year of \$4,679,987.85. Jaret will be providing some additional information on the year end numbers.

Last month you approved WAWS using the prepayments they had previously made on one of the BND loans if there was insufficient cash to make a principal payment. I had drafted the motion to be effective on January 1, 2016. However it became necessary for WAWS to use that authority effective December 1, 2015. That is why you do not see a principal payment on the one BND loan. I would request that you amend your prior action and approve the December 1, 2015 date for implementation of this authority.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that effective December 1, 2015 the Bank of North Dakota (BND) consider suspending the monthly principal payments on BND Loan Number 125025800001 until 7/31/2017 with monthly interest payments continuing to be made and that suspended monthly principal payments (or a portion of a monthly principal payment) be made based on either a formula/calculation or cash threshold as negotiated between the Western Area Water Supply Authority and BND. Further that it be noted that since the Western Area Water Supply Authority has prepaid principal ahead to 7/31/2017 this is not considered a payment restructure or modification. On a roll call vote, Governor Dalrymple,

Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

It was noted that what is being done is the prepayments that have been made are now being applied to debt service.

Mr. Jaret Wirtz, Western Area Water Supply Authority Executive Director, discussed the Year-End Review of 2015 Sales. (A copy is available in the Commission files.) He said they had built their projections for 2015 based on the sales they had in 2014. No one predicted the drop in the price of oil and how that drop would impact the well completions. They came in under \$12 million for their projects with most of that drop off coming in the last six months of the year. The total for the year was \$23 million -- a fairly good year but lower than what they had hoped.

Mr. Wirtz discussed his recommendation for the 2016 Industrial Reimbursement Rate. (Copies of the recommendation along with a map are available in the Commission files.) He said with the 2% increase that the WAWS Board put on the price of water to the members it impacts the rate reimbursement that needs to be approved by the Commission. He indicated that these rates are based strictly on the operation and maintenance costs of WAWS in getting the water to the point of sale. He noted the different rates around the region. He stated it was a little simpler from previous years because they have now clarified who will be serving the outer areas of Williams, Divide, Burke and Mountrail Counties. The majority of the sales will be made off the main transmission and trunk lines.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission, in accordance with §61-40-10(1)(b) directs the Western Area Water Supply Authority (Authority) to reimburse the Authority and its member entities from the Industrial Account for the cost of delivery of potable or nonpotable water sold from the industrial water depots and laterals for the year 2016 as follows:



Summary of WAWSA
2016 Industrial Water Rates by Location

January 6, 2016

Summary of Proposed Volumetric Industrial Water Charges for WAWSA Members and Submembers		
Volumetric Rate (\$/kgal)		
WAWSA Service Area and Member/Sub-Member	2016 Rate (\$/kgal)	Description
WAWSA Volumetric Rate to Williston	\$1.91	
WAWSA Volumetric Rate to South	\$3.95	
WAWSA Volumetric Rate to North	\$3.38	
City of Williston		
2nd Street Depot	\$1.91	Water Cost at Initial Meter Point
North Williston Depot	+ \$1.82	Williston Trans/Storage/Pumping/Dist/Admin/Water Loss
Future direct connections	\$3.73	Effective Volumetric Rate for water sales from Williston's system
WAWSA South - McKenzie County Water Resource District (MCWRD)		
System I and IV Pipeline Corridor ¹		
Indian Hill Depot	\$3.95	Water Cost at Initial Meter Point
Alexander Depot	+ \$0.34	MCWRD Admin
Current and future direct connections	\$4.29	Existing Volumetric Rate for water sales
Watford City Depot (WAWSA Water)	\$4.29	Water Cost at Initial Meter Point
	+ \$0.21	Water Loss
	\$4.50	Existing Volumetric Rate for water sales
Service to MCWRD System I past Watford City and System II Pipeline Corridor	\$4.50	Water Cost (WAWSA Supply)
	+ \$0.85	MCWRD Trans/Storage/Pumping/Dist/Admin/Water Loss
Current and future direct connections	\$5.35	Existing Volumetric Rate for water sales
Watford City Depot (ground water)	\$2.33	Water Supply and Treatment Cost from Watford City wellfield
	+ \$1.04	WAWSA Trans/Admin/Water Loss
	\$3.37	Calculated Volumetric Rate for water sales
Current and future direct connections from Watford City	\$4.29	Water Cost at Initial Meter Point
	+ \$2.75	Watford City Trans/Storage/Pumping/Dist/Admin/Water Loss
	\$7.04	Calculated Volumetric Rate for water sales
System I, II, and IV Rural ¹		
Keene Depot	\$4.29	Water Cost (WAWSA Supply)
Current and future direct connections within System I, II, and IV Rural service area (beyond pipeline corridor)	+ \$1.06	MCWRD Trans/Storage/Pumping/Dist/Admin/Water Loss
	\$5.35	Existing Volumetric Rate for water sales
WAWSA North		
Williams Rural Water District (WRWD) Pipeline Corridor ¹		
13-Mile Corner Depot		
Ray High Point Depot		
Current and future direct connections	\$3.38	Existing established WAWSA Volumetric Rate
29-Mile Corner Depot (Future)		
WRWD Rural	\$3.38	Water Purchase
	+ \$5.02	WRWD Trans/Storage/Pumping/Dist/Admin/Water Loss
	\$8.40	Existing Volumetric Rate for water sales
R&T Water Supply Commerce Authority (R&T)¹		
R&T Depot	\$3.38	Water Cost at Initial Meter Point
Ray Depot	+ \$1.19	R&T Trans/Storage/Pumping/Admin/Water Loss ²
Current and future direct connections between Ray and Tioga	\$4.57	Existing Volumetric Rate for water sales
Current and future direct connections from City of Tioga	\$4.57	Water Cost at Initial Meter Point
	+ \$0.91	Tioga Trans/Storage/Pumping/Dist/Admin/Water Loss ²
	\$5.48	Effective Volumetric Rate for water sales
Stanley High Point/Ross Depot (Future)	\$3.38	Water Cost at Initial Meter Point
Current and future direct connections between Tioga and Stanley	+ \$1.34	R&T Trans/Storage/Pumping/Admin/Water Loss ²
	\$4.72	Existing Volumetric Rate for water sales
Tioga Depot	TBD	Volumetric Rate to be determined if untreated water source is utilized
Current and future direct connections from the City of Stanley	\$4.72	Water Cost at Initial Meter Point
	+ \$3.80	Stanley Trans/Storage/Pumping/Dist/Admin/Water Loss ²
	\$8.52	Effective Volumetric Rate for water sales from Stanley system
Stanley Depot	\$3.03	Existing Volumetric Rate for water sales
Current and future direct connections from Ray to Crosby	\$3.38	Existing established WAWSA Volumetric Rate
Current and future depot or direct connections from the Stanley Rural Service Area	\$7.29	Existing calculated constant block rate for water sales in R&T System
Burke-Divide Williams Rural Water (BDW)^{1,2}		
Future Direct Connections in BDW System	\$3.38	Water Cost at Initial Meter Point
	+ \$5.02	BDW Trans/Storage/Pumping/Dist/Admin/Water Loss
	\$8.40	Existing Volumetric Rate for water sales (WRWD)

1. Based on 2015 rates, 2016 Rates have not yet been adopted. Member component of rates likely to change in 2016.

2. BDW water system is operated by WRWD.

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

Mr. Wirtz presented the WAWS Board recommendation for the 2016 Industrial Water Rate--leaving the rate at \$20.00/kgal (\$.84 a barrel) with the ability to offer additional customer services.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission, in accordance with §61-40-11 accepts the recommendation of the Western Area Water Supply Authority and establishes \$20.00/kgal (\$.84 a barrel) as the industrial water depot and lateral retail rate for the year 2016 and authorizes the Authority to offer additional customer services to be provided with the base rate.

Governor Dalrymple noted that going forward as some of the additional services are better defined whether they are transportation, storage or heating, the Commission will want to incorporate that into this rate policy. Right now we need to be a bit general.

In response to a question, Mr. Wirtz provided an update on the discussions that WAWS is having with its member entities regarding the baseline payments. Mr. Wirtz stated that the legislation provided for the baseline payments. However, WAWS realizes that it also needs to be doing something to reduce expenses and help the bottomline. To make any changes contracts need to be re-negotiated or amended with each member and sub-member. They will be discussing this at the January 20 WAWS Board meeting--some options being considered include whether to reduce the costs month by month or a flat reduction or a percentage reduction. Discussions have been ongoing with the mayors, city councils and WAWS Board members. If there is no water being sold then there should be an adjustment to what they are being paid. The issue for some of the entities is that they adopted their budgets back in October based on this income being paid to them. He indicated that if the oversight of the industrial sales was still under WAWS they would be asking the same thing of their members and sub-members. This has to be run like a business. It was indicated that WAWS should definitely pursue this adjustment.

In regards to the pending motion, Governor Dalrymple suggested that after the words "customer services" include "and credits" because one option might be a credit for volume.

Commissioner Goehring and Attorney General Stenehjem agreed to the change.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission, in accordance with §61-40-11 accepts the recommendation of the Western Area Water Supply Authority and establishes \$20.00/kgal (\$.84 a barrel) as the industrial water depot and lateral retail rate for the year 2016 and authorizes the Authority to offer additional customer services and credits to be provided with the base rate. On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Being no further Western Area Water Supply Authority business, Governor Dalrymple adjourned this portion of the meeting at 11:27 a.m. and following a short break the Commission took up Bank of North Dakota business.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary

Minutes of a Meeting of the Industrial Commission of North Dakota
Held on January 11, 2016 beginning at 9:00 a.m.
Governor's Conference Room
State Capitol

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

Also

Present: Kaylen Hausauer, Bank of North Dakota
Todd Steinwand, Bank of North Dakota
Kirby Evanger, Bank of North Dakota
Eric Hardmeyer, Bank of North Dakota
Bonnie Storbakken, Governor's Office
Christy Schafer, Agriculture Department
Members of the Press

Governor Dalrymple called the Bank of North Dakota portion of the Industrial Commission meeting to order at 11:30 a.m. following completion of Western Area Water Supply Authority business.

Mr. Eric Hardmeyer, Bank of North Dakota President, introduced Mr. Kirby Evanger, the Bank's new Chief Credit Officer. He stated that the Commission had approved his appointment in December. Mr. Evanger has been with the Bank for over a year but in a different capacity.

Mr. Hardmeyer discussed amendments to General Loan Policy. He said the Commission generally deals with this once a year in June or July but there are some changes that needed to be dealt with immediately as a result of the change in the Bank's organizational structure effective January 1, 2016. (A complete copy of the attachment is available in the Commission files along with the new organizational structure.) He noted that the majority of the changes dealt with title changes that conform to the new organizational structure. The second significant change deals with the adoption of a new model for determining the adequacy of the Allowance For Loan Loss Reserve (ALLL). The third significant change is the elimination of the Credit Committee and the adoption of a serial sign-off. Mr. Evanger explained how the ALLL model will work.

Re: Loan Policy changes due to lending reorganization and adoption of new ALLL model

Page 4

Under the Loan Approval section on this page, title changes were made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer along with loan officer to business banker.

LOAN APPROVAL

The Industrial Commission has the responsibility and the authority for the general supervision of all affairs of the Bank. This responsibility and authority includes the establishment and supervision of the lending policies of the Bank.

The authority and responsibility for the day-to-day management and administration of the lending practices of the Bank, in conformity with the loan policies approved and adopted by the Industrial Commission, rests with the President. The ~~Senior Vice President/Lending Services~~ Chief Credit Officer shall supervise the administration of the Bank's lending activities.

A ~~loan officer~~ business banker shall not participate in any manner in the handling of a loan or a loan participation request from a financial institution in which the ~~loan officer~~ business banker or a member of the ~~loan officer's~~ business banker's immediate family has an ownership interest or with which the ~~loan officer~~ business banker has a borrowing relationship (other than consumer loans or for a home loan purchased on the secondary market or a student loan).

Under the Loan Approval section on this page, title changes were made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer. Loan Manager was replaced with Financial Institutions Market Manager. The Credit Committee was eliminated.

Extension, interest rate reduction, collateral releases, and loan waivers for credits beyond the Chief Credit Officer, Chief Business Development Officer, and Financial Institutions Market Manager will be approved by Investment Committee.

LOAN APPROVAL

Loan proceeds will not be funded until the Bank has received sufficient documentation and financial information. The Bank should encourage all borrowers to provide the best quality financial information whenever possible and to prepare all financial information on a consistent basis. The financial information will be considered to be current if it is dated no more than 12 months prior to the date of its receipt by the Bank. More frequent financial information may be required on criticized and classified loans at the discretion of the ~~Senior Vice President/Lending Services~~ Chief Credit Officer.

The ~~loan officer~~business banker to whom a loan is assigned may approve loan collateral releases and waive loan conditions or documentation requirements if the loan has a risk rating of 1-4 and the loan amount is within the ~~officer's~~business banker's lending authority. If the loan amount exceeds the ~~officer's~~business banker's lending authority, a waiver or collateral release must be approved by the ~~Loan Manager~~Financial Institutions Market Manager or by the ~~Senior Vice President/Services or the Credit Committee~~Chief Credit Officer. Any waiver on a loan in excess of the ~~Senior Vice President/Lending Chief Credit Officer's or the Financial Institutions Market Manager's Services~~lending authority which would adversely impact the collateral, terms or underlying strength of the credit facility and exceeds the respective lending authority of the ~~Loan Manager~~Financial Institutions Market Manager, ~~Senior Vice President/Lending~~Chief Credit Officer ~~Services or the Credit Committee~~ shall require the approval of the Investment Committee. Any waiver must be fully documented in the loan file.

The ~~Loan Manager~~Financial Institutions Market Manager or the ~~Senior Vice President/Lending Services or Credit Committee~~Chief Credit Officer shall have the authority to approve extensions of loan payments and maturity dates, or commitment extensions for an additional 120 cumulative days, and approve up to a 0.25% reduction in the Bank's net rate of interest on loans not to exceed \$35,000,000. ~~with the exception of loans in the respective portfolios of the Loan Manager and the Senior Vice President/Lending~~ Extensions ~~beyond of the lending authority of Loan Manager the Financial Institutions Market Manager and the Chief Credit Officer~~ must ~~portfolio beyond his/her~~ lending approval authority must be approved by the SVP /Lending Services, Credit Committee or ~~portfolio beyond his/her lending approval authority must be approved by the Credit Committee, or~~ Investment Committee.

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Under the Loan Quality Classification and Problem Loan Identification sections on this page, title changes made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer along with loan officer to business banker. Loan Manager was replaced with Financial Institutions Market Manager. The Credit Committee was eliminated. Authority for removing a loan from the Problem Loan Report is established below.

LOAN QUALITY CLASSIFICATION

Each loan must be evaluated at the time it is approved and assigned a loan quality classification by the ~~credit analyst or loan officer~~business banker. ~~to whom the loan is assigned~~. The ~~loan officer~~business banker is responsible for monitoring the quality of all loans in their portfolio so as to initiate quality classification changes when necessary. Classification changes can be made within the loan officer~~business banker~~ lending authority and by the ~~Loan Manager~~Financial Institutions Market Manager or ~~Senior Vice President/Lending Services~~Chief Credit Officer for any loan which exceeds the ~~loan officer~~business banker's lending authority. Any classification change that exceeds the lending authority of the ~~Senior Vice President/Lending Services~~Chief Credit Officer or Financial Institutions Market Manager ~~is may be~~ authorized by action of the ~~Credit~~Investment Committee.

PROBLEM LOAN IDENTIFICATION AND ADMINISTRATION

The primary responsibility for identifying problem loans rests with the individual ~~loan officer~~business banker.

Each loan identified by a ~~loan officer~~business banker or credit analyst as a problem loan must be listed on the Bank's Problem Loan Report. General criteria for identifying problem loans include the following:

- Loans which have been classified internally or externally as special mention, substandard, doubtful, or loss.
- Loans which have been identified as having a strong potential for non-accrual or loss.
- Loans which have no repayment program or which have repayment programs which have been identified as inadequate.
- Loans which have seriously deviated from the original repayment plan.
- Loans where the borrowers have suffered material reversals in their financial positions or earnings.

The ~~loan officer~~business banker responsible for a loan on the Problem Loan Report must prepare and periodically update a workout strategy for that loan. A loan can be recommended for removal from the Problem Loan Report by the responsible ~~loan officer~~business banker within the lending authority and approval of the ~~Loan Manager~~Financial Institutions Market Manager or the ~~Senior Vice President/Lending Services~~Chief Credit Officer. Any loan which exceeds the lending authority of the ~~Senior Vice President/Lending~~Chief Credit Officer or Financial Institutions Market Manager may be removed from the Problem Loan Report by action of the ~~Credit Investment~~ Committee. Any loan which results in a change to the allowance for credit losses of greater than \$250,000 also requires approval from the Investment Committee.

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Under the Problem Loan Identification sections on this page, title changes made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer along with Loan Manager was replaced with Financial Institutions Market Manager. The Credit Committee was eliminated and the Sole Serial Sign off was created with a lower approval limit. Problem loan administration and approvals are addressed below.

PROBLEM LOAN IDENTIFICATION AND ADMINISTRATION

A plan of action which includes the restructuring of a loan may be approved based upon lending authority levels with any loan in excess ~~of Credit Committee of dual serial sign-off~~ ~~lending-lending~~ authority needs to be approved by the Investment Committee. In special circumstances, the ~~Senior Vice President/Lending Services~~Chief Credit Officer may approve a restructuring plan of action which exceeds that ~~officer's~~business banker's lending authority. The approval must be reported at the next meeting of the Investment Committee.

The Special Asset Manager or ~~Loan Manager~~Financial Institutions Market Manager, along with approval from the ~~SVP of Lending Services~~Chief Credit Officer, may accept debt settlement offers on loans as long as the final loss to the Bank does not exceed \$100,000. The approval must be reported at the next meeting of the Investment Committee.

TROUBLED DEBT RESTRUCTURING

The responsible ~~loan officer~~business banker can recommend a TDR for removal from the Troubled Debt Restructure Report within their lending authority and approval of the ~~Loan~~

~~Manager~~Special Asset Manager or the ~~Senior Vice President/Lending Services Chief Credit Officer~~. A TDR which exceeds the lending authority of the ~~Senior Vice President/Lending Services Chief Credit Officer~~ may be removed from the TDR Report by action of ~~either the Credit Committee or~~ Problem Loan Committee.

PROBLEM LOAN COMMITTEE

Certain loans of \$150,000 or more, as specified by bank procedure or any student loan that becomes uninsured or is being considered for non-accrual or charge-off, will be reviewed on a regular basis by the responsible ~~loan officer/business banker~~/student loan representative with the Problem Loan Committee. The Problem Loan Committee shall consist of Bank staff selected by the ~~Senior Vice President/Lending Services Chief Credit Officer who shall serve as the chairman~~. The Committee will review and assess the adequacy of the plan of action for each of these loans and will make recommendations as necessary. The Committee will act on recommendations to discontinue collection efforts on loans which have been charged-off. The Problem Loan Committee will review and approve the level of allowance for credit losses for each impaired loan based on the loan's ~~calculated specific reserve program category and assigned risk rating~~. In between Problem Loan Committee meetings, an adjustment to the allowance for credit losses can be approved within the lending authority and approval of the ~~Loan Manager~~Financial Institutions Market Manager or ~~Senior Vice President/Lending Services Chief Credit Officer~~. Any allowance adjustment which exceeds the lending authority of the Financial Institutions Market Manager or Senior Vice President/Lending Services Chief Credit Officer needs to be approved by the Bank's Credit Investment Committee. Any loan which results in a change to the allowance for credit losses of greater than \$250,000 also requires approval from the Investment Committee.

Page 9

The Bank has decided to adopt a new model for determining the adequacy of the Allowance For Loan Loss Reserve (ALLL). The new model adheres to Generally Accepted Accounting Principles and is based on need for allowance at any point in time without the predictive nature that provided more "cushion" in the previous model. Thus, watchlist and classified loans will no longer be assigned a "minimum" reserve as has been done in the past.

The new model's key determinant is whether the loan is deemed to be "impaired" which means that it is probable that the Bank will be unable to collect the scheduled principal and interest payments per the original contracted terms of the loan. If the loan is deemed to be impaired, then a specific reserve is calculated for that loan. If the loan is not deemed to be impaired, then it is evaluated for reserve based on the historical loss history for that homogenous pool of loans, which is then adjusted for qualitative and quantitative factors. These adjustments to the historical baseline of loss history account for multiple factors, internal and external, that help to capture expected variances from historical loss history for each distinct pool of loans. The combination of specific reserve on impaired loans plus the adjusted reserve based on the loan pools results in the Bank's need for reserve which is then compared to the actual reserve to determine whether the Bank is adequately reserved or not, and the amount of surplus or deficit that exists, if any.

The following is an excerpt from the Bank's loan policy, page 10, regarding the ALLL with the proposed red-lined changes to reflect the changes noted above. Approval is necessary to adopt this new ALLL model:

ALLOWANCE FOR CREDIT LOSSES

The adequacy of the allowance for credit losses and the provision for credit losses charged to operations are based on management's evaluation of a number of factors, including recent credit loss experience, continuous evaluation of the loan portfolio quality, current and anticipated economic conditions, various other environmental factors, as well as internal factors and other pertinent factors.

This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general and unallocated components. ~~The specific component relates to loans that are classified as either doubtful, substandard or special mention.~~ For ~~such all~~ loans that are also classified as impaired, ~~an a specific reserve~~ allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers ~~non-classified impaired~~ loans and is based on historical loss experience ~~for homogenous pools of loans~~ adjusted for qualitative ~~and quantitative~~ factors. ~~Each homogenous pool of loans represents a distinct risk profile.~~ An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

~~Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, T~~he Bank does not separately identify individual guaranteed student and residential loans for impairment disclosures, except for such loans that are placed on nonaccrual.

NON-ACCRUAL

(Non-accrual of student loans is controlled under Attachment D3 and D4)

The ~~loan officer business banker~~ is responsible for initiating action to place a loan in a non-accrual status. A loan which meets any of the following criteria must be placed in a non-accrual status:

1. The following loans on which the principal and interest is 90 or more days past due: Unsecured loans, loans secured by other than real property, loans secured by a mortgage on commercial real estate, loans secured by a farm real estate mortgage, loans secured by a conventional residential real estate mortgage.
2. A loan where the borrower has filed for bankruptcy or where the lead bank or the Bank deems itself insecure due to the financial condition of the borrower.
3. A loan which the ND Department of Financial Institutions recommends to be placed in a non- accrual status.

Page 9-10

Under the Non-Accrual and Charge off section on this page, title changes were made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer along with loan officer to business banker. Loan manager was also replaced with Financial Institutions Market Manager.

A recommendation by a ~~loan officer business banker~~ to place a loan in a non-accrual status must be presented to the Investment Committee for approval.

A loan which meets the criteria for non-accrual status may be retained in accrual status if it is (a) guaranteed or insured by the state or federal government or secured by collateral with a fair market value sufficient to discharge the outstanding principal and interest and (b) in the process of collection supported by a documented course of action.

A recommendation to retain a loan in an accrual status must be supported by a loan file comment evidencing (a) and or (b) above and initialed by the officer of account and approved in writing by the ~~Loan Manager~~Financial Institutions Market Manager or the ~~Senior Vice President/Lending Services~~Chief Credit Officer.

CHARGE-OFF

(Charge-off of student loans is controlled under Attachment D3 and D4)

The ~~loan officer~~business banker is responsible for initiating action on a loan to be charged off. A loan which meets the following criteria must be charged off:

1. An unsecured loan that has principal or interest 120 or more days past due.
2. A loan secured by other than real estate that has principal or interest 120 or more days past due must be charged down to the fair market value of the collateral net of costs of liquidation.
3. A loan secured by a commercial real estate mortgage that is 120 or more days past due must be charged down to the fair market value of the real estate.
4. A loan secured by a farm real estate mortgage that is 120 or more days past due must be charged down to the fair market value of the real estate
5. A loan secured by a Conventional Residential Real Estate mortgage that is 120 or more days past due must be charged down to the fair market value of the real estate.
6. A loan classified as a "loss" by the ND Department of Financial Institutions.
7. A loan where there is a recognized loss in conjunction with the acquisition of real estate by the Bank must be charged down to the fair market value of the real estate.
8. A loan where the Bank deems itself insecure due to the financial condition of the borrower
9. A loan or a portion of a loan which has been forgiven.

A recommendation to charge-off a loan must be presented by the Special Assets Manager to the Investment Committee for their approval and an annual listing of charge-offs must be presented by the Special Assets Manager to the Advisory Board and Industrial Commission for their approval. A recommendation for an exception to charge-off must be supported by reasoning evidenced by a loan file comment initialed by the ~~officer-business banker of account~~ and approved in writing by the ~~Loan Manager~~Financial Institutions Market Manager or the ~~Senior Vice President/Lending Chief~~ Credit Officer Services. A decision to discontinue collection efforts on a charged off loan will be presented to the Problem Loan Committee for their approval.

Page 11

Under the Loan files section on this page, title changes were made due to reorganization from loan officer to business banker.

LOAN FILES

A file must be maintained for each loan or other form of credit approved by the Bank. Each file must contain sufficient information to provide a single reference source for all relevant matters concerning the loan. This information must include documentation with respect to all action taken or proposed to be taken pursuant to, and all approvals and signatures required by, this policy and established loan procedures. The ~~loan officer~~business banker who is responsible for a loan is also responsible for maintaining and monitoring each loan within their loan portfolio.

Page 12

Under the Loan Approval and Review Authority section on this page, title changes were made due to the reorganization. In order to achieve our goal with the reorganization and for the Bank to be more flexible and timely with credit decisions. Credit Committee was eliminated which had a lending authority of \$5,000,000. To be more agile, the Bank has established sole serial sign group with authority of \$1,500,000 and created a dual serial sign off process with an approval authority of up to \$3,000,000. With the above changes, Investment Committee authority is \$3,000,001 instead of \$5,000,001. The business bankers will maintain their same individual lending authority.

LOAN APPROVAL AND REVIEW AUTHORITY

The President, the ~~Senior Vice President/Lending~~ Chief Credit Officer, Services, the Credit Committee, Chief Business Development Officer, Financial Institutions Market Manager, the Investment Committee, the Advisory Board and the Industrial Commission have the following loan approval levels:

LOAN APPROVAL LEVELS

Sole Serial Sign-Off (requires any of the following to approve):

President	Up to \$1,500,000
Chief Credit Officer	Up to \$1,500,000
Chief Business Development Officer	Up to \$1,500,000
Financial Institutions Market Manager	Up to \$1,500,000

Dual Serial Sign-Off (requires two of the following to approve):

President	\$1,500,001 up to \$3,000,000
Chief Credit Officer	\$1,500,001 up to
\$3,000,000 Chief Business Development Officer	\$1,500,001 up to \$3,000,000
Financial Institutions Market Manager	\$1,500,001 up to \$3,000,000

Investment Committee authority will be \$3,000,001 to \$15,000,000 of aggregate related exposure

President	Loans up to \$1,000,000
Senior Vice President/Lending Services	Loans up to \$1,000,000
and Chief Business Development Officer	
Credit Committee	Loans up to \$5,000,000
Investment Committee	Loans up to \$15,000,000
Advisory Board	Loans in excess of \$15,000,000**
Industrial Commission	Loans in excess of \$15,000,000**

~~**Credit Committee**~~

~~Members of the Credit Committee shall consist of members appointed by the Senior Vice President/Lending Services.~~

In the absence of the Chief Credit Officer and the Financial Institutions Market Manager, the President and the Chief Business Development Officer have authority to act on all loan decisions and actions within their approval levels noted above.

Investment Committee

The Investment Committee of the Bank shall consist of members appointed by the President.

Under the Discretionary Lending Authority on Loans Risk Rated 1-4, Lending Authority Levels, and Exceptions sections on this page, title changes were made due to reorganization from Senior Vice President/Lending Services to Chief Credit Officer along with loan officer to business banker.

Commercial or Ag Loan manager was also replaced with Financial Institutions Market Manager. Credit Committee was eliminated.

Discretionary Lending Authority on Loans Risk Rated 1-4

For a credit relationship which has the approval of the ~~Credit Committee~~, Investment Committee, the Advisory Board or the Industrial Commission, it will be within the authority of the ~~Ag Loan Manager~~Financial Institutions Market Manager, ~~Commercial Loan Manager~~ or ~~Senior Vice President/Lending Services Chief Credit Officer~~ to approve an increase in the Bank's exposure equal to the respective lending authority of the ~~Loan Manager~~Financial Institutions Market Managers or ~~Senior Vice President/Lending Services Chief Credit Officer~~ without further action by the ~~Credit Committee~~, Investment Committee, Advisory Board or Industrial Commission. For a credit relationship which has been approved only at the Investment Committee level, this discretionary authority is subject to a cap of \$15,000,000 for overall exposure.

Loan Officer Business Banker Lending Authority Levels

The President, with the advice of the ~~Financial Institutions Market Manager or Senior Vice President/Lending Chief Credit Officer Services~~, shall establish lending authority for individual ~~loan officer~~business bankers consistent with their experience, expertise and demonstrated lending judgment.

EXCEPTIONS

Exceptions to this policy should be approved only in limited circumstances. Justification for exceptions to policy should be based upon compelling economic reasons and should not represent undue risk or exposure to the Bank. Any exception to loan policy must be approved in writing by the ~~Senior Vice President/Lending Services Chief Credit Officer~~ or if the loan amount exceeds the lending authority of the ~~Senior Vice President/Lending Services Chief Credit Officer~~, or the ~~Credit Committee~~ or Investment Committee. No exceptions may be made with respect to loan approval authority.

Page 56 ATTACHMENT C3

COMMUNITY WATER FACILITY LOANS

The Bank administers the community water facility loan fund established by N.D.C.C. § 6-09.5. Loans are made by the Bank from this fund in cooperation with the North Dakota office of the RD - Rural Development. The Bank may issue loan commitments under this program for a period not to exceed 24 months. Loan commitment extensions beyond 24 months will require approval of the Bank's ~~Credit Investment~~ Committee.

It was moved by Attorney General Stenehjem and seconded by Commissioner Goehring to approve the amendments to the General Loan Policy as presented with the following change in the provision regarding the Investment Committee:

The Investment Committee of the Bank shall consist of seven members appointed by the President of which a majority of the members will be from outside of the lending area. (A copy of the entire policy is available in the Commission files.) On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

Mr. Hardmeyer presented the Year-End Financial Statement – unaudited and highlighted certain points. (A copy of the statement is available in the Commission files.)

- Total footings of \$7.4 billion which is the largest the Bank has had at year end.

- Capital/equity of \$750 million roughly which is ten percent and the highest level of capital the Bank has had since 1997.
- Deposits are down a little bit from forecast – tax collections are down from what they had forecasted a year ago.
- Loans are up in every category over forecast. Last year the Bank was at about \$3.8 billion; in 2015 the Bank ended at \$4.3 billion.
- Balance sheet is structured well with plenty of liquidity and reflects a good year for the Bank.
- Unaudited earnings of nearly \$131 million which is up from last year at \$111 million. The twelfth year of record profits.
- Reached two thresholds that the Legislature had established for the construction of the Bank Financial Center (surpassed \$125 million) and by surpassing \$130 million the Bank will provide an additional \$5 million to the Housing Incentive Fund.
- The Bank put \$12.5 million into loan loss reserve – that may be the highest amount in the Bank’s history. He indicated that the Bank is not seeing deterioration in its loan portfolio but Bank management decided that it was prudent to continue to put money aside into loan loss reserves.

The Commission congratulated the Bank on the great year.

Mr. Hardmeyer updated the Commission on the status of the work being done on the plans for the Bank Financial Center - tentative schedule is to have a ground breaking sometime this spring with completion in the late summer or early fall of 2017.

Mr. Hardmeyer presented the non-confidential Bank of North Dakota Advisory Board November 12 and November 19, 2015 meeting minutes.

Governor Dalrymple closed the meeting at 11:51 a.m. pursuant to North Dakota Century Code 6-09-35 to discuss the items on the agenda under Bank of North Dakota confidential business.

Following the confidential portion of the meeting, the Commission reconvened in non-confidential session at 12:13 p.m. and it was noted that during the confidential portion of the meeting, it had been moved and seconded that the Bank of North Dakota be authorized to participate in a loan identified as Attachment 12. In non-confidential session, on a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission approve the Loan Charge-Offs totaling \$6,887,942.09 and Recoveries totaling \$5,335,839.55 for the period January 1, 2015 through December 31, 2015. (The \$6,887,942.09 includes the 2015 loan charge-offs that are deemed uncollectible.) On a roll call vote, Governor Dalrymple, Attorney General Stenehjem and Commissioner Goehring voted aye. The motion carried unanimously.

It was moved by Commissioner Goehring and seconded by Attorney General Stenehjem that the Industrial Commission and make the determination that the following loans charged off in the years 2013, 2014 and 2015 totaling are determined uncollectible:

2014 Loan Chargeoffs Deemed Uncollectible*

Earth Harvest Mills, Inc.

\$ 733,027.48

2013/2014 Loan Chargeoffs Deemed Uncollectible*

American Defense Industries, Inc. \$2,160,194.79

2015 Loan Chargeoffs Deemed Uncollectible*

Cycle Hut, Inc.	\$ 10,221.78
Randall S. LeBeau and Eugenia R. LeBeau	\$ 18,693.52
Waste Control International, LLC	\$ 89,890.23
Charles W. Mateker	\$ 30,779.19
	\$ 149,584.72

TOTAL \$3,042,806.99

Also determined as uncollectible in 2015 are \$255,862.11 of student loans which are not reportable under GLB.

***Uncollectible amounts are net of any recoveries received.**

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

The Commission and Bank management had a general discussion about the State's economy -- expect to see a slow down; for the agriculture industry another year similar to 2015; energy prices will be down for a period of time; seeing some higher vacancy levels in apartments and hotels; contractors still have work because of the surge money; and Fargo and Grand Forks are doing well. Mr. Hardmeyer indicated that although the Bank's assets will continue to drop they anticipate another record year for the Bank.

Being no further Bank of North Dakota business, Governor Dalrymple adjourned the meeting at 12:26 p.m.

INDUSTRIAL COMMISSION OF NORTH DAKOTA



Karlene Fine, Executive Director and Secretary