CENTERS OF EXCELLENCE COMMISSION

Meeting Minutes
June 14, 2017
ND Department of Commerce
1600 East Century Avenue, Suite 2
Bismarck, ND 58503
Icelandic Conference Room

CALL TO ORDER

Tim Hennessy, Acting Chairman, called the meeting to order at 9:02 am.

Commissioners Present by Phone: Jim Traynor, Tim Hennessy, Kevin Melicher, Greg Stemen, Mike Ness, Danita Bye (Alternate Commissioner)

Commissioners Absent: Mark Nisbet

Guests Present in Person: Justin Dever, Christopher Kalash, Rachael Flagstad

Guests Present by Phone: Jay Schuler, Jolynne Tschetter, Val Kettner, Matt Noah, Mark Cromack (Cogi), Chris Herbert (CEO, TrackR), & John Nadasay (CFO, TrackR)

CONSENT AGENDA

Chris Kalash provided an overview of the consent agenda items:

- Approval of minutes from May 19, 2017
- Change request for timeline extension – ElectroMagnetic Inducible Digital Protein Expression Switch or EMID ProSwitch
- Disbursement – Development of Remote Patient Monitoring System-Vita WiPs – Final ($50,000)

Kevin Melicher moved to approve the consent agenda items. Greg Stemen seconded the motion. The motion carried on a voice vote.

ADMINISTRATIVELY APPROVE ITEMS

Chris Kalash updated the commission of the administratively approved items:

- Change Request – Minor Budget Changes – Enabling UAS Operations through support of a UAS Network Infrastructure

COMMISSION BUSINESS

Chris Kalash presented the Commission Business.

- Center for Sensors, Communications and Control – COE – Change Request – Timeline Extension and add partners and projects
  o The action the Commission is considering is to decide if CSCC is allowed to begin a new project with their two partners. CSCC requested a timeline extension to June 30, 2019 at the May 19, 2017 COE Commission meeting. The Commission approved the existing projects and a shorter timeline extension to October 31, 2017 to allow them to finish their current projects. If the request for CSCC to be allowed to begin new projects to work with the partners is approved, the agreements can be finalized, the projects can begin, and NDSU is able to submit a disbursement request for $559,915. The partners have pledged matching funds: TrackR $160,000 cash and $480,000 cash reserved; Cogi $119,998 cash and $360,000 cash reserved. Previously, the project had an original end date of
July 31, 2014. The timeline was extended to July 31, 2015 on November 29, 2012. Again, the Commission approved a timeline extension to July 31, 2017 on April 16, 2015. Two letters have been received, one from Cogi and one from TrackR.

- In response to Kevin Melicher, Jay Schuler stated he was happy to receive the letters. However, talk is talk and it would be different if they had jobs in the state. Unless there is action of creating jobs, the Commissioner would rather give the funds to people who create jobs in North Dakota.

- Kevin Melicher stated he agrees with the Commissioner. He found his sample of TrackR, which shows on the back that it was made in China.

- Matt Noah added Cogi has had an employee in North Dakota for approximately one year. They have also had a student employee in North Dakota for a few months. In their letters, both entities are committing to jobs in North Dakota. TrackR is a market leader in the world and they have expressed a desire to have jobs in North Dakota.

- In response to Kevin Melicher, Chris Kalash reported the COE Commission has invested nearly $1.8 million into TrackR. It’s a 2-1 match. About $450,000 into TrackR, about $400,000 into Cogi. There was almost no in-kind from these two companies and they surpassed their commitment to the amount of cash reserve they had pledged.

- Chris Herbert explained TrackR has a total of 70 employees. Employees are in Santa Barbara, Los Angeles, Chicago, and Fargo – with Android development leads at NDSU. They want to have research in North Dakota.

- In response to Tim Hennessy, Chris Herbert outlined the timeline of jobs in North Dakota. Chris Herbert is traveling to North Dakota in July 2017 to begin to look for space and begin recruiting immediately for mid-level to senior software development jobs. This would fill approximately three to five roles. They are looking for top-tier talent and engineering talent. They like the talent coming out of NDSU and think this could lead to strong competitive advantages and success.

- In response to Jay Schuler, Chris Herbert explained they have sold and shipped 5 million devices as of today. The devices are made in Dongwang, China. The U.S. is approximately 50 percent of their business; the other 50 percent is sold all over the world. The company is not profitable; they are venture backed.

- Also in response to Jay Schuler, Chris Herbert stated they accelerated early on with the iOS and Android development. They were able to create initial prototypes and do research on Bluetooth low-energy for the Android system. They are diving into how they are handling different events for finding items. There are 10 engineers in the office in California, a small mechanical team that the manufacturer has, and all of the core of the Android development is at NDSU.

- In response to Jay Schuler, John Nadaskay explained TrackR is not receiving assistance from the state of California at this point. When they started, there were a few things that helped with taxes. As they continue to grow, they will pursue some more. However, California does not offer some things like other states.

- In response to Tim Hennessey, Justin Dever explained that at the time of approval for the original Center for Sensors, Communications, and Control, the number of private sector jobs to be created was 72-80. However, the original partners were Snaps Holding Company, Pedigree Technologies, Intelligent Insights, and Pure Choice. Snaps Holding Company, Pedigree Technologies, and Intelligent Insights were from North Dakota. Pure Choice was from Minnesota.

- Jay Schuler modified his thoughts regarding this request. He suggested some strings are attached with the jobs that come to North Dakota. He would be interested if the company
would share some of the optimization software with other companies in North Dakota that are not their competitors.

- Kevin Melicher added he could change his mind with strings attached to ensure jobs in North Dakota, which have been discussed in the letters and meetings. Tim Hennessy agreed.

- Matt Noah stated the best way to safeguard against a failure could be that the $559,000 could be repurposed for a different company, if things do not happen. Matt Noah would think of partners locally or in the state, if this did not work out. He would bring the new companies to the COE Commission for approval, if needed. However, Matt Noah has complete faith this will work out.

- Danita Bye departed the meeting.

- Mark Cromack added information regarding Cogi’s position in North Dakota. Cogi is committed to development and technical support in North Dakota. They have four North Dakota investors. Office space is coordinated through one of the investor’s facilities in anticipation of their growth in 2017. They have had a full-time resource, a software developer, for a little over one year in ND. He is continuing in that capacity. Mark Cromack has visited Fargo at least six times.

- Tim Hennessy asked for a motion.

- Jim Traynor moved to approve the addition of projects and timeline extension with the condition that no funds will be released until offices have been established in North Dakota. Greg Stemen seconded the motion.

- In response to Justin Dever, Tim Hennessy noted both companies are committed to moving forward based on their letters. Kevin Melicher added they are both in the commitment or both not.

- Mike Ness joined the meeting.

- The motion carried on a roll call vote as follows:
  
  Tim Hennessy – aye
  Jim Traynor – aye
  Kevin Melicher – aye
  Greg Stemen – aye
  Mike Ness – abstain

- Greg Stemen departed the meeting.

- Development of Therapeutic Ig for Influenza A: potential in poultry, canine, and human markets – Research ND BIO – Change Request – Timeline Extension and Change of Scope

  - Over the past year, they have attempted to produce influenza A-specific antibodies for the treatment of influenza in dogs and other species. They were unable to generate anti-flu antibodies with sufficient neutralizing titers to support moving into animal studies with these antibodies. This was unexpected as early work done on the model suggested very strong anti-flu neutralizing titers were produced by geese. The change of scope would be the same sort of work producing a different product, a canine-specific distemper antibody. If approved, the project would be ready to move into USDA review in dog challenge studies by December 2017. It would be expected that with positive dog challenge studies, canine distemper therapeutic antibodies could be on the market in 2018. It is not expected that the change in target will alter the time to reach the proposed outcome of this work. The dog challenge studies should be ready to begin by the end of 2017. They are requesting a three month, no-cost extension of this project to December 31, 2017.

  - Kevin Melicher moved to approve the request. Mike Ness seconded the motion. The motion carried on a voice vote.
• Selection of Chair and Vice Chair
  o Mark Nisbet is the current chair of the Commission, and Jim Traynor is the current vice chair of the Commission.
  o Tim Hennessy’s appointment to the ND Economic Development Foundation is up for renewal in October 2017.
  o Mike Ness moved to approve Tim Hennessy to Chair of the Commission and Jim Traynor as Vice Chair of the Commission. If there is a change of Commission members in October 2017, the Commission can re-elect at that time. Kevin Melicher seconded the motion. The motion carried on a roll call vote as follows:
    Tim Hennessy – aye
    Jim Traynor – aye
    Kevin Melicher – aye
    Mike Ness – aye

• Discussion of 2017-19 Research North Dakota
  o Chris Kalash suggested the following dates for the application dates for FY 2017: August 18, 2017, November 17, 2017, February 16, 2018, and May 18, 2018.
    ▪ Kevin Melicher moved to approve the application dates. Mike Ness seconded the motion. The motion carried on a voice vote.
  o Focus of Program
    ▪ Justin Dever explained that in the past, the Commission has decided how much they wanted to limit Phase I Venture Grants, Phase II Venture Grants, other grants. With the limited funds, the recommendation from Commerce is to not be looking for Phase I Venture Grants. The focus of the program would be on Research North Dakota and Phase II Venture Grants. The Commission has funded approximately 40 Phase I Venture Grants.
    ▪ The other consideration is the limits. Research ND BIO grants have been awards of up to one million dollars. That is not feasible with the current budget. One possibility is to limit Research ND grants to $300,000, regardless of the type of projects. Another consideration is to lower the limit on Phase II Venture Grants to $100,000 from $150,000.
    ▪ Mike Ness made a motion to lower Phase II Venture grants to $100,000, cap Research ND grants at $300,000, and make no funds available for Phase I Venture grants. Kevin Melicher seconded the motion. The motion carried on a voice vote.

OTHER INFORMATION

Chris Kalash presented the other information.

• Fund Status
  o Chris Kalash provided an update on the fund status for Research North Dakota, the Centers of Excellence, and Centers of Research Excellence, and answered questions from the Commissioners.

• Research ND Interim Reports
  o Stingray: Integrating Beyond Visual Line of Sight (BVLOS) Communications Capability into UAS

• Research ND BIO Interim Reports
  o Development of Therapeutic Ig for Influenza A: Potential in Poultry, Canine, and Human Markets
• Venture Grant Phase I Interim Reports
  o Development of Intelligent Integrated Networks for Rapid Pipelines Damage Detection and Health Monitoring
  o Development of Novel Anti-Microbial Materials for Clinical and Food Processing Applications
• Venture Grant Phase I Final Reports
  o A New Design to Improve Life Expectancy of Total Ankle Replacement (TAR)

**ADJOURNMENT**

Tim Hennessy adjourned the meeting at 10:19 am.

Tim Hennessy, Acting Chairman  8/24/17

Rachael Flagstad, Recording Secretary  8/24/17