

**North Dakota Development Fund
Board of Directors Meeting Minutes
February 25, 2021
10:00 A.M. – 12:00 P.M.**

Board Members Present via Microsoft Teams:

Gary Goplen
Jim Albrecht, Chairman
Matt Dunlevy
Terri Zimmerman
Erik Barner
Shawn Kessel

Board Members Absent:

Scott Davis
Rob Lindberg

Staff Present via Microsoft Teams:

Hannah Lange
Jessica Nygaard

Call to Order

The meeting was called to order by Chairman, Jim Albrecht at 10:01 A.M.

Josh provided an overview on the staffing issues the NDDF has had over course of the year. Josh stated he talked with Jim last week and believes they have a good plan for the process going forward.

Josh provided context of the history of the fund and how we got to this point.

1. Sept 2019 is when Josh left his board position to join the NDDOC as Head of Investment and Innovation.
2. Two weeks later, Ashley Ruby left the NDDF.
3. Three weeks later, Sarah Issak left the NDDF.
4. Three weeks into December, Scott left the NDDF with 3 days' notice.

At that point in time, it was a scramble to “keep the lights on”. James suggested Zoe as an interim replacement for Scot because she had extra bandwidth. Zoe worked with Scot for four days before she was left to run the fund.

After COVID happened, we needed to continue operating and they brought on Hannah to take on some of the workload. Zoe was the download of information from Scot and the only resource we had to know what the prior practices were. Zoe was not a banker but was the best option at that time. We knew we had to fill this role with someone who was suitable for the position. The CEO job was posted 5 times before an acceptable candidate was found. Josh stated they were eager to hire Jessica. They worked with BND through all 5 rounds who also provided their support for hiring Jessica.

After Jessica joined, there has been questions from the board on the processes that were followed to make hiring decisions. Josh stated that we ended up with great candidates, but we did not follow the processes that were followed historically. He said he owns the blame for the process not going as it had in the past. He explained that as a prior board member himself, he was not part of Scot being hired. He was not aware that there was a process for hiring someone because he had not been part of the process.

Going forward, the staff will coordinate with the board for their input on future candidates. The board is stronger than its ever been and we want to utilize the resources we have.

Jim thanked Josh for providing the history of how we got here. He stated that there are only four board members who have a history on the board longer than 2 years, so we do not have a good way of knowing how things were done in the past. Jim explained that this puts Hannah and Jessica at a disadvantage. Josh and Shawn also face some challenges because they have information coming from the Board, the Governor, and Commerce as a whole. He added that this is why we have bylaws and century code to help us through times like this.

Erik provided that there is no formal onboarding process for board members. He suggested creating a process for bringing new members in that educates them on board practices and the evolution of the board and staff members.

Jim appreciated the point Erik made and suggested Josh and Shawn take that and form the practices.

Erik asked about how many people are currently working with the NDDF and if there are any people or skills that are missing.

Josh explained there are three roles. There used to be four roles with two people filling essentially the same function. We decided that we could combine them into a new role that focuses on non-traditional bank financing. With this change, there is the role of CEO, Venture Financing Manager, and an analyst role. We are currently working on filling the Venture Financing Manager position. Josh also explained that we are in the process of hiring someone to fill his old role who will work more on strategy.

Gary joined the meeting at 10:14 am

Approval of Minutes

Jim brought up a concern he had with the minutes. Gary had stated the job requirement had been amended to \$100k. After the meeting, the staff investigated this and found that a decision had not been made to amend this requirement. Gary had also reached out to Dean Reese on this issue and he also confirmed the change had not been made.

A motion was made by Gary Goplen to amend the February 11, 2021 board meeting minutes to portray \$40,000 per job rather than \$100,000. With a second from Erik Barner, the motion carried unanimously.

Approval of 2019-2020 Audit

There was no discussion on the audit.

A motion was made by Matt Dunlevy to approve the 2019-2021 financial audit prepared by Eide Bailly. With a second from Terri Zimmerman, the motion carried unanimously.

Financial Report

Jim explained that as far back as he can remember, the board has always been provided the financial details so the members could interrogate what was provided in the summary by the staff. Hannah added the details from last month to the folder for everyone to review. Gary agreed that the details should be provided each month.

Jessica stated that we will provide the details each month going forward.

Jim added that the board would like to see the information related to each company in regard to reserves and other key information.

Early Venture Microloan Program

Hannah provided a brief overview of the Early Venture Microloan program. This program is through the FMEDC and is very similar to the StartupGF program that we recently voted to terminate our participation in. We have only approved one loan so far since the program began in November of 2019; the company did not elect to take the NDDF funds. Hannah had a conversation with John at the FMEDC and he was okay with the NDDF declining to participate. He stated that he is okay with just communicating that the NDDF is a resource available to ND companies. He will continue to help companies apply for our programs. His only concern was having to change the information on their materials.

The staff recommends that we terminate our participation in the program.

Erik asked if there is a micro loan program within the NDDF for the entire state. Hannah stated there is not. Jim provided that GF had set up a model that other cities could replicate but they did not. Erik agreed that it does not make sense to only provide this program in a few communities.

Motion: A motion was made by Erik Barner to terminate the NDDF participation in the GFMEDC Early Venture Microloan Program. A second was provided by Gary Goplen. The motion carried unanimously.

Venture Financing Manager Position

Jessica explained that we want to keep the board informed on what is going on as far as staffing outside of the CEO position. She explained we did post Zoe's old role of Venture Financing Manager on Feb 8th and closed it on the 16th. We have extended an offer and are waiting to hear back.

Terri expressed her confusion. She thought Zoe was the CEO. Jessica explained that Zoe was hired as Venture Financing Manager but that she had to have the CEO title because of century code. She was essentially holding two positions. Jessica was brought on as Lead Finance Manager because Zoe was still in the Interim Role.

Josh explained that Zoe was not intended to be in the interim role long term. Due to the circumstances, she never actually served in the Venture Finance Manager role. The role that we are filling is really a new role because it has not been filled before, at least in an acting sense.

Gary asked what Josh's current role is. Josh explained he is currently the ED&F director. He moved up a level from his former position and is now one of the department heads. He is a level removed from the NDDF than where he used to be.

Erik asked if we are focused on early stage or late stage companies. Josh said it is both. We serve as a gap financier. This can be for large companies where the banks just won't take that much risk, or for very early companies. We are usually the most flexible lender at the table. We never want to compete with private sector banks.

Erik clarified his question. He was referencing the underwriting process. He wanted to know if the staff understood that evaluating an early stage vs late stage company is different. Josh stated that this the main reason for the bifurcation of the roles.

Terri suggested that most companies do not know what kind of funding they need when they come to the NDDF initially. She asked whose responsibility it is to engage with the company.

Josh explained that we are a small team so we can communicate and make sure the right individual is working with the company.

Terri restated her question about who the main point of contact will be and how the deals will be divided among the staff.

Jessica stated that the Venture Financing Manager will be the main point of contact for all new and existing companies. They will work with the company to figure out the best option for them and the deals will be split from that point.

Jim stated that it is so important to have someone as the main point of contact for the NDDF who can help coordinate all state programs.

Jim asked for confirmation on why we are creating this venture-focused position. Josh explained that the reason for this is the different kind of deals that are coming to us, not necessarily the increase in deal flow.

Jim asked about the process of putting Jessica into the CEO role. He said next meeting, or when Josh's old role is filled, we should put together a group of board members who will sit down with Jessica and any other candidates to provide feedback to the leadership team to help them determine who they believe should be CEO.

Other

Jessica reminded the board members to complete and return their signed Code of Ethics.

The meeting was moved into executive session pursuant to North Dakota Century Code 10-30.5-07 at 10:48 A.M.

Adjourn

With no other business, the meeting was moved out of executive session at 11:43 P.M.

Motion: A motion was made by Gary Goplen to approve a \$500,000 investment in Access Point Technologies EP, Inc. on a convertible note as presented. A second was provided by Matt Dunlevy.

Roll call vote: Gary Goplen – Yes, Jim Albrecht – Yes, Matt Dunlevy – Yes, Terri Zimmerman – Yes, Erik Barner – Yes

Adjourn

With no further discussion, the meeting was adjourned unanimously at 11:45 AM.