

# MANUFACTURING

## *in Lehman's Terms*

## Raising Capital in North Dakota

### New Angel Match Program aims to AMP-lify early-state investments in North Dakota startups

Over the last few years, North Dakota has increased its investment in businesses within the state. Programs like the Innovation Technology Loan Fund (LIFT), Bank of North Dakota's PACE program, and House Bill 1425, which committed a portion of Legacy Fund earnings to be invested within the state have helped develop a capital landscape within the state, giving companies access to the capital they need to grow their businesses right here in North Dakota.

These programs have resulted in an invaluable return to North Dakota, but there is still a gap in the financing continuum that needs to be filled. Inventors and entrepreneurs like many of you need seed capital to help with research and development, building prototypes, and connecting with customers. This early-stage capital is not often available through traditional venture capital, banks, or private equity firms that require years of operating history, substantial collateral, and proof of product-market fit.

The North Dakota Development Fund (NDDF) developed the Angel Match Program (AMP) as a solution to bridge this gap in the market and prepare companies for later-stage financing tools. The AMP, funded through the federal [State Small Business Credit Initiative](#) (SSBCI), matches equity investments into primary sector businesses headquartered in North Dakota up to \$250,000 per company.

The AMP will encourage angel investors to invest in North Dakota businesses, help companies close financing rounds faster, and increase overall startup activity within the state.

Angel investors are high-net-worth individuals who are focused on financing small business ventures in exchange for equity. Unlike a venture capital firm that uses an investment fund, angel investors use their own net worth. Compared to venture capitalists, angel investors may also be more patient with entrepreneurs and open to providing smaller dollar amounts for a longer period.

#### Program Details:

**Applicant:** Business

**Amount:** Maximum 1:1 match of \$250,000 per business.

**Terms:** Convertible debt or equity investments. AMP must receive the same terms as a matched investment.

**Fee:** \$200/hour for legal fees incurred by the NDDF.



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## Process:

- Business raises funds via an eligible investment vehicle and receives written commitments from investors.
- Business submits the application, signed certifications, and supporting documentation to the NDDF
- The NDDF reviews for SSBCI compliance and program alignment and sends it to legal for review.
- The NDDF issues a commitment or denial letter.
- Business submits signed investment agreements to the NDDF.
- The NDDF executes investment agreements and advances funds.
- The NDDF communicates with the business for reporting requirements going forward.

## Eligible Businesses:

1. Must be registered with the North Dakota Secretary of State.
2. Must be certified as a [primary sector business](#) through the North Dakota Department of Commerce.
3. Must be headquartered in North Dakota and remain headquartered in North Dakota for as long as SSBCI capital is at risk.
4. Must be in, and remain in, compliance with state and federal securities laws.
5. Must have fewer than 250 employees at the time of investment.
6. No principal<sup>1</sup> of the business has been convicted of a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. § 16911)).

## Eligible Investors:

1. May be individuals, LLCs, a business, a trust, or an investment fund. An investment from a principal<sup>2</sup> is not an eligible matching investment.
2. Investment funds must be in, and remain in, compliance with state and federal securities laws.

## Eligible Investments:

1. The total funding round amount shall not exceed \$2,000,000.
2. Eligible Investment Vehicles: convertible note, SAFE, direct equity investment.
3. For each investment resulting from this program, the investee must provide assurance that the investment proceeds will not be used for an impermissible purpose under the SSBCI program as set forth in the SSBCI Treasury Guidelines.

The NDDF has full discretion to deny matching an investment regardless of whether it meets the established criteria.

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<sup>1</sup> For the purposes of this certification, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds 50 percent or more ownership interest of any class of the partnership interests; if a corporation, limited liability business, association, development business, or other entity, each director, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 50 percent or more of any class of equity interest in the entity; and if a partnership where the managing partner is a corporation, limited liability business, association, development business, or other entity, each director and each of the five most highly compensated executives or officers of the entity.

<sup>2</sup> For the purposes of an eligible investment, “principal” is defined as if a sole proprietorship, the proprietor; if a partnership, each managing partner and each partner who is a natural person and holds 50 percent or more ownership interest of any class of the partnership interests; if a corporation, limited liability business, association, development business, or other entity, each of the five most highly compensated executives or officers of the entity, and each natural person who is a direct or indirect holder of 50 percent or more of any class of equity interest in the entity; and if a partnership where the managing partner is a corporation, limited liability business, association, development business, or other entity, and each of the five most highly compensated executives or officers of the entity.

Businesses must submit annual reporting metrics.

Applications and related materials should be submitted via email to [Hannah Lange](mailto:Hannah.Lange@nd.gov). Applications are reviewed on a first-come, first-served basis.

For questions regarding the NDDF, please contact [Hannah Lange](mailto:Hannah.Lange@nd.gov), (701) 328-7254.

The application can be found on the NDDF website: <https://www.commerce.nd.gov/economic-development-finance/development-fund>

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