

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 53rd LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By CHAIRMAN STEVE BENEDICT, on February 11, 1993,
at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Steve Benedict, Chairman (R)
Rep. Sonny Hanson, Vice Chairman (R)
Rep. Bob Bachini (D)
Rep. Joe Barnett (R)
Rep. Ray Brandewie (R)
Rep. Vicki Cocchiarella (D)
Rep. Fritz Daily (D)
Rep. Tim Dowell (D)
Rep. Alvin Ellis (R)
Rep. Stella Jean Hansen (D)
Rep. Jack Herron (R)
Rep. Dick Knox (R)
Rep. Don Larson (D)
Rep. Norm Mills (R)
Rep. Bob Pavlovich (D)
Rep. Bruce Simon (R)
Rep. Carley Tuss (R)
Rep. Doug Wagner (R)

Members Excused: REP. JOE BARNETT

Members Absent: None

Staff Present: Paul Verdon, Legislative Council
Claudia Johnson, Committee Secretary

Please Note: These are summary minutes. Testimony and
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 394, HB 464, HB 513 AND SB 161
Executive Action: HB 394, HB 464, HB 513 AND SB 161

HEARING ON HB 394

Opening Statement by Sponsor:

REP. STEVE BENEDICT, House District 64, Hamilton, said HB 394 is
presented on behalf of the Montana Science and Technology

Alliance (MSTA). He said MSTa was created by the 1989 Legislature and was given management authority over an initial \$7.5 million in coal tax trust fund investment capital. In 1991, MSTa was given management authority over an additional \$5.1 million in coal trust fund money for research and development programs (R & D) involving units of the university system and other high tech research projects around the state. He said the original \$7.5 million is called the seed capital program and the \$5.1 million is the R & D program. HB 394 will authorize an additional management authority over \$8 million in investment money for the seed capital program and another \$3 million for the R & D program. He there has been some question when these programs would become self-sustaining and require less general fund money for administration and program overhead. He said this bill is a landmark for science and technology. It removes all of the administration and overhead from the general fund. He said that \$450,000 in net savings to the general fund are in this bill, because science and technology can now start generating the money internally from its investments. He distributed amendments and went over them step by step with the committee. Section 1 has been deleted from the bill because it created a Science and Technology Advisory Council that is already in operation under the authority of the Governor. Section 7 will guarantee minimum annual payback of \$250,000 on the R & D portion of the loans and will start on June 30, 1994. This part had already been agreed upon between the Commissioner of Higher Education and the Board of Science and Technology.

Proponents' Testimony:

REP. CHASE HIBBARD, House District 46, Helena, informed the committee when the 1985 Legislature created this alliance, he served as its second chairman from January of 1989 to January 1991. The main purpose of the council was to reduce Montana's dependence upon its natural resource-based economy by promoting diversification into applied technology and high-tech industries. He presented written testimony. **EXHIBIT 2**

REP. DIANA WYATT, House District 37, Great Falls, said she supports HB 394. She said that Donna McLaughlin, McLaughlin Research Center Great Falls, and a beneficiary of this program, also supported HB 394. Also Lelam Walker, Ardie Aiken and Dr. Carlson wished to be on record in support of HB 394. She said they have currently dispersed \$1.7 million of the funds for their building program. She urged strong support for HB 394.

Carl Russell, Executive Director of Montana MSTa, gave technical information why the alliance has presented this bill. He said it grants powers to manage additional monies, and emphasized this money is not from the coal trust. It is management authority and will be invested by the Board of Investments. He said under their authority, they will allocate the money to a company or a project that is then placed on a high-risk investment basis. He said this program is a venture

capital program for research and development type of investments. The additional funds will be placed into the program in the next 2 - 4 years, because the \$7.5 million for the seed capital funds will be depleted in 1993.

Jon Marchi, small businessman, said he is also the director of several networks and a corporation. He presented written testimony which he read. **EXHIBIT 3**

Clyde Neu, self, said he the is founder of four small businesses in Montana over the last four years. He distributed written testimony. **EXHIBIT 4**

Robyn Young, Chief Executive Officer of Development Corporation of Montana (DCM), distributed testimony in support of HB 394. **EXHIBIT 5**

Rick Hill, representing the Governor's Office, said he is also a member of the MSTA Board. He said HB 394 is asking for authority to invest coal tax dollars and not to spend it. The dollars that are leveraged with, i.e., seed capital program, are not loans or grants, but other private capital investments. He said the Governor's office is in strong support for the continuation of the MSTA program.

John Hutchinson, Commissioner of the University System of Higher Education, said they rise in support of HB 394. He said university-based research is a major engine of economic development. They are reaching a \$40 million a year annual operation in their research and development enterprise and give to the state about \$1.7 million in income taxes from those individuals who are working on those projects. He said they endorse the amendment for the \$250,000 payback to the coal tax trust fund. He said this money comes from patent licensure, royalty income, and other sources within the university system. He emphasized this money is not taken from money that is earmarked for instruction.

Sam Hubbard, Deaconess Research Institute, Billings, said the institute had received funding from the Alliance in the last biennium. The funding was instrumental in the research of the osteoporosis program. The institute expects a modest payback from this research before the end of March 1993. He hoped the committee would give HB 394 a do pass recommendation.

Walt Hill, Director of the Montana Biotechnology Center, and member of MSTA, said through this bill, the Biotechnology Center will be an essential element to any economic growth that will happen in Montana. He urged support for HB 394. **EXHIBIT 6**

James Tutwiler, Montana Chamber of Commerce, said the Chamber supports HB 394. He said that Montana's growth in the last several years has been less than 2 percent of the projected growth, and well below the national growth. There will be some

highly technical jobs lost in Montana in the next 10 years, especially in the western part of Montana.

Bob Swenson, Vice President For Research at MSU, said he just returned from Washington D.C. and the top priority of the Clinton-Gore administration is SB 4, introduced by **SEN. GEORGE MITCHELL**. The title of the bill is The National Competitiveness Act, and the purpose of the bill focuses on industrial modernization technology transfer economic diversification and development. He said one of the programs now funded by seven federal agencies is the UPSCORP program. These seven agencies overlap with the seven economic focus groups identified in the action agenda of the MSTA.

Sam Worcester, Center for Advanced Mineral Processing (CAMP), Montana Tech, gave a summary of the major technical role played by CAMP in their efforts to obtain \$3,500,00 for the Mine Waste Pilot Program for SE in 1991 and an EPA sponsored program totaling \$646,000 for the recovery of metal values from mining, smelter, and machining wastes. He said a new \$250,000 DOE program was awarded to Montana Tech in January 1993, and calls for a study of Molten Metal/Slag Interactions and Metal Melting Technology as applied to waste processing. **EXHIBIT 7**

Becky Mahurin, MSTA, MSU, said she worked on the governing board of MSTA. She has seen this program in action from all three sectors that are critical to the success of the program. All of the elements are essential for the R & D program and the seed capital funding is part of the continuum that will result in the growth of more companies in Montana, appropriate economic development for the state, and return of revenue to MSTA to pay back the loans to the university system. She urged support for HB 394. **EXHIBIT 8**

Claude Matney, President of Matney-Frantz Engineering, P.C., **MATWEY**, said he represents a group of 17 engineers and geologists doing environmental restoration work. He said they benefit directly from the Engineer and Research Center in Bozeman and their support through MSTA. He urged a do pass. **EXHIBIT 9**

Ralph Johnsrud, Optima Industries, said he concurs with previous testimony, and without MSTA the industry would not be in Montana.

Wendell Guthrie, UltraFem Inc., said he supports HB 394. He presented written testimony on the industry's development in Montana because of MSTA. **EXHIBIT 10**

Larry Granchett, UM/MEC, said he has been asked to go back to the Harvard Fabs and Internship Conference to present their model. He distributed information on MEC and their contacts. **EXHIBIT 11**

Bob Kearns, President of Mycotech, Butte, said Mycotech is in Montana only because of the investment through MSTa. He urged a do pass for HB 394.

Bob Ivy, Chicken business, Hamilton, said they have a payroll of \$2 million a year, and a market cap of \$150 million a year. He urged support of HB 394 so more businesses can be created in Montana.

Ken Thuerbach, self, Victor, said out of the coal trust fund of \$500 million, it doesn't hurt to ask to put 1½ percent of that money back into growing Montana companies on an investment basis. He urged the committee to support HB 394. **EXHIBIT 12**

Bill Senecal, Vice President for TMA Technologies, Inc. Bozeman, said they were invested in by MSTa and are primarily a portfolio company for companies like Fortune 100.

Opponents' Testimony:

None

Informational Testimony:

Dixie F. Swenson faxed information to the committee from Gallatin Development Corp. in support of HB 394. **EXHIBIT 22**

Richard C. Potter, Ph.D., President of Nurture, Inc., presented written testimony in support of HB 394. **EXHIBIT 23**

Questions From Committee Members and Responses:

REP. ELLIS asked **Rick Hill** about current Section 6, on page 14, and wanted to know if research money would be used for agriculture research, and if so, is it being coordinated with the university system? **Mr. Hill** said they have seed capital companies that are using and marketing agricultural products. The funding used at the university through the entrepreneur centers may include: agricultural products, biotechnology, environmental remediation, or anything that deals with the industry with concerns that are related to Montana. He said they have seed capital companies that are taking agricultural products to market. The funding used with the universities through the entrepreneur centers are intended to deal with industries with concerns as they relate to Montana.

Carl Russell replied to **REP. ELLIS'S** comments. **Mr. Russell** said research is presently going on with some MSTa funds and federal and state monies for canola, safflower, barley and other oat products in the university system, and he expects more companies like these to come in to Montana in the couple of years.

Closing by Sponsor:

REP. BENEDICT closed stating that HB 394 is an investment in the future economic development of Montana. He said if Montana does not change its business climate and provide high tech opportunities for Montana's young people to find good paying jobs, they will be leaving the state. He said every dollar that is invested now means a brighter future for Montanans. He asked for a do pass as amended consideration on HB 394.

EXECUTIVE ACTION ON HB 394

Motion: REP. PAVLOVICH MOVED HB 394 DO PASS.

Discussion: REP. DAILY moved to adopt the amendment. EXHIBIT 1

Motion/Vote: REP. BACHINI called the question. Voice vote was taken. Motion carried unanimously.

Motion/Vote: REP. PAVLOVICH MOVED HB 394 DO PASS AS AMENDED. Voice vote was taken. Motion carried unanimously.

Vote: HB 394 DO PASS AS AMENDED. Motion carried 17 - 0.

HEARING ON SB 161Opening Statement by Sponsor:

SEN. GREG JERGESON, House District 8, Chinook, said one of the economic development efforts from the 1991 Legislature, was the passage of the Micro Business Development Act, which is a program to provide capital resources to help establish very small businesses. The program has two issues: 1) to be able to make loans to these small businesses; and 2) to provide the type of counseling, advice and guidance necessary to establish a business plan that will prosper. He said it used some money from the coal tax trust fund and transferred it to make it available to loan to microbusiness development corporations in Montana. He said that SB 161 will help set up 12 microbusiness development corporations throughout Montana. There was an advisory committee established to oversee the operation through the Department of Commerce. He said there are four legislators that are connected to the advisory committee as non-voting members. He said since the passage of the act, they have found that some of the statutes need to be changed to make it work better, and that is the purpose of this bill. SB 161 will remove some minimum interest rate on loans. Currently, the program was set up for the Department of Commerce to make the loans from the coal tax trust fund to the microbusiness corporation who in turn would then loan the money to the small businesses. The department needed to receive at least 3 percent interest on these loans. He said in the last two year period, the interest rates fell so low, so when

the micro corporations received a loan from the state at 3 percent interest and placed it in local financial institutions to earn interest, those rates were lower than the interest that was required to be paid to the department. He said the reason for the urgency of this bill came from the way the statutes were written. When each of the micro corporations had secured loans from the department they would have to wait for a full year before they could come back to the department to borrow additional money for loans to other entrepreneurs that wanted to establish businesses. Any of the money that had not been loaned out from the department to the micro corporations would revert back to the coal tax trust fund on July 1, 1993, and would not be available for further use. He said another change had to be made from last session which required a full scale performance audit by the legislative auditor's office which cost \$34,000, or half of the money that was provided for the program to operate on in the department. This bill eliminates that audit requirement, and the legislative audit committee will review the performance of the program in a scaled-down version.

Proponents' Testimony:

Kelly Rosenleaf, director of the Montana Women's Economic Development Group (WEDGo), said that WEDGo is a certified micro business development corporation in Missoula. She distributed a report on WEDGo that gives detail of their operation. WEDGo is considered one of the nation's leaders in micro development because of this legislation. She said the WEDGo was one of the first programs certified. They have a very large portfolio as a micro enterprise program as compared to those not connected to the micro corporations. EXHIBIT 13

Sandra Oitzinger, President of the Montana Women's Capital Fund, said the capital fund is an organization of volunteers dedicated to promoting wider access to capital as a means of economic development and microbusiness support. EXHIBIT 14

Lynn Robson, Loan officer staff for the Department of Commerce, distributed information on the microbusiness finance program for the quarter activity summary. EXHIBIT 15

Jim Tutwiler, Montana Chamber of Commerce, said the Chamber of Commerce supports SB 161.

Ervin Barrett, Executive Director of the Butte Local Development Corporation (BLOC), and the advisory board for the Headwaters Micro Business Corporation, said SB 161 will help build a fund where there is a gap. He asked the committee if they could amend the bill on page 9, lines 5, 6 and 7, which is deleted, but the language contains written litigation in support from development organizations to decline operative services. He said it is appropriate to remove this ability for any existing development corporation to have veto power statewide.

Opponents' Testimony:

Belinda Rinker, representing Human Resource Development Council of District 9 certified MBDC for the Bozeman Region, distributed written testimony opposing SB 161. EXHIBIT 16

Questions From Committee Members and Responses:

REP. KNOX asked Lynn Robson how a micro development corporation can exercise their veto power? Ms. Robson said when the bill was in place four years ago, there were some turf issues about these jobs programs. She said in forming a statewide program, it was found that if that requirement was not made at the local region, than they did not have to get permission from every county that they served. She said if a micro corporation could not get a consensus from all of the commissioners in the region then they were not penalized, but were required to go through public hearings, which is also required of the state board.

REP. SONNY HANSON asked Belinda Rinker about her statement on MBDC regarding the conflict of overlapping with these development corporations, and MBDC would have to send money back to the federal, what is wrong with sending the money back to the federal government if it isn't used? Ms. Rinker said their preference is to use the funds, but if there is an existing service in place in an area, the legislation states that the statewide entity will provide specialized services that are not pre-empted and are not applicable. She said if the money is sent back, it will be money gone from the state.

REP. SONNY HANSON asked Lynn Robson about page 9. Is it possible that the rules can be taken from the authority given the department in the bill? Ms. Robson said that is correct. She said the department developed the rules for the regionals in the area, and felt it was appropriate.

Closing by Sponsor:

SEN. JERGESON didn't think the microbusiness corporations would be taking away any business from other micro businesses, i.e., MBDC. He said this area is limited in resources, and there isn't much money that has been appropriated from the coal tax trust fund for the whole program which is spread over 12 regionals, and one statewide. He said they would never be able to saturate the market demand for these types of developments. The advisory council and the rules committee could adopt some rules that would give a guarantee that someone in the local entities of micro corporations would not be harmed. The changes in the bill in regard to the ratio on local and state management are retroactive to those that are already in existence. The reason for eliminating the one year wait to apply for available funds through the Department of Commerce under this program, is after July 1, 1993, anything that has not been loaned to any of the

microbusiness development corporations will revert back into the coal tax trust fund.

HEARING ON HB 513

Opening Statement by Sponsor:

REP. TIM DOWELL, House District 5, Kalispell, said HB 513 is at the request of the state auditor. It will place into statute language which is already in policy in the auditor's office and with the legislature. It will protect the consumers of the statutory responsibilities of the state's auditor. He said there is a fiscal note, which does not show any impact. There are already six people on staff in the auditor's office to answer an 800 number. In the last three years, these six people have answered over 67,000 telephone inquiries, have closed over 5,000 complaint files, and have recovered almost \$7 million from insurance for Montana residents. The reason for the bill, even though it is already in place, will place consumer protection on the same equal basis as the other functions of the department. All of the insurance functions in this bill are mandated.

Proponents' Testimony:

Frank Cote, Deputy Insurance Commissioner, Auditors Office, said the reason for insurance regulation is for the protection of consumers, and they are mandated to enforce the laws for the state of Montana. He distributed written testimony. EXHIBIT 17

Clyde Daily, Executive Director, Montana Senior Citizens Association, said the senior citizens association conducted a survey in 1991/1992 on medicare supplemental insurance to verify what the Insurance Commissioner's Office was unable to do. They felt there were insurance companies that were not following current law in regard to claims paid versus premiums received and abiding by those ratios. He said they hired an intern who was a master's student from the University of Montana, and found that 15 of the 37 companies that were doing the majority of the business in the state were in violation of the premiums to the claims ratio. He urged a do pass.

Gene Phillips, National Association of Independent Insurers (NAII) is a trade association of 500 property and casualty carriers. He said this is a good bill and it will give the state auditor a better opportunity to manage the department in an appropriate manner.

Jacqueline Lenmark, American Insurance Association (AIA), said she is also representing Tom Hopgood, who represents the Health Insurance Association of America (HIAA). She said that both AIA and HIAA supports HB 513 for adequate funding to the state auditors office for the regulation of insurance.

Opponents' Testimony:

None

Questions From Committee Members and Responses:

REP. SIMON asked Frank Cote why there is a need for an insurance protection department when it is already in the statutes? Mr. Cote said by passing the bill without placing it in statute would not have changed anything. There still would not be statutory responsibility for the insurance commissioner to have a consumer protection department.

Closing by Sponsor:

REP. DOWELL closed.

HEARING ON HB 464Opening Statement by Sponsor:

REP. MARJORIE FISHER, House District 3, Whitefish, said HB 464 is also at the request of the state auditor's office. She said this bill deals with the securities business at the state level. It extends the anti-fraud provisions of the securities laws by modifying the definition of an investment adviser. HB 464 will eliminate dual registration requirements for broker-dealers and investment advisers who are sole proprietors employing no other salespersons, investment advisers, or investment adviser representatives. She said there are three ways that people work with broker-dealers: 1) there are independent dealers who can contract with broker-dealers who provide services in regulatory requirements mandated by both the federal and the state; 2) a person may work for a broker-dealer as an employee; and 3) how to become a broker-dealer. She talked about a wrap-around fee. She said if someone came in to work with a broker-dealer and said they have so much money to invest, but do not want to pay mutual load, she would place them into what is called the wrap-around and then would buy no-loads. If the investments did well, then the broker-dealer would make a percentage of the dollar amount received.

Proponents' Testimony:

Melissa Broch, State Auditor's Office, is the staff attorney for the Securities Department. She said that HB 464 expands consumer protection in Montana as a reflection of recent changes in the securities industry. The lines separating different types of financial services are becoming less and less clear. Banks, broker-dealers, insurance companies are broadening the types of services provided to their clients in an effort to more adequately meet the clients' needs. These clients need the reassurance that the securities department is able to respond to

their changing needs for consumer protection. She distributed written testimony and amendments. **EXHIBIT 18**

Clyde Daily, Executive Director Montana Senior Citizens Association, said the association supports this legislation. He said that senior citizens are vulnerable at this time because of the low interest rates. Many seniors live off these investments and move their money around trying to find other investments.

Opponents' Testimony:

Bruce MacKenzie, Securities Industry Association (SIA), said the association has over 600 securities-brokers-dealers across the country. He said they comprise over 90 percent of all securities transactions in the state. He said as HB 464 is currently drafted and amended, the association cannot support this legislation without further amending. He said they have been working with the securities department and wanted it to be on record that they have worked together to make this a working revision. He said they are opposed to the bill because at the present time the broker-dealers i.e., D.A. Davidson, Merrill Lynch, Piper Jaffrey, are security salesmen and have to register also and take the exam. He said there are investment advisors who do not sell the security, but give advice with respect to the securities and give recommendations to people whether they accept the advice or not. **EXHIBIT 19**

Questions From Committee Members and Responses:

REP. SIMON asked **Melissa Broch** about the changes suggested by **Bruce MacKenzie** and if she accepted his amendments? **Ms. Broch** said that **Mr. MacKenzie** and the department agree that this is the appropriate language, but need to place it somewhere else.

REP. ELLIS asked **Bruce MacKenzie** if he agreed and knew how the suggested changes are going to take place? **Mr. MacKenzie** said he did not want any regulation, but would accept what the department agreed to.

Closing by Sponsor:

REP. FISHER closed by asking the committee to support the auditors recommendations on the changes. She said in regard to the test, it reflects how well a person memorizes details.

EXECUTIVE ACTION ON SB 161

Motion: **REP. LARSON** MOVED SB 161 BE CONCURRED IN.

Discussion: **REP. SONNY HANSON** said he didn't think the committee needed to work with lines 5 - 9. The department is taking care of it.

REP. COCCHIARELLA asked Lynn Robson about the bill being retroactive? Ms. Robson said it was going to be taken care of internally.

Motion/Vote: REP. BRANDEWIE called the question. Voice vote was taken. Motion carried unanimously.

Vote: SB 161 BE CONCURRED IN. Motion carried 17 - 1.

EXECUTIVE ACTION ON HB 513

Motion: REP. DOWELL MOVED HB 513 DO PASS.

Discussion: REP. SIMON offered an amendment to strike division and replace with department. EXHIBIT 21

REP. BRANDEWIE called the question. Voice vote was taken. Motion carried unanimously.

Motion/Vote: REP. DOWELL MOVED HB 513 DO PASS AS AMENDED. REP. STELLA JEAN HANSEN called the question. Voice vote was taken. Motion carried unanimously.

Vote: HB 513 DO PASS AS AMENDED. Motion carried 17 - 1.

EXECUTIVE ACTION ON HB 464

Motion: REP. COCCHIARELLA MOVED HB 464 DO PASS.

Discussion: REP. COCCHIARELLA moved to adopt an amendment. EXHIBIT 20

REP. BRANDEWIE called the question. Voice vote was taken. Motion carried unanimously.

Motion/Vote: REP. COCCHIARELLA MOVED HB 464 DO PASS AS AMENDED. REP. BRANDEWIE called the question. Voice vote was taken. Motion carried unanimously.

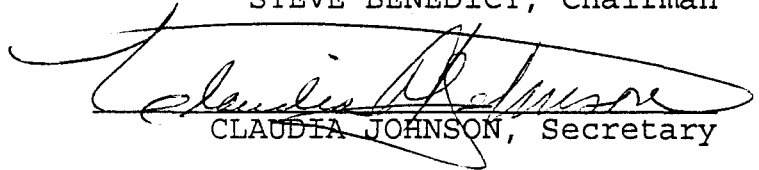
Vote: HB 464 DO PASS AS AMENDED. Motion carried 17 - 1.

ADJOURNMENT

Adjournment: 11:35 A.M.



STEVE BENEDICT, Chairman



CLAUDIA JOHNSON, Secretary

SB/cj

HOUSE OF REPRESENTATIVES
53RD LEGISLATURE - 1993
BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

ROLL CALL

DATE 2-11-93

NAME	PRESENT	ABSENT	EXCUSED
REP. ALVIN ELLIS	✓		
REP. DICK KNOX	✓		
REP. NORM MILLS	✓		
REP. JOE BARNETT			✓
REP. RAY BRANDEWIE	✓		
REP. JACK HERRON	✓		
REP. TIM DOWELL	✓		
REP. CARLEY TUSS	✓		
REP. STELLA JEAN HANSEN	✓		
REP. BOB PAVLOVICH	✓		
REP. VICKI COCCHIARELLA	✓		
REP. FRITZ DAILY	✓		
REP. BOB BACHINI	✓		
REP. DON LARSON	✓		
REP. BRUCE SIMON	✓		
REP. DOUG WAGNER	✓		
REP. SONNY HANSON, VICE CHAIRMAN	✓		
REP. STEVE BENEDICT, CHAIRMAN	✓		

HR:1993

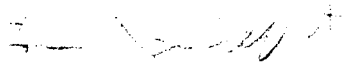
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HOUSE STANDING COMMITTEE REPORT

February 11, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 394 (first reading copy -- white) do pass as amended.

Signed: 
Steve Benedict, Chair

And, that such amendments read:

1. Title, lines 4 and 5.

Strike: "CREATING A SCIENCE AND TECHNOLOGY ADVISORY COUNCIL;"

2. Page 1, line 13 through page 2, line 14.

Strike: section 1 in its entirety

Renumber: subsequent sections

3. Page 7, line 2.

Strike: "\$5.1"

Insert: "\$8.1"

4. Page 17, line 8.

Following: line 7

Insert: "(3) The agreement between the board and the commissioner of higher education on the payback of a research and development project loan must guarantee a minimum annual payback of \$250,000, commencing on June 30, 1994."

5. Page 18, lines 6 through 9.

Strike: old section 10 in its entirety

Renumber: subsequent section

-END-

HOUSE STANDING COMMITTEE REPORT

February 11, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 464 (first reading copy -- white) do pass as amended .

Signed: _____

Steve Benedict, Chair

And, that such amendments read:

1. Page 5, line 13.

Following: "to"

Strike: "the public"

Insert: "any person"

2. Page 5, line 14.

Following: "the"

Insert: "financial planner or other"

3. Page 7, line 2.

Strike: "A"

Insert: "Investment adviser representative does not include a"

4. Page 7, line 3.

Strike: "who performs"

Insert: "whose performance of the"

5. Page 7, lines 3 and 4.

Strike: "shall also register as an"

Insert: "is solely incidental to the conduct of business as a salesperson and for which the salesperson does not receive special compensation other than fees relating to the solicitation or offering of investment advisory services of a registered"

6. Page 7, line 4.

Following: "adviser"

Strike: "representative"

7. Page 21, line 9.

Following: "adviser"

Insert: "representative"

-END-

Committee Vote:

Yes 12, No 7.

341504SC.Hpf

HOUSE STANDING COMMITTEE REPORT

February 11, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that House Bill 513 (first reading copy -- white) do pass as amended .

Signed: Steve Benedict
Steve Benedict, Chair

And, that such amendments read:

1. Title, lines 5 through 7.

Following: second "AN ACT" on line 5

Strike: remainder of line 5 through "BY" on line 7

Insert: "REQUIRING"

2. Title, line 7.

Following: "AUDITOR"

Insert: ", "

Following: "COMMISSIONER"

Insert: ", TO ENSURE THAT THE INTERESTS OF INSURANCE CONSUMERS
ARE PROTECTED"

3. Title, line 3.

Strike: "2-15-1902, 33-1-202,"

Following: "33-1-303"

Strike: ", "

4. Page 1, line 12, through page 2, line 16.

Strike: sections 1 and 2 in their entirety

Renumber: subsequent sections

5. Page 3, line 11.

Strike: "may"

Insert: "shall"

6. Page 4, line 20.

Strike: "division"

Insert: "department"

-END-

HOUSE STANDING COMMITTEE REPORT

February 11, 1993

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that Senate Bill 161 (third reading copy - blue) be concurred in .

Signed: _____

Steve Benedict, Chair

Carried by: Rep. Benedict

Committee Vote:

Yes ☒ No ☒

2416009C.Rpf

EXHIBIT 1
DATE 2-11-93
HB 394

Amendments to House Bill No. 394
First Reading Copy

Requested by Representative Benedict
For the Committee on Business and Economic Development

Prepared by Paul Verdon
February 9, 1993

1. Title, lines 4 and 5.
Strike: "CREATING A SCIENCE AND TECHNOLOGY ADVISORY COUNCIL;"
2. Page 1, line 13 through page 2, line 14.
Strike: section 1 in its entirety
Renumber: subsequent sections
3. Page 7, line 2.
Strike: "\$5.1"
Insert: "\$8.1"
4. Page 17, line 8.
Following: line 7
Insert: "(3) The agreement between the board and the commissioner of higher education on the payback of a research and development project loan must guarantee a minimum annual payback of \$250,000, commencing on June 30, 1994."
5. Page 18, lines 6 through 9.
Strike: section 10 in its entirety
Renumber: subsequent sections

EXHIBIT 2
DATE 2-11-93
HB 394

TESTIMONY

February 10, 1993

TESTIMONY IN SUPPORT OF HB394, WHICH CREATES A SCIENCE AND TECHNOLOGY ADVISING COUNCIL, EXTENDS INVESTMENT AUTHORITY FROM THE PERMANENT COAL TAX TRUST FUND, AND REVISES FINANCING AGREEMENTS TO GIVE THE SCIENCE AND TECHNOLOGY ALLIANCE.

AS BACKGROUND, THE MONTANA LEGISLATURE CREATED THE SCIENCE AND TECHNOLOGY ALLIANCE (ALLIANCE) IN 1985. I SERVED AS ITS SECOND ^{Chairman} ~~PRESIDENT~~ FROM JANUARY OF 1989 TO JANUARY 1991. ONE OF THE PURPOSES WAS TO REDUCE MONTANA'S DEPENDENCE UPON ITS NATURAL-RESOURCE BASED ECONOMY BY PROMOTING DIVERSIFICATION INTO APPLIED TECHNOLOGY AND HIGH-TECH INDUSTRIES.

THE TRENDS IN MONTANA'S ECONOMIC PERFORMANCE OVER THE LAST DECADE VERSUS NATIONAL AVERAGES REFLECT THE CONTINUED NEED FOR THE EFFORTS OF THE ALLIANCE. IN THE LAST DECADE, GROWTH IN MANY OF MONTANA'S MAJOR INDUSTRIES - TOURISM AND TRAVEL (EVEN THOUGH THEY GREW 350%), MINING AND LUMBER - LAGGED BEHIND AVERAGE NATIONAL GROWTH IN THOSE AREAS. IN ADDITION, MONTANA SAW A DECLINE IN ITS OIL AND GAS INDUSTRY. THESE FACTORS, COMBINED WITH CORRESPONDING LOSSES IN BASIC SECTOR JOBS AND POPULATION, KEPT GROWTH OF PER CAPITA INCOME IN MONTANA AGAIN BEHIND NATIONAL AVERAGES.

IN ORDER FOR MONTANA TO BECOME LESS DEPENDENT UPON OUR RESOURCE-BASED ECONOMY AND MOVE PROGRESSIVELY TOWARD GROWTH PARALLELING THAT OF OTHER STATES AND THE NATION, WE NEED TO FOSTER THE GROWTH OF APPLIED TECHNOLOGY AND VALUE-ADDED INDUSTRIES IN OUR ECONOMY. IT IS ESTIMATED THAT ALL ECONOMIES LOSE 8-10% JOBS ANNUALLY, JOBS THAT MUST BE REPLACED. IN THE UNITED STATES TODAY, THE MAJORITY OF THOSE JOBS ARE COMING FROM APPLIED TECHNOLOGY INDUSTRIES.

THE ALLIANCE CONTINUES TO BRIDGE THE GAP FROM A RESOURCE-BASED ECONOMY TO A MORE INNOVATIVE AND GROWTH-ORIENTED ECONOMY. ONE OF THE ALLIANCE'S ACTIVITIES IS THE RESEARCH AND DEVELOPMENT PROGRAM, WHICH INVESTS IN RESEARCH PROJECTS IN THE UNIVERSITY SYSTEM, THAT HAVE COMMERCIAL POTENTIAL FOR MONTANA, AND IN THE TRANSFERENCE OF TECHNOLOGY FROM THE RESEARCH LAB TO THE MARKETPLACE. THE BILL'S AMENDMENTS ADD \$3MM FOR RESEARCH AND DEVELOPMENT. ANOTHER ACTIVITY IS THE SEED CAPITAL PROGRAM, WHICH PROVIDES VENTURE CAPITAL FUNDING FOR THE ESTABLISHMENT OF HIGH-TECH COMPANIES IN MONTANA. TOWARD THIS GOAL, HB394 WOULD ALLOCATE MANAGEMENT AUTHORITY OF AN ADDITIONAL \$8MM FROM THE PERMANENT COAL TAX TRUST FUND UNTIL 6/30/97 (OR APPROXIMATELY \$2MM ANNUALLY) TO THE SEED CAPITAL PROGRAM. HOUSE BILL 394 FURTHER CLARIFIES AND DEFINES

EXISTING ALLIANCE GOALS IN TERMS OF TECHNOLOGY TRANSFERS AND COMPETITIVENESS, PRODUCTION AND MODERNIZATION IN MONTANA.

FINALLY, HB394 GIVES THE ALLIANCE ADDITIONAL FLEXIBILITY BY REVISING ITS FINANCING AGREEMENTS. THIS BILL ALLOWS A FINANCING ROUND TO OCCUR WITHIN A 9-MONTH PERIOD. THE BILL ALSO ALLOWS AN INCREASE IN THE MAXIMUM INVESTMENT IN ONE COMPANY TO 10% OF AVAILABLE FUNDS (OR \$1.5MM UNDER THIS BILL) FROM THE EXISTING LIMIT OF \$750M. FINALLY, THE BILL ALLOWS THE ALLIANCE BOARD TO NEGOTIATE PAYBACK FROM RESEARCH AND DEVELOPMENT PROJECTS. CURRENTLY, PAYBACK IS SET AT 5% OF THE INCOME GENERATED BY A PROJECT, WHICH IS CONSIDERED LOW BY INDUSTRY STANDARDS.

IN CLOSING, HB394 SEEKS TO STRENGTHEN THE ALLIANCE'S ABILITY TO EFFECTIVELY DECREASE MONTANA'S RELIANCE ON A RESOURCE-BASED ECONOMY BY FACILITATING THE INCORPORATION OF APPLIED TECHNOLOGY AND HIGH-TECH INDUSTRIES INTO OUR ECONOMY.

Chase Hibbard

CH/eb

EXHIBIT 2
DATE 2-11-93
HB 394

Testimony of Jon Marchi
As a Proponent with Amendments
House Bill 394- Science & Technology
Business & Economic Development Committee
February 11, 1993 8:00 AM

Mr. Chairman,

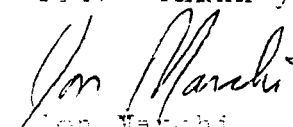
Members of the Committee, for the record my name is Jon Marchi. In my testimony today I represent myself as a small businessman in Montana and as a director for the following Montana businesses and organizations: the Montana Private Capital Network, the Montana Entrepreneurship Center, the Montana SBA Advisory Council and the Montana Small Business Investment Corporation.

I am testifying in favor of HB 394 for the following reasons:

1. We have a shortage of investment capital and a lack of current technological information in our state. Both are necessary for our small businesses to be competitive and to keep growing and multiplying. Science & Tech has done an amazing job of providing the critical seed capital to many of our future job creating corporations. The Montana Entrepreneurship Center (a brain child and partially funded affiliate of MSTIA) has assisted in bringing current technological information to over 2000 business people.

2. Besides the Montana Entrepreneurship Center, MSTIA has successfully created and funded the Centers of Excellence concept. In just three short years the following Centers of Excellence have generated millions of private and federal dollars that have well exceeded MSTIA's funding: NSF Engineering Research Center, Bozeman; Center for Advanced Mineral Processing, Butte; Center of Excellence in Biotechnology, Missoula; Leachness Research Institute, Billings and McLaughlin Research Institute, Great Falls. Not only is Montana receiving a great current return but the future job creating potential is enormous as these centers begin to commercialize their products.

3. Businesses thrive on stability and continuity. Businesses fail because of unstable and unpredictable outside influences. We cannot stop and then try to restart two years or four years from now a program that has been as successful as Science & Tech. Many have called MSTIA and all of its spinoffs the best economic development effort our state has to offer. I concur. Please vote for HB 394. Thank you.


Jon Marchi

3700 Valley View Road
Polson, MT 59860 409 3470

HIGHLIGHTS OF TESTIMONY of CLYDE W. NEU
as a PROPONENT for HB 394 before the
HOUSE BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE
February 11, 1993

Mr. Chairman & Members of the Committee:

My name is Clyde Neu. In my testimony today, I represent myself as the founder of four small businesses in Montana over the past fifteen years. I currently am Chairman of the Board of a computer software company in Fromberg, Montana, and I am employed full time by The University of Montana as administrator of its Master's degree program in Business Administration on the Eastern Montana College campus in Billings. I have been very involved over the years in *venture capital financing*, and I have raised over \$3 million dollars of such funds for my various businesses.

I am testifying in favor of HB 394 for the following reasons:

- * Traditionally, our nation & our state have developed some very good programs to address the needs for small business financing; a new *powerful sense of urgency in addressing these needs has developed on the national level*, and in August 1992 in a rare display of bipartisan cooperation during an election year, Congress passed legislation revising the Small Business Investment Company (SBIC) program.

These new changes are the *most significant revisions* to the SBIC program since its inception in 1958; they are so sweeping and potentially attractive that they are likely to give an important "jump-start" to the *stalled private equity investment community* that exists in this nation.

- * This *need for small business financing* has not been lost on Montanans; indeed, with the establishment and funding of MSTTA, our state became *one of the leaders nationally* in developing a "seed stage" investment program for promising technology-based companies. Twenty-one other states in the country have business development programs that combined have committed nearly \$150 million in venture capital to such enterprises. Nine other states are at varying points in setting up new programs today.
- * Has our own seed-stage investment program been successful? *Absolutely!* Please allow me to introduce a recent research report done by one of my graduate students during the past four months (titled: An Update on Investment Activity by the Montana Science and Technology Alliance: 1989-1992).

The Findings:

- * With respect to its current portfolio of 14 companies in which *\$4.2 million* has been invested, using widely recognized industry measures of return on investment MSTTA can report a *13.5% average annual return* on its investments. This covers all investments since June 30, 1986.
- * With respect to the Coal Tax Trust Funds invested since August 1989 (*\$3.8 million*), the average annual rate of return has been *22%*.

HOUSE BUSINESS AND ECONOMIC DEVELOPMENT COMMITTEE

Testimony in Support of

HOUSE BILL 394 - SCIENCE & TECHNOLOGY

February 11, 1993, 8:00 A.M.

Mr. Chairman, Members of the Committee, for the record my name is Robyn Young.

I am employed full time as the Chief Executive Officer of Development Corporation of Montana, the President of Montana Community Finance Corporation, and the Secretary/Treasurer of the Montana Small Business Investment Capital Company.

The Development Corporation of Montana is a "for-profit" privately owned venture capital company. DCM was the first Montana Capital Company to be Certified and Qualified and the first to make all of its required investments. DCM also manages the SBA 504 loan program for the state through its non-profit affiliate, Montana Community Finance Corporation. DCM is also providing administrative support to the Montana Small Business Investment Capital Company Board of Directors during their efforts to organize and capitalize a \$5-7 million dollar Small Business Investment Company to provide capital for Montana businesses.

DCM has been involved in the attempts to address the shortage of investment capital for more than two decades. Because of our experience in processing funding requests and other inquiries, we know that there is a tremendous demand for investment capital from entrepreneurial firms. We receive over 150 inquiries per year. The average amount requested is in excess of \$300,000. Because our remaining uninvested capital is tentatively committed towards funding the Montana Small Business Investment Company, we do not expect to make any new investments during 1993 or 1994.

I am testifying in favor of HB 394 for the following reasons:

1. One of the many accomplishments of the MSTA is the construction of a venture capital portfolio which proves not only that there is a demand for investment capital, but that Montana also offers the kind of "deal-flow" that can provide an attractive return on investment. The internal rate of return achieved to date by MSTA on its portfolio will make it easier for us to attract the private capital needed for the Montana Small Business Investment Company. The passage of HB 394 will send a positive message to these potential sources of private capital.
2. The high quality due diligence performed on potential investments by the MSTA provides other investors with the level of confidence that they could not otherwise afford. DCM relied heavily upon the recommendation and due diligence of MSTA in making a recent investment of \$100,000 into one of the MSTA portfolio companies. The MSTA portfolio companies have attracted additional equity from private individuals and firms because of the investors' respect

for the expertise of MSTA. If we are successful in our efforts to raise the private capital needed for operating the Montana Small Business Investment Company, we anticipate that the two funds would co-invest in some of the larger financing arrangements. HB 394 grants MSTA the increased investment authority needed to achieve these benefits.

3. It is common practice in the venture capital industry for the administrative expenses to be paid from the return earned on the portfolio investments. With the increase in investment authority provided by HB 394, MSTA will have the ability to continue investing, increase the size of the portfolio, and thereby achieve greater efficiencies of scale and greater returns for the Coal Trust. Subjecting the MSTA to continued funding from the General Fund when the state is facing severe budgetary constraints threatens the quality and continuity of the programs offered by MSTA and may even jeopardize the financial success of the existing investment portfolio.

4. The seed capital, startup capital, and expansion capital programs offered through the Montana Science and Technology Alliance are currently the only source of institutional venture capital available for Montana businesses. The investments made by MSTA have only begun to mature, and the staff and program have grown in expertise and efficiency. Montana cannot renege on its commitment to provide this much needed risk capital to our business community. MSTA is just now at the threshold of success. Now is not the time to retreat. Neither should we make the mistake of believing that we have done enough. Montana must continue its commitment to the goals and purposes that spawned the Montana Science and Technology Alliance. I urge you to vote in favor of HB 394.

Thank you.

Robyn Young
Chief Executive Officer
Development Corporation of Montana
121 North Last Chance Gulch, Suite D
Helena, Montana
(406) 442-3850

BIOTECHNOLOGY IN MONTANA

Walter E. Hill, Director, Montana Biotechnology Center

Although it is difficult in these fiscally dismal times to champion an investment for the future, that is precisely what I am doing in this effort. In a nutshell, it is impossible for me to believe that the economic horizon for the State of Montana will ever brighten without biotechnology development. In order for this to take place, we must invest some resources, even at this critical time, to allow this fledgling effort to maintain itself and even grow.

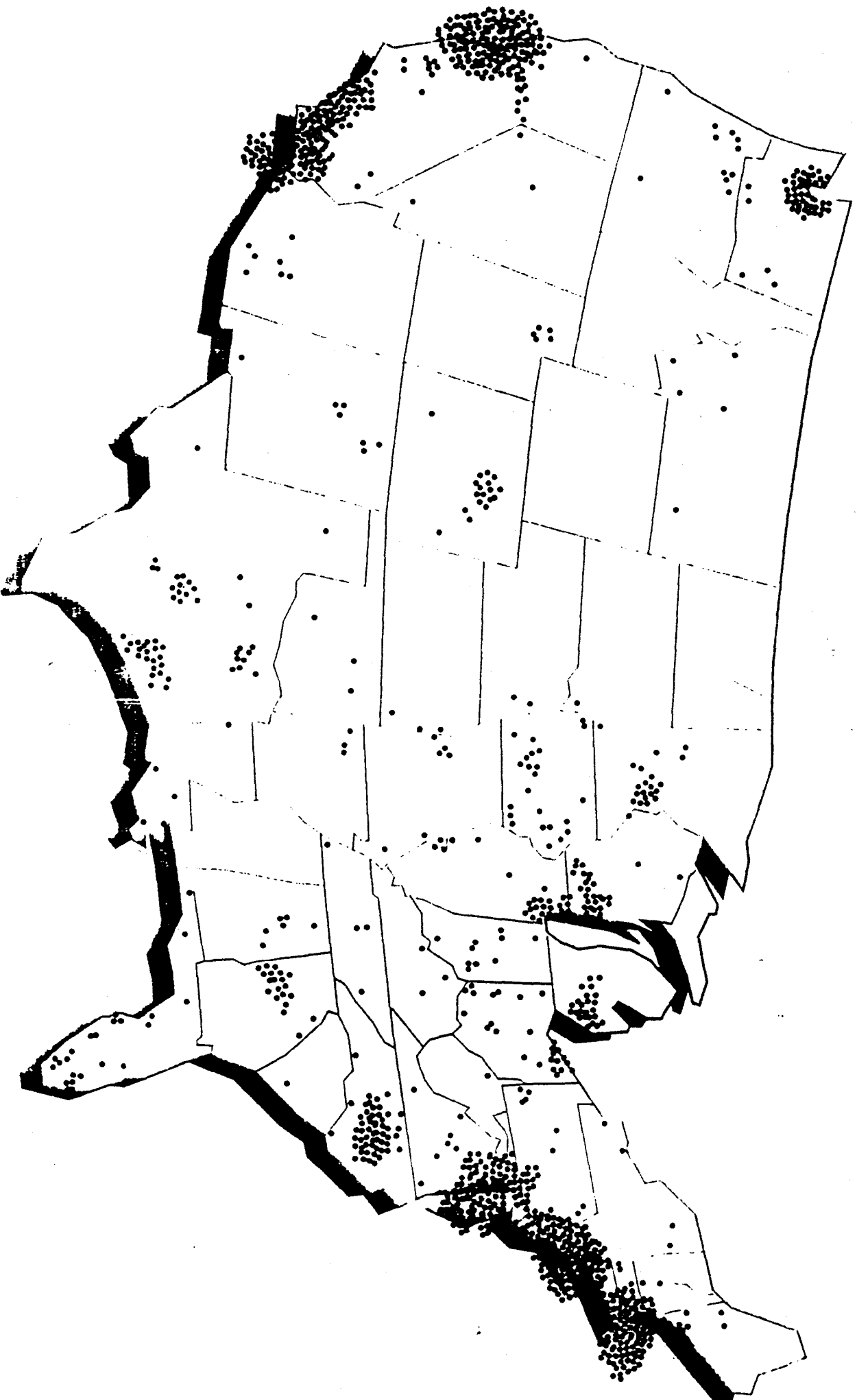
During the last biennium, the Montana Science and Technology Advisory Council has developed a comprehensive plan and action agenda to assess the strengths and weaknesses of science and technology in the State and outline an aggressive and visionary plan for the future. It was determined that biotechnology underlays almost every facet of modern high tech R&D efforts. It is the assessment of the science and technology advisory council that biotechnology is essential in either a direct or peripheral way to almost every other economic area. It is central in the basic research arena and touches agriculture, mining, forestry, manufacturing and remediation industries.

In order to activate this plan to even a small degree, it is essential that biotechnology efforts increase. Healthy biotechnology needs substantial infrastructure. The initial effort in this direction is the Biotechnology Center which has been supported by R&D funding from MSTA since 1987. In the United States, 33 states support biotechnology centers at an average of \$2 million per year. Needless to say, ours is supported at a much more modest level. But if we are going to remain viable in the biotechnology marketplace, we must increase our efforts in this arena and in the area of biotechnology research. To do this, we have to have state support.

Research support is a very clean industry in and of itself. For active researchers it can be shown that for every state dollar invested, \$5-10 are returned to the state in the form of grant support, the majority of which is then reinvested in the state. Additionally, patents will accrue, spin-off companies will be formed and established companies will be attracted. It is essential to seed this effort with investments through the biotechnology center and other mechanisms.

The Biotechnology Center has numerous facets, many of which have added measurably to our visibility as a state and to increased viability of the biotechnology community within the state. It is critical to the economic well-being of the state that this effort not fail and that we keep alive the structure needed to carry out coordination, growth and development of the biotechnology enterprise within the State of Montana. It is really an investment in those who will follow us.

Biotech 93: Landscape of an Industry



**MONTANA BIOTECHNOLOGY CENTER
ACCOMPLISHMENTS**

The Montana Biotechnology Center was funded initially with a \$200,000 grant from MSTA for 15 months in 1988-1989. This grant was used to establish the office and to provide six grants to various investigators in the State to fund biotechnology projects with potential commercial value. Another \$125,000 grant from MSTA for 1989-1991 was used to support and maintain the Center during those years. The MSTA recently provided \$350,000 for the Center for the 1992 calendar year, with a promise of \$400,000 for 1993 if milestones are met. The majority of these funds are to be used to provide funding for research projects with significant commercial potential.

The Center is governed by a Board of Directors which establishes policies and direction for the Center. These are then carried out by or under the direction of the Director. Since it has been established, the Center has sponsored four annual poster exchange conferences to bring together researchers and corporations with biotechnology research interests, each year over 150 individuals participating. The purpose of this annual gathering is to increase communication and interaction between the public or quasi-public-sector researchers and the biotechnology companies in the State.

The Center has aided in publishing a 300 page Montana Bioscience Research Directory which contains full-page listings of the investigators in Montana with expertise in the biomedical area and developed and maintained a data base of all biotechnology companies and key individuals in biotechnology in the state and nation.

Within the State, the Center has stimulated interactions between several biotech firms and many investigators. These interactions include faculty appointments, graduate student stipends, post-doctoral research appointment, contracts and gifts. Additionally, two substantive equipment grants have been instigated and aided by Center efforts. The Center has also spearheaded the biotechnology emphasis in Montana and the Montana State Science and Technology Plan.

The Center is a member of the National Association of Biotechnology Centers and the Association of Biotechnology Companies and as such is a recipient and a contributing member of a growing network of information concerning the industrial growth, employment opportunities, research directions and development plans for both centers and corporations in the Biotechnology area. We represented the State of Montana at the International Biotechnology meeting in San Diego and Washington D.C. and have been active participants in the National Association of Biotechnology Centers. Numerous requests for information about Montana as a potential place to start or to locate a biotechnology company have been answered. More frequent requests concerning the potential of future jobs in biotechnology in Montana have

been answered as well.

The Center has met each of the milestones proposed for each year, with the result that the Center activities are much more organized and focussed than they were at the beginning of 1989. We now have Rules of Governance (By Laws) which give us guidelines. In addition, during this last year, the Governing Board has become much more active in many areas dealing with biotechnology. One area of particular concern was the interaction of the Center with the Universities and vice versa. A special committee was established to discuss and resolve questions concerning the interplay between these units. The result was a very wholesome discussion and exchange which defined the Universities as active players in the Center, but not the controlling elements.

Upgrading the data base containing all Montana, regional and national biotechnology companies, as well as Montana research investigators is continually underway. This data base has helped in some cases to couple individuals with needed expertise to companies needing such expertise.

Finally, and perhaps of most significance, the Governing Board reviewed seventeen proposals for research funding and forwarded six of these for funding by MSTA. The review procedures have been streamlined and improved, providing a substantive peer review process of both the scientific merit and commercial potential of each project.

Newly-funded proposals:

There are three ongoing and two new projects which are presently funded by the Center.

Ongoing:

1. Taxol Proposal - Drs. Stierle and Strobel

The fundamental idea is that a fungus, now named *Taxomyces andreanae*, which is associated with the inner bark of the Pacific Yew tree, when grown in a semi-synthetic liquid medium, produces taxol and related compounds. This is a remarkable finding and has tremendous potential for the pharmaceutical industry. Taxol has been found to be markedly effective in the treatment of certain types of cancer. However, the natural source of this compound, the bark of the yew trees, is a limited resource which could not be expected to sustain the increasing demands for this product. The finding of an organism that can produce this compound has caused considerable interest, both scientifically and commercially. Drs. Stierle and Strobel have published three papers on the subject, and Dr. Strobel was recently awarded a grant from the National Cancer Institute for over \$500,000 to continue work on this

project. Obviously this project is extremely meritorious and has unmeasurable potential for the future. To date, there have been two patents filed on this project, with a possibility of a third as well. In addition, there has been substantial commercial interest, but no contracts have been signed yet.

2. Multiple Disease Resistance in Canola - Dr. Thomas Mitchell-Olds

Using detailed genetic mapping techniques, Dr. Mitchell-Olds and colleagues have found that there are several disease resistance loci in their populations of canola. They have now measured disease resistance in 64 families of canola and are now growing these families for seed. Quantitative genetic analyses to supplement the mapping data are also underway. There is strong quantitative evidence for major disease resistance genes in some of these families. This project is on target and meeting the projected milestones.

3. Improving Safflower through Biotechnology - Dr. William E. Dyer

This proposal was designed to create a safflower cultivar resistant to the herbicide glufosinate. The gene necessary to confer resistance to glufosinate has been obtained from Hoechst AG and this group is now in the process of inserting it into an appropriate plasmid necessary to transform the safflower plants. The transgenic plants will then be selected and regenerated on glufosinate.

Recently funded:

1. Resistance to Barley Yellow Dwarf Virus - Dr. Joseph Anderson

The problem being addressed here is of significant commercial interest and the approaches taken to solve it are clearly outlined and solid. The feasibility of the transgenic approach has already been proven with cucumber mosaic virus resistance produced in tobacco plants by insertion of the replicase gene specific for that virus. A similar approach with the replicase gene for barley yellow dwarf virus in barley should be successful. It appears that this project has the potential for significant payback in the relatively near future.

2. Structure-based Drug Design - Drs. Jean R. Starkey and Edward A. Dratz

This proposal is to develop specific drugs to be used to inhibit cancer metastasis. The concept of this approach is quite novel and unique, since the design of these drugs is centered around structures derived from NMR data. Although these experiments will have a longer developmental time to mature, commercial products, there is tremendous promise in this approach and it should be supported. This is truly excellent science and it is being applied to a nice biological system which has important health ramifications.

Previously-funded Research Projects

In 1989, the Center funded 6 grants for a total value of \$101,500.00 to:

1. Glucosinolates in Brassica - Thomas Mitchell-Olds - University of Montana
2. Designing Small Peptide With Optimal Blocking Activity For Adhesive Receptor-Ligand Interactions - Edward A. Dratz - Montana State University
3. Electrophoresis - Dynamic Fast Atom Bombardment Interface For Biochemical Application - Jan Sunner - Montana State University
4. Bacteria Associated With Marine Invertebrates. Superior Leads For Agrochemicals And Pharmaceuticals - John H. Cardellina II - Montana State University
5. Sensitive Diagnostics For Neonatal Diarrhea - Clifford W. Bond - Montana State University
6. Marketing Maximum Performance Chromatography Software - Richard Ammons - University of Montana

EXHIBIT 10
DATE 2-11-93
HB 394



This document is stored at the Historical Society at 225 North
Roberts Street, Helena, MT 59620-1201. The phone number is
444-2694.

Montana

Center

of

Excellence

in

Biotechnology



MONTANA TECH

Butte, Montana 59701
(406) 496-4101

Center for Advanced Mineral Processing
(406) 496-4193

EXHIBIT 7

DATE 2-11-93

HB 394

February 11, 1993

Chairman Steve Benedict
Business and Economic Development Committee
Montana House of Representatives
State Capitol
Helena Mt 59620

Dear Chairman Benedict and Committee Members:

Thank you for the opportunity to provide the following testimony in support of HB 394. The Center for Advanced Mineral Processing (CAMP, formerly the Advanced Minerals and Hazardous Waste Processing Center of Excellence) was established at Montana Tech in 1989 under the Montana Science and Technology Financing Act. The name was changed in 1992 to more accurately reflect the close support of the Center to the Montana minerals industry. CAMP has been instrumental in establishing the infrastructure necessary to attract outside funding for minerals-related research in Montana. It has also provided the vehicle and the incentive for cooperation between University researchers and small to medium-sized Montana companies on projects which may pay dividends to those companies and to Montana in the future.

A summary of CAMP-related funding activity is attached to this letter to provide an idea of the outside research funding made possible through a modest investment of MSTF funds. From this table it can be seen that an expenditure of less than \$175,000 has provided the opportunity to receive over \$1,900,000 in outside funds, with more being sought in the future. Several specific projects that have benefited from support or exposure by CAMP include:

CAMP played a major technical role, as well as a financial role, in supporting efforts to obtain the \$3,500,000 Mine Waste Pilot Program for MSE in 1991. That program will be funded for an additional \$2,500,000 in the next two years. As now configured, that program will provide \$1,200,000 to the research and educational programs at Montana Tech over four years.

Additional programs resulting from CAMP activities include EPA sponsored programs totaling \$646,000 for recovery of Metal Values from mining, smelter, and machining wastes. A new \$250,000 DOE program awarded to Montana Tech this January calls for study of Molten Metal/Slag Interactions and Metal Melting Technology as applied to waste processing.

Another vital role which MSTA plays in the State's Science and Technology agenda is in providing a source of mandatory matching funds for major federal research grants to the University System, such as the Experimental Program to Stimulate Competitive Research (EPSCoR). During the past two years, major effort has been devoted to enhancing and broadening the research infrastructure among the units of the University System. The recent proposal submittals to NSF and DOE are culminations of these efforts. These successful planning efforts will be for naught without State support through MSTA for the required matching funds of \$2,125,000 for these two programs. Additional EPSCoR proposals are expected to DOD, EPA, and other Federal agencies over the next two years.

In closing, we would like to endorse another recent MSTA activity. We believe the development of the Montana Science and Technology Action Agenda was a major milestone in the economic development of the State. It was a privilege for Sam Worcester to serve on the Mineral Extraction and Processing Focus Group with representatives of the public, mineral industry, government, and the University System. The insights gained through the open discussion which ensued during the development of the recommendations of that group gave all participants a much broader perspective of the problems and the opportunities confronting the mineral industry in Montana.

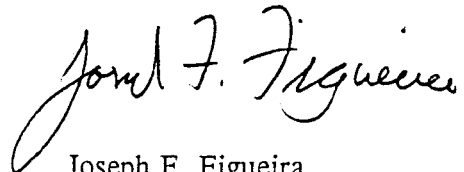
We strongly support the Montana Science and Technology Program and urge your support of HB 394.

Respectfully submitted,



Samuel A. Worcester
Director, CAMP

and



Joseph F. Figueira
Associate Dean, Research
and Graduate Studies

enclosures as stated

SUMMARY OF CAMP-RELATED FUNDING ACTIVITY

January 1993

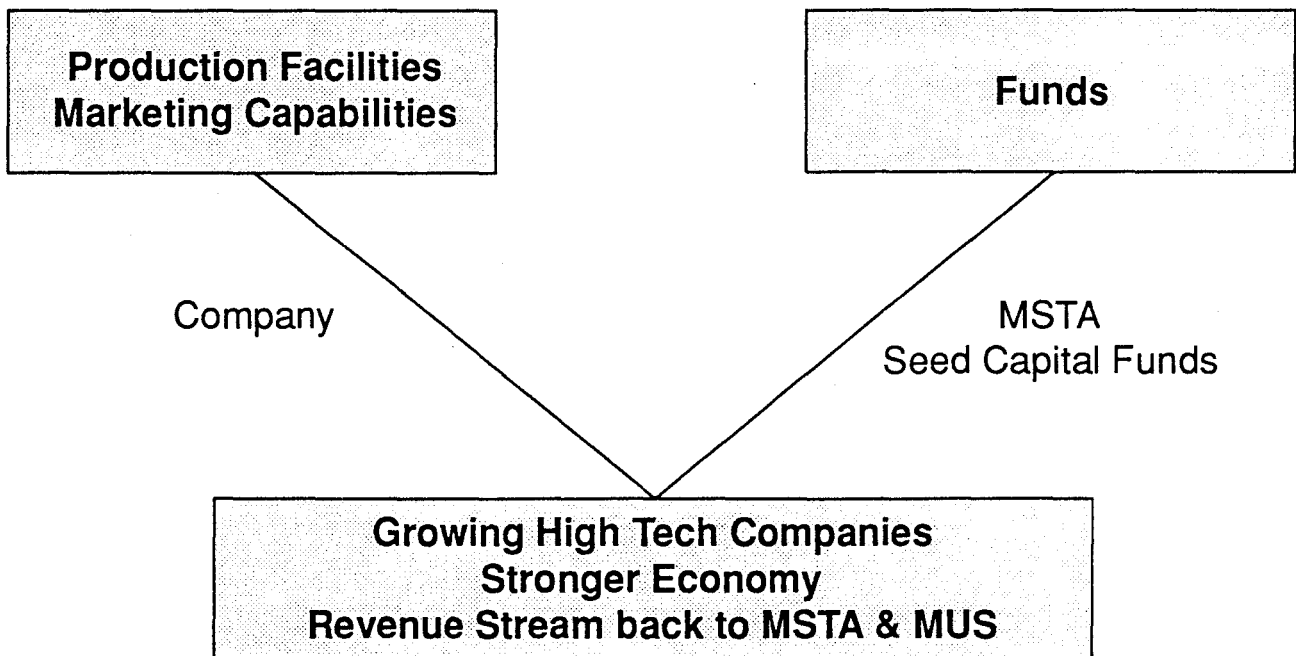
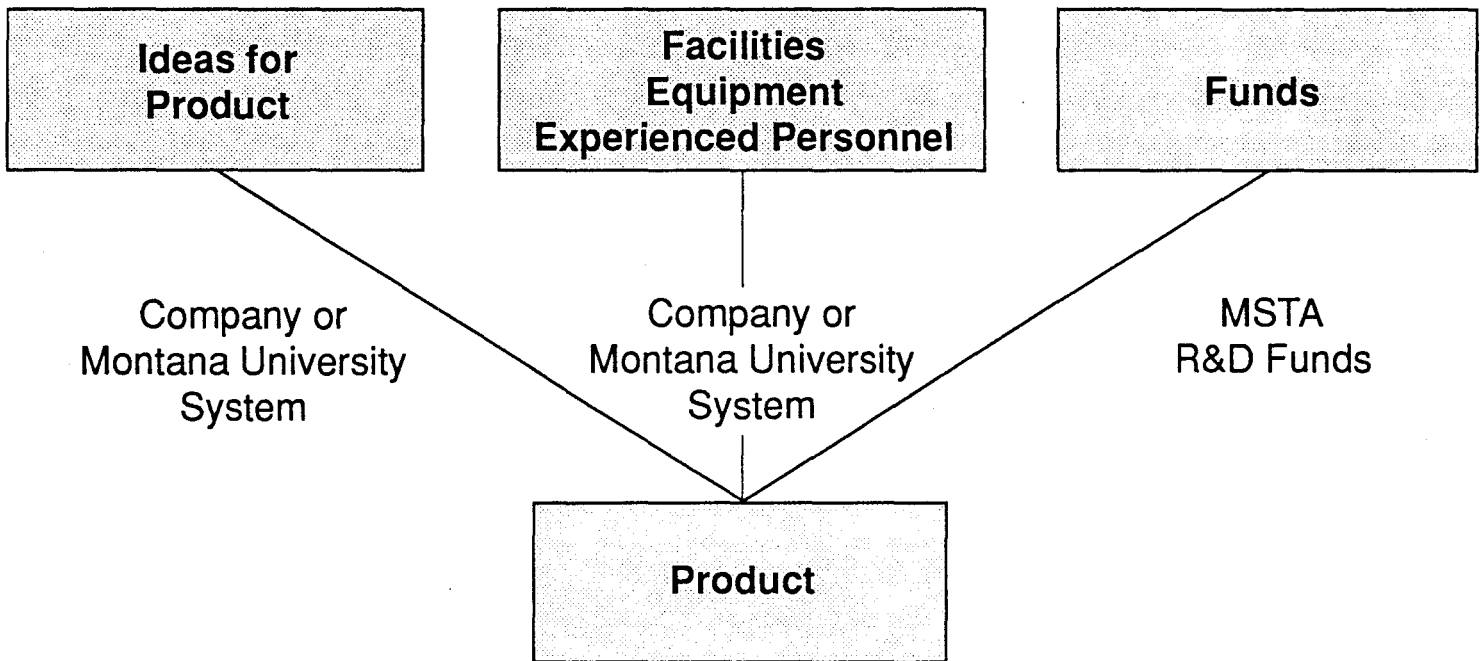
Project	MSTA Funds Spent (\$1,000's)	Non-MSTA Funds Obtained (\$1,000's)		
		Pre 1992	Obtained (in 1992)	Sought (in 1992)
Filamentous Fungi	15*	33	---	---
The Concentrate Tub	1	7	---	---
The Berkeley Pit	10	83	44	---
Biohydrometallurgy	9	14	---	---
Chelation Affinity Chromatography	13*	22	---	---
Montana Technology Innovation Center	10	780*	0	570
Recovery of Metal Values and Toxins (ASH) and Centrifugal Jig	0*	300	150	---
Metal Value Recovery from Electromachining Sludge Waste	0	110	---	---
Removal of Arsenic from Waste Solutions and Copper Smelter Solid Wastes	0	86	---	79
Establishing the Northern Rockies Environmental and Waste-Science and Technology Education Partnership (NEWSTEP)	0	37	0	0
Study of Molten Metal/Slag Interactions and Metal Melting Technology	0	0	0	249
Establishment and Administration	108	---	---	---
TOTAL	\$166	\$1,472	\$194	\$728

* In cooperation with MSTA seed capital companies

*Includes \$730,000 subcontract from \$3,500,000 MSE contract

EXHIBIT 7
DATE 2-11-93
H3 394

EXHIBIT 8
DATE 2-11-93
HB 394



MATNEY-FRANTZ ENGINEERING, P.C.
105 West Main Suite A
Bozeman, Montana 59715-4644
(406) 586-3748 (406) 586-8437 (FAX)

EXHIBIT 9
DATE 2-11-93
HB 394

MEMO

February 10, 1993

To: Claud
From: Peter
Subject: Presentation to Legislature in Support of MSTA Funding

Good morning! I am Claud Matney, President of Matney-Frantz Engineering, P.C., located in Bozeman, MT. M-F is a small, but growing environmental consulting firm which specializes in site assesment and restoration, regulatory compliance, and hazardous material management. A large part of our effectiveness is based on our ability to incorporate economically feasible treatment technologies as solutions for today and tomorrow's complex environmental challenges. In the same fashion that emphasis is shifting from end-of-pipe treatment to waste elimination/minimization, many treatment technologies are shifting from the traditional mechanical treatment systems to the cultivation and engineering of natural systems to achieve treatment goals. These natural systems can include wetlands for the treatment of acid mine drainage or the use of microbes for the treatment of soil and groundwater contaminated with petroleum products.

M-F views the MS&TA as an integral link between the areas of academic development of emerging technologies and the entrepreneurial expansion of the emerging technology into a viable economic reality for Montana companies. We recognize that a funding agency such as the MS&TA is necessary if Montana and the United States are to remain competitive on all fronts as the idea of a global community moves closer to reality.



Montana Entrepreneurship Center
Measured Impact on Montana's Business Community
July 1, 1992 through September 30, 1992
(Based on 242 Total Client Sessions)

I. Reach

90% of clients are Montana residents

- 49% of these clients reside in Missoula, Bozeman or Billings
- 51% of these clients reside in other Montana cities

10% of clients are non-residents, organizations located in other states

II. Number of Contacts and Referrals Made to Existing Resources

95 Montana University System Resources

- 18 Student programs
 - 15 Small Business Institute
 - 2 Internship programs
 - 1 Other student programs
- 55 Faculty consultants
- 22 University programs/facilities/equipment

82 Private-Sector Resources

- 15 Private companies
- 18 Professionals/consultants
- 36 Montana Private Capital Network
- 1 Chambers of Commerce
- 3 Banks
- 9 Other private-sector resources

125 Public-Sector Resources

- 66 State government resources
 - 31 State agencies
 - 32 Small Business Development Centers
 - 3 Montana Science and Technology Alliance
- 32 Federal government resources
 - 13 Small Business Administration
 - 19 Other than Small Business Administration
- 27 Local public resources (within clients' communities)
 - 17 Development agencies
 - 5 Local government (city/county) agencies
 - 5 Service agencies

68 Other Resources

- 43 Literature
- 17 Libraries
- 8 Other

370 TOTAL CONTACTS AND REFERRALS TO ALL SOURCES

Montana Entrepreneurship Center
Measured Impact on Montana's Business Community
July 1, 1991 through September 30, 1992
(Based on 1,004 Total Client Sessions)

I. Reach

93% of clients are Montana residents

- 52% of these clients reside in Missoula, Bozeman or Billings
- 48% of these clients reside in other Montana cities

7% of clients are non-residents, organizations located in other states

II. Number of Contacts and Referrals Made to Existing Resources

433 Montana University System Resources

- 143 Student programs
 - 91 Small Business Institute
 - 20 Internship programs
 - 32 Other student programs
- 181 Faculty consultants
- 109 University programs/facilities/equipment

417 Private-Sector Resources

- 111 Private companies
- 94 Professionals/consultants
- 92 Montana Private Capital Network
- 27 Chambers of Commerce
- 28 Banks
- 65 Other private-sector resources

644 Public-Sector Resources

- 354 State government resources
 - 169 State agencies
 - 159 Small Business Development Centers
 - 26 Montana Science and Technology Alliance
- 143 Federal government resources
 - 77 Small Business Administration
 - 66 Other than Small Business Administration
- 147 Local public resources (within clients' communities)
 - 89 Development agencies
 - 34 Local government (city/county) agencies
 - 24 Service agencies

394 Other Resources

- 240 Literature
- 114 Libraries
- 40 Other

1,888 TOTAL CONTACTS AND REFERRALS TO ALL SOURCES

KEN L. THUERBACH
118 MAIN STREET
P.O. Box 85
VICTOR, MONTANA 59875

TELEPHONE (406) 642-3451

EXHIBIT 12
DATE 2-11-93
HB 394

Testimony of Ken L. Thuerbach
As a Proponent with Amendments
House Bill 394 - Science & Technology
Business & Economic Development Committee
February 11, 1993, 8:00 a.m.

Mr. Chairman and members of the committee:

For the record, my name is Ken Thuerbach. In my testimony today, I represent myself as a private sector businessperson. Also, because of my concern for Montana's economic development and business climate, I give a great deal of my time to the Montana Private Capital Network, to the Montana Entrepreneurship Center, to the Montana Small Business Investment Corporation, and to the Montana Science and Technology Alliance.

I am here to testify in favor of House Bill 394.

I do not believe I need to reiterate the need or the effectiveness of this innovative endeavor. Rather, I wish to state that MSTTA is currently "the only game in town" when it comes to providing seed capital or technology transfer to the private sector.

I am personally against most government subsidies and give-away programs; however, MSTTA is neither of these. The Coal Trust Fund has been set up for Montana's future and for Montana taxpayers. Through MSTTA administration, the Trust is mandated to invest a minimal amount of its investment funds into Montana business opportunities. The MSTTA portfolio has shown an above average internal rate of return; and, at the same time, the portfolio has helped to solve one of business's largest problems -- the lack of venture capital.

Additionally, the taxpayers of Montana have paid for a huge infrastructure, namely, the university system. Heretofore, the private sector has had very limited access to the resources of the university system; MSTTA's Centers of Excellence bridge this gap. Both the state and small business are now being aided with dollars and with technology transfer due to the existence of these Centers.

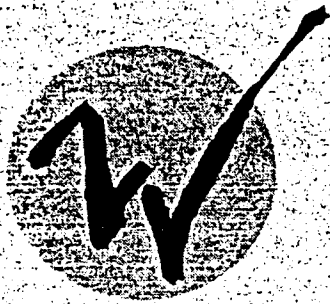
In its short history, the Montana Entrepreneurship Center alone has made over 2000 resource matches for Montana businesses.

MSTTA has an excellent program, proven by its record, and I would urge you to keep this loan program alive. Please vote in favor of HB 394.

Thank you for your time and attention,

Ken L. Thuerbach
P. O. Box 85, Victor, MT 59875

EXHIBIT 13
DATE 2-11-93
HE SB 161



Montana Women's Economic Development Group

This document is stored at the Historical Society at 225 North
Roberts Street, Helena, MT 59620-1201. The phone number is
444-2694.

Annual Report

July 1991 to June 1992

Mr. Chairman, Members of the Committee,

My name is Sandra Oitzinger, and I am President of the Montana Women's Capital Fund, a statewide organization of volunteers dedicated to promoting wider access to capital as a means of economic development and microbusiness support. The Women's Capital Fund was certified on January 18th by the Department of Commerce as the Microbusiness Development Corporation for the region comprised of Lewis and Clark, Broadwater and Jefferson counties. We anticipate having our match raised in early March, enabling us to apply for the Commerce financing to fund the revolving loan fund for our tri-county area. On behalf of the Fund, I would like to thank those here who helped put the microbusiness statute on the books in the first place, and to let you know how enthusiastic we are about launching our program.

I would also like to share with you our strong support for Senate Bill 161 because it makes the Microbusiness statute an even more functional tool for developing microbusiness on both the regional and the statewide level. Our fundraising efforts for the three to one match have been challenging enough, but we believe they may be even more daunting in the rural areas, so the bill's easing of match requirements has our strong support. It would also be enormously helpful to be able to pay the Department a lower rate of interest, which the bill would allow, and we would anticipate being able to reduce our interest rates to our borrowers if our own cost of funds would bump down.

Mr Chairman, I want to advise you that the Women's Capital Fund has recently begun to explore with the Indian Manufacturing Alliance the possibility of a collaborative proposal to become the Montana Statewide Microbusiness Development Corporation. When I polled my 11 member board about whether they would support such a cooperative undertaking, they unanimously agreed that we should indeed see if a joint proposal with the Alliance could be worked on. Although the Board members are aware of the tremendous amount of effort that will be required to cover the state, we are eager to work with the Alliance because we believe the resulting partnership will allow prioritization of the most pressing needs outside of the regions serviced by MBDCs, that is, among Native American businesses. ~~Should the Alliance determine that a partnership with the Fund would not best serve these~~

~~needs, the Fund would stand aside, and would decline to apply as the statewide corporation.~~

I understand that concern has been expressed by existing MBDC's about the section of the bill eliminating sign-offs for the statewide corporation. Recognizing how little funding there is for each region, our position as a regional entity would be to welcome additional programs to help our population. The activities of the statewide loan fund should be based on where need exists, not on where a sign-off will be most readily available.

Mr. Chairman and members of the Committee, I would just like to sum up by saying that we have tremendous opportunities and work awaiting us. I would ask for your strong support of Senate Bill 161, which by streamlining the program, and removing unnecessary impediments to certification, would allow us to more efficiently concentrate on the tasks ahead.

Thank you.

January 1993

EXHIBIT 15
DATE 2-11-93
~~FILE~~ SB 161

Microbusiness Finance Program

Funded Regions	6
Microbusiness Loans	35
Dollars Loaned	\$412,556
Fully Repaid Loans and Amount	1 @ \$10,000
Average Loan	\$11,787
Jobs Created	45
Jobs Retained	28.5
Dollars per Job Created/Retained	\$5,613

TOTAL LOANS OUTSTANDING	3
DOLLAR VALUE	\$50,000

Kalispell MBDC - Region I

Loans funded this quarter 3
Dollar Value of Loans \$28,000
Job Creation .5 FTEs Job Retention 4 FTEs
Public Assistance Reduction N/A

Geography of Loans: Flathead county - 3 loans

Demography of Loans: loans to males 66% loans to females 33%
loans to Caucasians 100%

TOTAL LOANS OUTSTANDING 5

DOLLAR VALUE \$33,344

Lewistown MBDC - Region VIII

Loans funded this quarter 1
Dollar Value of Loans \$20,000
Job Creation 1 FTEs Job Retention 1 FTEs
Public Assistance Reduction None

Geography of Loans: Fergus county - 1 loan

Demography of Loans: loans to males 50% loans to females 50%
loans to Caucasians 100%

TOTAL LOANS OUTSTANDING 1

DOLLAR VALUE \$20,000

Missoula MBDC - Region II

Loans funded this quarter 6
Dollar Value of Loans \$45,207
Job Creation 12.5 FTEs Job Retention 6 FTEs
Public Assistance Reduction N/A

Geography of Loans: Missoula county - 6 loans

Demography of Loans: loans to males 76% loans to females 24%
loans to Caucasians 85%
loans to Native Americans 15%

TOTAL LOANS OUTSTANDING 12

DOLLAR VALUE \$103,605

EXHIBIT 15
DATE 2-11-93
SB (6)

EXHIBIT 16
DATE 2-11-93
NO SB 161



TO: Chairman Benedict and the Members of the House
Business and Economic Development Committee

RE: Proposed Amendments to the Microbusiness
Development Act (Senate Bill 161)

FR: Human Resource Development Council of District IX
Certified MBDC for the Bozeman Region

February 10, 1993

This agency is the existing certified MBDC for the Bozeman service region (Meagher, Park and Gallatin counties). This agency offers the following input concerning proposed changes to the Microbusiness Development Act (Senate Bill 161).

In general, this agency is not opposed to the changes proposed in SB 161. However, certain of the proposed changes may result in newly certified MBDC's receiving more advantageous treatment than those already under contract with the Department of Commerce. In particular, I refer to the removal of the minimum interest rate of 3% and change in matching ratio from 1:3 to 1:6. (17-6-406(4) and (7)). In the event that these changes are adopted, existing contracts should be amended to provide the same benefits for existing MBDC's already under contract with the Department.

It is proposed that Section 17-6-407(3) be amended to allow MBDC's already under contract to seek additional funds without waiting a year. While this agency does not oppose that change, it is possible that some regions still in the process of certification will be precluded from obtaining funding if additional sums are loaned to existing MBDC's, thereby reducing the total dollars available under the program.

The one proposed amendment which this agency strongly opposes is the removal of Section 17-6-408(2)(c). This section requires that a statewide MBDC obtain the support of local development organizations. Existing rules (Subsection 14 of "Definitions") define a "Statewide MBDC" as:

an MBDC that meets all requirements for certification stated herein, and, in addition, has a viable plan to provide specialized services to constituents throughout the state, and does not preempt or duplicate efforts of MBDC's within local communities, and obtains written indications of support from local MBDC's in the communities in which it plans to offer its services.

The Microbusiness Development Act does contemplate the existence of a statewide MBDC, as well as regional MBDC's. Section 17-6-408 allows a statewide MBDC to offer specialized services to constituents within regions having a funded regional microbusiness development corporation.

It is clear from the language of the Microbusiness Development Act and its history that a statewide MBDC should not be formed to duplicate services or compete with local MBDC's or other loan programs that might be offered by local development groups.

Regional MBDC's have only been funded for a short period of time (less than a year). It is certainly not clear at this point that regions with existing MBDC's require any additional specialized services. If specialized services are required by a region, the existing MBDC is the entity most aware of those needs, and should reach agreement with the statewide MBDC before the statewide MBDC begins operations in a certified region.

This agency supports the creation of a statewide MBDC, if necessary to serve uncertified areas or provide needed special services in certified areas. However, the entities best able to judge the need and effectiveness of any statewide MBDC are existing MBDC's and development organizations. At a minimum, the following conditions should be met:

1. Statewide MBDC applicants should be required to submit a plan to provide special services to regions already having a certified MBDC. The plan should include a written agreement between the existing MBDC and the proposed statewide MBDC specifying the services to be provided and demonstrating that existing services are not duplicated.
2. Applicants should also be required to show that they have the written support of local development organizations in both certified and uncertified regions.

Section 17-6-408(2)(c) should not be removed from the Microbusiness Development Act. Microbusiness lending should continue to be administered and defined at the local level.

Submitted on behalf of Jeffrey K. Rupp, Executive Director by:



Belinda D. Rinker, Lobbyist

EXHIBIT 17
DATE 2-11-93
HB 513

HB 513

Mr. Chairman HB 513 is at the request of the State Auditor.

HB 513 is a simple bill. It puts in statute what is already the policy of the Auditors Office and the legislature - that protecting consumers is a statutory responsibility of the State Auditor.

The purpose of the insurance regulation department in the State Auditors office is to protect consumers. When you look at the enumerated duties starting on the bottom of page 2, to examine insurance companies for financial solvency, to hire investigators, to license insurance agents ... the end purpose is to protect consumers. All this bill does is to say that specifically.

There is a fiscal note attached, drafted by the Auditors Office. It says there is no fiscal impact to the bill.

The Auditor already has six people who answer the 800 number and pursue insurance complaints. In the last three years those six people handled 67,282 telephone inquiries, closed 5,355 complaint files and recovered \$6,800,000 from insurance companies for Montana residents. The appropriations subcommittee has acted on the Auditors budget and has not changed the level of staffing for this part of the Auditors office.

So why do we need the bill. It simply puts consumer protection on the same legal basis as the other functions of the department. Under the previous auditor, consumer protection was cut first.

With this bill all of the functions of the insurance department are mandated. If the legislature cuts the Auditors budget, then he has to decide what the balance should be between cutting services in agent licensing, insurance company examinations, criminal investigations or in consumer protection.

STATE AUDITOR
STATE OF MONTANA

EXHIBIT 18
DATE 2-11-93
HB 464



Mark O'Keefe
STATE AUDITOR

COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

TESTIMONY ON HOUSE BILL 464

Mr. Chairman, members of the committee, for the record, my name is Melissa Broch. I am the staff attorney for the Securities Department of the State Auditor's Office.

House Bill 464 expands consumer protection in Montana as a reflection of recent changes in the securities industry. Basically, the lines separating different types of financial services are becoming less and less clear. Banks, broker-dealers, insurance companies are broadening the types of services provided to their clients in an effort to more adequately meet the clients' needs. Those clients need the reassurance that the Securities Department is able to respond to their changing needs for consumer protection.

What House Bill 464 does in a nutshell is extend the coverage of the anti-fraud provisions related to investment advisers to broker-dealers and their salespeople that are selling investment advice. Let me explain how it works.

Section 30-10-103 defines who falls within the definition of an investment adviser or an investment adviser representative. Section 30-10-201 then identifies which of those firms or individuals needs to register. So, there is a two-step test to determine whether the firm or individual has to register.

The first thing HB 464 does is include broker-dealers in the definition of investment adviser if the broker-dealer performs investment advisory services that are not "solely incidental" to executing trades in the customer's account. You can see this change on page 5 at line 23. The registration section now states that registered broker-dealers don't have to register as investment advisers. So, this change imposes no additional substantive burden on broker-dealers.

Similarly, registered salespeople are now excluded from the definition of investment adviser representatives. The change including salespeople within that term starts on line 25 of page 6. The third amendment to HB 464 which Representative Fisher mentioned would eliminate any registration requirement for a salesperson that is not actually giving investment advice.

What effect do these changes have? I will pass around copies of the anti-fraud provisions of the Securities Act. Section 30-10-301 provides specific safeguards for clients of investment advisers. For example, an investment adviser cannot give accounts to another investment adviser without the client's consent. An investment adviser cannot charge fees based on the gains in the client's account. These protections are not available for clients who currently receive investment advice from a broker-dealer.

If a salesperson is giving investment advice for compensation, that person will have to register as an investment adviser representative in Montana. In order to register, the salesperson must pass an examination geared towards individuals providing investment advisory services. The cost of the exam is \$15, it is given once a month at the College of Great Falls and over 75% of the people who take the exam pass it. This is not the same exam that salespeople take. Right now, clients of salespeople giving investment advice do not have any assurance that the salesperson meets the minimum qualifications for offering those services.

HB 464 will eliminate the requirement that sole proprietors dually registers. An example: a sole proprietor must now register as both an investment adviser and an investment adviser representative. If the sole proprietor is also a broker-dealer, that individual will have to maintain four registrations in Montana. HB 464 reduces this burden by only requiring the sole proprietor to register as an investment adviser or broker-dealer.

Let me walk you through the amendments. The first two correct clerical errors. The first amendment deletes the word "public" and inserts the words "any person." Public has a specific connotation in securities law. The substitution better tracks the purpose of the statute. The second amendment inserts a word omitted in error.

The third amendment addresses situations involving wrap-fees. Wrap-fees arrangements involve a salesperson who executes trades and an investment adviser representative who gives investment advice. The salesperson may initially refer the client to the investment adviser. This amendment makes clear that a salesperson who merely offers or sells, but does not provide, investment advice, will not have to register as an investment adviser representative.

In sum, this bill provides important consumer protection and we urge the committee to pass HB 464.

STATE AUDITOR
STATE OF MONTANA

EXHIBIT 18
DATE 2-11-93
HB 464

Mark O'Keefe
STATE AUDITOR



COMMISSIONER OF INSURANCE
COMMISSIONER OF SECURITIES

AMENDMENTS TO HB 464

1.

Page 5, Line 13

after "(ii) represents ~~himself as providing to~~"

Strike "the public"

Insert "any person"

2.

Page 21, Line 9

after "commissioner as an investment adviser"

Insert "representative"

3.

Page 7, Line 2

after "30-10-201."

Strike "A salesperson registered pursuant to 30-10-201(1) who performs services described in subsection 10(a) shall also register as an investment adviser representative."

Page 12, Line 23

Insert

"(e) the person is registered as a salesperson pursuant to this section and:

(i) the person's performance of the services described in 30-10-103(10) is solely incidental to the conduct of business as a salesperson, and;

(ii) the person receives no compensation other than a fee for offering or selling the services of an investment adviser registered under this section."

BRIEF EXPLANATION OF AMENDMENTS

1. The term "public" has a specific connotation in the securities industry. A "public" offering may involve advertising and other general solicitation techniques. A "private" or non-public offering is one made to specific investors. Use of the term public in this context may be misleading. A person who claims to provide financial advisory services need not do so in a "public" manner, i.e., through advertising, billboards, etc., to fall within the definition of an investment adviser.

2. This amendment corrects a clerical omission. Investment advisers are now required to file with the Securities Department a form listing all the registered salespeople employed by the investment adviser as investment adviser representatives. The registered salespeople are identified by the Securities as "IAREs" or exempt investment adviser representatives. Any registered salesperson whose name has been submitted to the Department by an investment advisory firm as an IARE by October 1, 1993, need not register as an investment adviser representative until October 1, 1994.

3. This amendment addresses the situation where a registered salesman is offering or selling, but not providing, investment advisory services for a registered investment adviser. In a "wrap-fee" arrangement, a broker-dealer contracts with an investment adviser to provide investment advice to the broker-dealer's clients who are interested in obtaining such service. The client pays one fee to the investment adviser. This fee includes the transaction costs for trades in the client's account. The investment adviser pays these fees to the broker-dealer and the broker-dealer pays the salesperson a commission.

If a client asks the salesperson where to go for investment advice, the salesperson refers the client to the investment adviser with whom the salesperson's employing broker-dealer has contracted for such services. The salesperson is not supplying the investment advice and, therefore, should not be required to register as an investment adviser representative.



Securities Industry Association

120 Broadway • New York, NY 10271 • (212) 608-1500 • FAX (212) 608-1604

EXHIBIT 19
DATE 2-11-93
HB 464

COMBINATION REGISTRATION FOR AGENTS AND INVESTMENT ADVISOR REPRESENTATIVES

Over the past several years securities regulators have become increasingly concerned about activities and regulation of investment advisors and their agents. The area of strongest concern has been the conduct of certain persons doing business as financial planners. However, the focus of some state regulators has recently shifted from alleged abuses by unregulated financial planners to the burgeoning use of so called "wrap" programs¹ by the broker-dealer community.

More and more states are requiring the registration of investment advisors and their agents. Currently a substantial number of states have such requirements. Legislation was introduced in Colorado and Missouri to expand the investment advisor and investment advisor representative registration requirements. Neither bill passed, however.

As a result of these developments, the securities industry is sometimes being required to register its representatives not only as agents of the broker-dealer, but also as investment advisor representatives of the broker-dealer or its in house investment advisory unit which typically offers the "wrap" program. Fueled by the desire of state legislators to raise revenues by increasing fees and expanding fee-generating requirements, this dual registration approach has become more prevalent.

One state considered *multiple* registration, i.e., the registration of broker-dealer sales agents as investment advisor representatives for each of the outside money managers that participates in a firm's "wrap" program. This approach raised the possibility of an individual sales agent being registered not once, not twice, but twenty times or more!

Registration Compliance Can Be An Administrative Nightmare

It is no exaggeration to say that the varied state law requirements have become an administrative and compliance nightmare for the securities industry. Lapses in compliance have led, for instance, to significant enforcement actions and fines in Alabama, Connecticut and Virginia. In addition, the provisions relating to civil liability under state laws for failure to register may require the making of rescission offers. This creates a constant and ever-present danger.

Further complicating the overall compliance problem relative to "wrap" programs described above is the question of whether the registration must be initiated at the time a client is solicited to be a client of the program or when the agent receives compensation from his or her broker-dealer employer, which sponsors the "wrap" program.

A few states have agreed that registration may take place after the sales agent solicits the client for the wrap program, but before the receipt by the agent of any compensation. This interpretation allows the broker-dealer/investment advisor to

¹ Quite simply, "wrap" programs (so-called because they wrap a number of services together and cover them with a single fee) assist clients in selecting and monitoring investment management firms which have investment philosophies, approaches or specialties preferred by the investing client.

EXHIBIT 19
DATE 2-11-93
HB 464

STATE REGULATION OF FINANCIAL PLANNERS

Some states have sought to capture unlicensed financial planners with a so-called "holding out" statute requiring those holding themselves out to be financial planners or using certain designated titles, such as "financial planner," "financial advisor," or "financial consultant," to register with the state.

SIA supports the state's efforts to regulate those financial planners who are currently unregulated. However, we oppose any additional registration requirement for properly licensed broker-dealer salespersons based simply on the title a firm uses for its salespersons. This memorandum summarizes our views.

- o Individuals who act as financial planners or provide securities advice in a particular state or for that state's residents should be licensed under the state's securities laws.
- o Those who provide securities advice *and also* effect transactions in investment products should be licensed as broker-dealer salespersons.
- o Those who provide securities advice but do *not* effect transactions in investment products (so-called "fee only" planners, for example) should be licensed as investment advisors.
- o Licensed broker-dealer salespersons should *not* be required to be licensed also as financial planners simply because their firm uses certain designated titles for its salespeople. Licensed broker-dealer salespeople whose firms use such titles as "Financial Advisor" or "Financial Consultant" for its salespeople would be required to register as investment advisors under some state "holding out" statutes (in addition to registering as broker-dealer salespeople), while licensed salespeople whose firms use such titles as "Account Executive" or "Investment Executive" would not. Duplicate registration of the same broker-dealer salesperson provides no greater protection for investors.
- o Any state law or regulation to require special licensing of financial planners should contain a clear and complete exemption for broker-dealer salespersons currently licensed under the state securities laws.

For further information, contact William Jordan, Director of State Governmental Affairs at 212-608-1500.

Securities Industry Association represents over 600 investment firms headquartered throughout the United States and Canada. SIA members include securities organizations of virtually all types which are active in all markets. Collectively, they provide investors with a full spectrum of investment services and account for approximately 90 percent of the securities business being done in North America.

Amendments to House Bill No. 464
First Reading Copy

For the Committee on Business and Economic Development

Prepared by Paul Verdon
February 11, 1993

1. Page 5, line 13.

Following: "to"

Strike: "the public"

Insert: "any person"

2. Page 5, line 14.

Following: "the"

Insert: "financial planner or other"

3. Page 7, line 2.

Strike: "A"

Insert: "Investment adviser representative does not include a"

4. Page 7, line 3.

Strike: "who performs"

Insert: "whose performance of the"

5. Page 7, lines 3 and 4.

Strike: "shall also register as an"

Insert: "is solely incidental to the conduct of business as a salesperson and for which the salesperson does not receive special compensation other than fees relating to the solicitation or offering of investment advisory services of a registered"

6. Page 7, line 4.

Following: "adviser"

Strike: "representative"

7. Page 21, line 9.

Following: "adviser"

Insert: "representative"

Amendments to House Bill No. 513
First Reading Copy

For the Committee on Business and Economic Development

Prepared by Paul Verdon
February 11, 1993

1. Title, lines 5 through 7.

Following: second "AN ACT" on line 5

Strike: remainder of line 5 through "BY" on line 7

Insert: "REQUIRING"

2. Title, line 7.

Following: "AUDITOR"

Insert: ", "

Following: "COMMISSIONER"

Insert: ", TO ENSURE THAT THE INTERESTS OF INSURANCE CONSUMERS
ARE PROTECTED"

3. Title, line 8.

Strike: "2-15-1902, 33-1-202,"

Following: "33-1-303"

Strike: ", "

4. Page 1, line 12, through page 2, line 16.

Strike: sections 1 and 2 in their entirety

Renumber: subsequent sections

5. Page 3, line 11.

Strike: "may"

Insert: "shall"

6. Page 4, line 20.

Strike: "division"

Insert: "department"

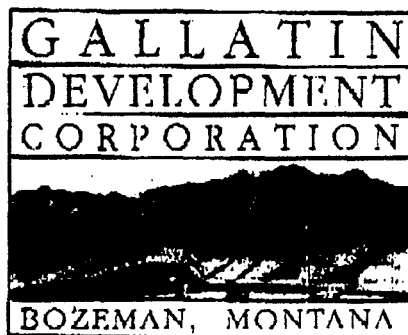


EXHIBIT 22
DATE 2-11-93
HB 394

RE: HB 394

HEARING 8:00 A.M. - THURSDAY, FEBRUARY 11.

Representative Steve Benedict
and

Members of the House Business & Economic Development Committee

The Board of Directors of Gallatin Development Corporation strongly urge your support of HB 394, increasing and extending the investment authority for the Montana Science and Technology Alliance.

MSTA financing is that early stage seed capital which is so critical to technology-based companies which are creating the basic sector jobs of the future. MSTTA has provided financing for Optima Industries, Lattice Materials and TMA Technologies, Inc., all located in the Bozeman area. We are currently working with a number of companies who are considering relocating or expanding to Montana, and the MSTTA program gives us a competitive edge with those companies who have a number of locational options. But perhaps even more important, MSTTA is a critical component in keeping our technology-based companies here in Montana and not losing them to other states.

MSTA financing is also critical to the research and development projects which are the key to effective technology transfer. By providing a mechanism for leveraging research dollars, MSTTA is helping Montana benefit from the significant research capabilities of our scientific community.

The MSTTA program has a key role to play in job creation in Montana and HB 394 provides the flexibility and authority for them to do their job. We urge your favorable consideration.

Dixie F. Swenson
Executive Director

- * **Leverage of MSTA funds:** Private dollars invested in these same 14 companies have totaled **\$17.6 million**, effectively leveraging MSTA's investments by a factor of 4:1 (actually 4.2 to 1). Many of these private dollars have come into these portfolio companies from investors outside Montana. (That's very significant).
- * **Personal Income & Employment:** An independent survey (by this graduate student) of the eight companies that have received investments since 1989 revealed 82 new jobs at six companies (those that reported) with average salaries of **\$36,000 per job**.
- * These are jobs for graduates or our colleges and universities.

THIS PROGRAM IS OUTSTANDING!

WHY EXPAND IT AS PROPOSED IN THIS LEGISLATION?

- * MSTA's seed stage investment program **fills a role that no other financing intermediary can possibly fill** -- invest and wait patiently for liquidity and a return on investment.
- * MSTA has established **tremendous momentum** and today can proudly claim:
 - * An experienced staff of professionals...
 - * A conscientious Board of Directors that exercise proper due diligence in reaching investment decisions.
 - * An Advisory Council of distinguished business leaders in the state dedicated to moving Montana "toward a prosperous twenty-first century."
- * In addition, MSTA has established an important **"liaison"** with out-of-state venture capital companies and other financing intermediaries. Such relationships introduce these companies to Montana and to the business investment opportunities available in this state.

WHY MUST ONE ALSO SUPPORT MSTA's RESEARCH MISSION?

- * Early stage research, and the commercialization of promising innovative ideas that originate from such research, form the very **backbone of tomorrow's** business environment. This is especially true of **technology based businesses**.
- * These are the types of activities (research & commercialization) that are supported by MSTA funds directed through the various **Centers of Excellence** throughout the state. Again, these **funds are tremendously leveraged** by outside dollars and represent a "good investment" of Montana's trust funds.

EXHIBIT 23
DATE 2-11-93
HB 82

DEPARTMENT OF COMMERCE
PUBLIC SAFETY DIVISION



STAN STEPHENS, GOVERNOR

111 N. JACKSON

STATE OF MONTANA

HELENA, MONTANA 59620-0407

February 2, 1993

Committee Members
House Committee on Business and Economic Development

Subject: House Bill 82, Creating an executive director for the Board
of Outfitters.

Dear Committee Members:

I have been asked to provide information to this committee in response to inquiries made regarding the possibility of reconsidering House Bill 82. I have obtained the following figures regarding numbers of licensed outfitters from Debbie Tomaskie, administrative assistant with the Professional and Occupational Licensing Bureau.

These figures have been compiled from computer records in the Bureau regarding outfitter licensees, and are accurate for the end of 1992. Since the board started keeping records in 1989, the number of outfitters offering deer and elk hunting services has dropped from 372 to the current number of 360, and the number of fishing-only outfitters has increased from 68 to 186. In addition, there was no inactive status prior to 1989. The following is a summary of the licensed outfitters and guides in the state of Montana.

1992 Outfitters:

Outfitters offering big game hunting services for deer and elk hunts:	360
--	-----

Outfitters that provide fishing services only:	186
--	-----

Inactive outfitters:	43
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Outfitters currently licensed to provide
hunts for various game animals (moose, antelope
sheep, mountain lion, birds, deer, elk),
but not providing elk or deer hunting
services through the set aside license
process:

80

Total number of outfitters: 669

In addition, there are licensed guides, which must work under the license of a licensed outfitter. The current numbers on licensed guides are as follows:

1992 licensed guides:1654

II. CONCERNS REGARDING CREATION OF ENFORCEMENT AGENCY:

With regard to concerns expressed regarding the creation of another enforcement agency, the executive director position would be created for assisting in upholding the administrative laws previously enacted by the legislature in 37-47-101 et seq., and would not be created for assisting in investigating criminal matters. The executive director would also ensure adequate dialogue between board investigators and federal, state, and local agencies to ensure cooperation, and avoid duplication of effort.

Section 37-47-201(3), MCA, states in relevant part as follows:

37-47-201. Powers and duties of board relating to outfitters and guides. The board shall:

(2) cooperate with the federal government in matters of mutual concern regarding the business of outfitting and guiding in Montana.

(3) enforce the provisions of this chapter and the rules adopted pursuant to this chapter.

(4) establish outfitter standards and professional guide standards.

(6) hold hearings and proceedings to suspend or revoke licenses of outfitters and professional guides for due cause.

Under this section, the board is to regulate the practice of outfitting and guiding by ensuring that licensees obey the provisions of 37-47-101 et seq. and that the licensees obey the board's rules.

The investigators hired by the board on a contract basis are hired to investigate administrative violations of the practice act and board rules, and refer their findings to the board for proper disciplinary action against the licensee if a violation is found. This involves an investigation that is focused only on issues of licensure which are under the board's jurisdiction, but which typically necessitates communication and cooperation with state, federal, and local authorities in order to avoid interference and duplication of effort.

There is cooperation between such investigators and employees of the state and federal government who are investigating criminal matters. The focus of the investigations of these related agencies, however, is not centered on licensure issues under 37-47-101 et seq. By way of example, wardens of the Department of Fish and Game focus their investigations on criminal violations of title 87 of the MCA. These wardens cannot share information that they obtain in their

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investigations with the board of outfitters. The State Department of Fish, Wildlife, and Game is a confidential criminal justice agency as defined in section 44-5-103. The board of outfitters is not such an agency. The sharing of confidential criminal justice information is limited by section 44-5-303, MCA, which states in relevant part as follows:

44-5-303. Dissemination of confidential criminal justice information. Dissemination of confidential criminal justice information is restricted to criminal justice agencies, to those authorized by law to receive it, and to those authorized to receive it by a district court upon a written finding that the demands of individual privacy do not clearly exceed the merits of public disclosure . . . (emphasis added).

Thus, although the board investigators are instructed to, and do cooperate with these agencies and share information with them, the board investigators are not entitled to obtain information from the fish and game wardens when such information is gathered by the wardens in a criminal investigation. As a result, the board investigators have to work to obtain knowledge of violations of the board's licensing act on their own. The executive director would provide administrative guidance to such investigators in focusing their investigations on appropriate issues contained in the board's licensing act. The executive director would also ensure that the board investigators do not interfere with investigations conducted by criminal justice agencies such as the Department of Fish, Wildlife, and Game. The executive director would also carry out the day to day management of board issues, including acting as a liaison between the board and various agencies, assigning and supervising investigations in coordination with legal counsel, and handling various other licensing issues of concern to the board.

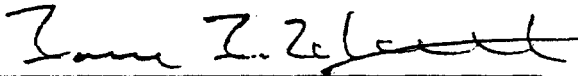
At this time, one of our contract investigators is doing this job, in addition to investigating licensees, for a maximum of \$20,000.00 per year on a contract. This individual, in addition, is conducting these duties from his home base, which is some distance from Helena. Under the current restraints, this individual cannot be on hand in Helena on a daily basis. In addition, the board cannot expect to find qualified individuals on a continuing basis to conduct these functions on a contract. With creation of the executive director position, however, the process would be opened to all qualified candidates, and the best candidate would be selected for the position.

The duties of the executive director would be to make sure that the board is adequately regulating the profession and protecting the public safety, while also ensuring that there is adequate dialogue between the board and various agencies, as well as between investigators and other investigatory bodies. With an executive director, the board would be able to adequately manage the regulatory duty that the legislature has granted it under section 37-47-101 et seq. An executive director would increase the efficiency of the board in catching licensees who have violated the statutes or rules

of the board in an efficient manner. The end result would be better regulation of the industry, and prevention of actions by licensed outfitters which encroach on the rights of the sportsmen and public, and endanger the public safety.

I am available to answer any questions that any of the committee member may have regarding this memorandum. My direct number is 444-4316.

Thank you,

A handwritten signature in dark ink, appearing to read "Lance L. Melton", written over a horizontal line.

Lance L. Melton

Legal Counsel

Professional and Occupational Licensing Bureau

February 11, 1993

Rep. Steve Benedict, Chairman
Business & Economic Development Committee
State Capitol
Helena, MT 59620

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Dear Rep. Benedict:

I would very much appreciate you and the members of the Committee lending strong support to the MSTA seed capital program. MSTA made an early investment in our company and, as a direct result, our company managed to survive its formative years and is now entering a significant growth phase.

In fact, the reason I am not able to appear this morning before the Committee is that I am meeting with our investment bankers (H.C. Wainwright & Co. of Boston) to finalize the details of a multi-million dollar private placement of our stock, which is planned for next month. Had it not been for the seed capital program of MSTA, this meeting would never have occurred.

To date, we have attracted almost \$5 million in investment funding (including \$750 thousand from MSTA); by year-end, we expect this figure to have more than doubled. Most of these funds are spent in Montana. A case in point is a \$2 million manufacturing facility presently under construction in Missoula.

We now have 13 employees (versus only 4 employees one year ago), and this is expected to more than double by year-end. All of these jobs are high-paying, with excellent benefits.

Of course, all of this activity by our company exerts a multiplier effect upon Montana's economy. Concurrent with this, the value of our stock has been steadily appreciating. Given our current rate of progress, the State of Montana will probably reap a significant financial windfall, and stands to ultimately realize a many-fold gain on its original equity investment.

In the absence of early seed funding by MSTA, our company would never have survived; a small startup company in Montana simply does not have access to the national capital markets. Moreover, MSTA provided us with invaluable post-funding administrative assistance which has facilitated our access to these markets.

The development of a startup company requires significant time and patience. We are now in our sixth year; without seed capital from MSTA, we would not have survived beyond our third year—and Montana would not have enjoyed our current significant contributions to the economy. Accordingly, I strongly urge you to support MSTA and its worthy program.

It seems to me that there are no quick fixes for the structural problems ingrained in Montana's economy. The ideal solution for the budgetary shortfall is economic expansion. Beyond question, MSTA has been helping to bring this about—their program works. Please call me at the above number should you be interested in additional information. Thank you for your consideration.

Sincerely,



Richard C. Potter, Ph.D.
President

HOUSE OF REPRESENTATIVES
VISITOR REGISTER

Business & Ec. COMMITTEE BILL NO. HB 464
DATE Feb. 11, 1993 SPONSOR(S) M. Fisher

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Melissa Broch	State Auditors Office	X	
Bence MacKenzie	Securities Industry Assoc		X
Larry Grandstaff	AMT/MTA	X	
Clyde Daily	Mt. Senior City Assoc.	X	

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HOUSE OF REPRESENTATIVES
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Business & Ec. COMMITTEE BILL NO. *HB 513*
DATE *Feb. 11, 1993* SPONSOR(S) *J. Powell*
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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
GENE PHILLIPS	N A 11	X	
Tom Hapgood	H 1 A A	X	
Jacqueline Denmark	A 1 A	X	
Frank Cote	S. A. C.	X	
Clyde Dauby	MT. Senior City Assoc	X	

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BILL NO.

HB 394

DATE Feb. 11, 1993 SPONSOR(S)

J. Benedict

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
P. E. Ivy RD 170X 1638 T. W. Ivy HAMILTON MT	SELF	✓	
1802 C&K Knoll Clyde W. Huer Billings, MT	SELF	✓	
7283 VILLAGE VIEW Tom/MARCI RUSSON, MT.	SELF	✓	
CARL RUSSELL 46 N. Last Chance Helena MT	ASTA	✓	
Shirrel T. Whitard 1 N. Last Chance Gulch Helena MT	Business Research Institute	✓	
Ron Klepholce 127 E. Front 1 Msls MT	MEDC	✓	
William T. Senecal 19 E. Garfield Bozeman, MT 59715	TMA Technologies, Inc.	✓	
Robyn Young 121 N. Last Chance Gulch, Helena	DCM & MSBIC	✓	
Joe Figueira 1315 Diamond Butte	Montano Tech	✓	
Sam Worcester 18 Redwood Drive, Butte	Center for Advanced Mineral Processing - MT Tech	✓	
Becky Mankewin 5 W. Cleveland Bozeman	MSTA, MSU	✓	
Claud Matney 119 W. Cleveland Bozeman	MATNEY-FRANTZ FUGR, PC.	✓	
Kew Thierbaelt 118 MAIN VICTOR	SELF	✓	
Haven Holsapple Helena	SELF	✓	

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HOUSE OF REPRESENTATIVES
VISITOR'S REGISTER

Business & Economics COMMITTEE BILL NO. #B394
DATE 2-11-93 SPONSOR(S) J Benedict

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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Bob Keady Butte	Myantech	✓	
Bob Swenson MSA, Bozeman	State EPSGR Program MSU	✓	
Chris Haller	MS Technology Co.	✓	
Wendell Guthrie UltraFem Inc	UltraFem Inc	✓	
Chase Hibbard	Rep district 46	✓	
R Hill	GNU	✓	
Walt Hill	Biotechnology	✓	
Jim Tutwiler	MT Chamber	✓	
Larry Granichette	UM/MEC	✓	
Edward Banoff	BLOC	✓	

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Business & Ec. COMMITTEE BILL NO. SB 161
DATE Feb. 11, 1993 SPONSOR(S) J. Ferguson
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NAME AND ADDRESS	REPRESENTING	SUPPORT	OPPOSE
Belinda D. Rinker 321 E Main, Ste 300 Bozeman, MT 59715	HRDC Director's Assoc.	partial	partial
Kate Cholewa	MT Women's Lobby	X	
Evan Smith	BLOC Healcoatus MicroBus Corp	X	
Jandra S. Atzinger	MT Women's Capital Fund	X	
Linda [unclear]	[unclear]	X	
Lynn [unclear]	DOC	X	
James Tuttle	MT Chamber	✓	

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