



Grand Forks Growth Fund, a JDA
Staff Report
Growth Fund Committee – May 19, 2025
JDA – June 2, 2025



Agenda Item: Accelerate Loan Modification Request: SafetySpect

Submitted by: Andy Conlon, Economic Development Manager

Staff Recommended Action: Approve the loan modification request as detailed herein and authorize execution of necessary documents, subject to City Attorney review.

Growth Fund Action: Berg moved to approve the request, second by Wolf. Motion carried unanimously with Crary recused.

JDA Action: Motion by Berg, second by Sande to approve. Motion carried unanimously.

BACKGROUND:

As part of the 2019 legislative session, the State of North Dakota created the Innovation Technology Loan Fund (LIFT), a program administered by the Bank of North Dakota (BND) and aimed at supporting technology advancement by providing financing for commercialization of intellectual property in the state. The Growth Fund established its own Accelerate loan program to complement the LIFT program shortly thereafter. The Accelerate program was designed to mirror the terms of the LIFT program: a 2% interest loan secured by a blanket UCC filing on business assets, with payment and interest accrual deferred Years 1-3, interest accrual beginning and interest-only payments due monthly Years 4-5, then a balloon payment of outstanding principal due at the end of Year 5, at which time full repayment or modification could be considered.

SafetySpect, Inc. requested and was approved for an Accelerate loan in September 2021 and, after some discussions regarding loan security, was disbursed in August 2022. As part of those discussions, SafetySpect proposed modified repayment terms, offering a simplified 3-year loan at 6% interest with interest accrual beginning immediately and the entire balance of principal and accrued interest due in one balloon payment at maturity on July 22, 2025.

In advance of that balloon payment, staff has been communicating with SafetySpect regarding plans to repay the loan. SafetySpect has indicated that the company is experiencing a great degree of success and the business is growing steadily. However, a major portion of the company's business involves federal grants; an area that experienced some significant disruption earlier this year. The company's various grants are still on track, but their timing has been impacted, thus affecting the company's cash flow timing.

SafetySpect is in excellent health but would benefit from some cash flow flexibility over the coming months to help mitigate these unexpected impacts. The company is requesting repaying the outstanding principal and interest balance of approx. \$298,000 in 12 equal monthly installments, with the first payment due on the original maturity date of July 22, 2025. The loan would continue to accrue interest at 6% until the entire outstanding balance has been repaid in full.

Uniquely, SafetySpect's LIFT loan was received after the Accelerate loan and is not due until 2027, therefore, staff has not consulted with BND on this proposal. However, the proposal is logical and reasonable and staff believes it establishes a clear path toward recovering the full principal balance at an interest rate 3x the Accelerate program standard. Staff, therefore, recommends approval.

Proposed loan modification terms:

- Extend maturity date to July 22, 2026 (current maturity date is July 22, 2025)
- From July 22, 2025 to July 22, 2026, interest will accrue at 6%, as per current terms.
- Monthly payments are required; SafetySpect will make equal monthly payments beginning July 22, 2025, with 11 like payments due the 22nd of each month thereafter until the entire outstanding balance of principal and accrued interest is paid in full.
- The principal amount of \$250,000 plus any unpaid interest accrued is due in full no later than the maturity date of July 22, 2026.

FINDINGS & ANALYSIS:

- The company has discussed the possibility of obtaining private financing with its lender to refinance this loan as proposed; a turn down letter is pending and is expected to be received prior to the meeting.

SUPPORT MATERIALS:

- Loan Letter from lender (pending)