



# Grand Forks Growth Fund, a JDA Staff Report

**Growth Fund Committee – November 17, 2025**  
**JDA – November 24, 2025**

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Agenda Item: Authorization to Pursue Collections: Thread

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Submitted by: Andy Conlon, Economic Development Manager  
Todd Feland, City Administrator  
Dan Gaustad, City Attorney

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**Staff Recommended Action:** Declare the subject Accelerate loan in default and authorize initiating default proceedings by staff and the City Attorney.

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**Growth Fund Action:** CONCUR

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JDA Action:

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## **BACKGROUND:**

In its 2019 session, the North Dakota legislature authorized the Innovation Technology Loan Fund (LIFT). This program, administered by the Bank of North Dakota (BND), aimed to support technology advancement in North Dakota by financing commercialization of intellectual property. Airtonomy, Inc. (later changed to Thread) was one of several Grand Forks companies that received early LIFT funding, securing \$1,000,000.

The JDA subsequently approved a \$500,000 loan to Airtonomy/Thread in June 2020, with terms mirroring those of LIFT: an unsecured loan at 2% interest 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. In June 2025, the JDA approved an extension allowing partial interest-only payments through February 22, 2026, at which time repayment of the full principal balance plus accrued interest was due. Information received from Josh Riedy, Thread CEO, in October 2025 has raised concerns with Planning & Community Development Department staff regarding the continued operation of Thread. Currently, Thread, by mutual agreement with the HIVE Manager, terminated its lease at the HIVE, but has several items of property still remaining in the former leased space.

The outstanding balance on the JDA loan as of November 1, 2025 is approximately \$513,154. The loan is secured by a third-position blanket UCC on all business assets, which was added

following the June loan modification (the loan was previously unsecured). The North Dakota Development Fund (NDDF) and BND are in first and second security position, respectively, and are planning to take similar action as is recommended herein. The City administration is working in concert with BND and NDDF to develop a process to determine the value of available company assets.

#### **FINDINGS & ANALYSIS:**

- Thread is in default of one or more condition of the loan agreement dated June 24, 2020, including but not necessarily limited to:
  - Section D.1 Rights and Facilities
  - Section D.4 Taxes and Other Liabilities
  - Section E.1 Failure to Pay Note
  - Section E.4 Termination of Borrower's Business
  - Section E.6 Adverse Change
- The JDA is secured by a third-position blanket lien on business assets, behind approximately \$500,000 in debt from NDDF and \$1 million from BND.
- The value of remaining business assets is unknown at this time. The City administration is in direct communication with Thread, along with NDDF and BND as the superior creditors, regarding a process to determine disposition of assets.

#### **SUPPORT MATERIALS:**

- Growth Fund loan documents
- Staff report for original loan – June 2020
- Staff report for loan modification – June 2025
- Email correspondence with Josh Riedy

## LOAN AGREEMENT

This Loan Agreement made the 24 day of June, 2020, by and between Airtonomy, Inc. (hereinafter "Borrower") and the Grand Forks Growth Fund, a Job Development Authority (hereinafter "Growth Fund").

A. Terms of Loan.

1. *The Loan.* Growth Fund agrees to lend the sum of \$500,000.00 to Borrower upon the terms and conditions set forth herein.
2. *The Note.* The obligation to repay this loan shall be evidenced by a promissory note in the form attached hereto as Exhibit "A" which provides for the payment of principal and interest as follows: Term of the loan shall be five (5) years; interest rate shall be 0 percent for the first three (3) years and no payments of principal shall be due during the first 36 months; during months 37-60, monthly payments of interest accrued at a rate of 2 percent per annum will be due. The entire principal and interest shall be due and payable 60 months after the date of the loan.
3. *Prepayment.* Borrower shall have the right to prepay this loan in whole or in part at any time. All prepayments shall be applied first to any outstanding amounts due for accrued interest or fees with the remainder applied to outstanding principal balance.
4. *Conversion.* The Growth Fund shall have the right, but not the obligation, at any time during the first 36 months of this agreement to convert the outstanding principal balance due hereunder into a Simple Agreement for Future Equity (SAFE) in the form attached hereto as Exhibit "B." Borrower shall provide the Growth Fund a minimum of 30 day written notice of their intent to pursue Equity Financing or a Liquidity Event as defined in Exhibit "B" attached hereto.

B. Conditions Precedent.

As conditions precedent to this loan, the Borrower shall provide the Growth Fund with the following:

1. *Promissory Note.* Duly executed Promissory Note attached hereto as Exhibit "A" which evidences this agreement.
  2. *Other Evidence.* Such other documents as the Growth Fund may reasonably require including, but not limited to, evidence of corporate authorization of the transactions contemplated herein and compliance with conditions set forth herein.
- C. Representations and Warranties.

The Borrower represents and warrants that:

1. *Existence of Power.* The Borrower has all required power and authority to conduct its business, own its properties, and perform all of its obligations under this Agreement.
2. *No Conflict.* There is no provision of any existing mortgage, indenture, contract or agreement binding on the Borrower or affecting its property, which would conflict with or in any way prevent the execution, delivery, validity or carrying out of the terms of this Agreement and of the Note.
3. *Litigation.* There is no litigation or other proceeding pending or threatened against or affecting Borrower, and Borrower is not in default with respect to any order, writ, injunction, or demand of any court or other governmental or regulatory authority.
4. *No Events of Default.* No event has occurred and is continuing, or would result from the making of this loan, which constitutes an event of default.
5. *Financial Condition.* The Financial Statements, as defined in the Business Financing Application submitted by Borrower to Growth Fund, and all other statements and data submitted in writing in connection with this Agreement, are true and correct and said Financial Statements truly present the financial condition of the Borrower as of the date thereof and the results of the operations of Borrower for the period covered thereby and have been prepared in accordance with generally accepted accounting principles.

6. *Tax.* The Borrower has no liability for any delinquent state, local or federal taxes.

D. Affirmative Covenants of Borrower.

Borrower shall, unless Growth Fund gives its prior written consent:

1. *Rights and Facilities.* Maintain and preserve all rights, franchises and other authority adequate to conduct its business, maintain its properties, equipment and facilities in good working order and repair, conduct its business in an orderly manner and maintain and preserve its existence.
2. *Notice of Default.* Within five (5) business days after the occurrence of any event which constitutes an event of default, or would constitute an event of default with the passage of time or the giving of notice, Borrower shall give written notice of such occurrence to Growth Fund.
3. *Insurance.* Maintain public liability, property damage and worker's compensation insurance, and insurance on, and insurance on all its insurable property against fire and other hazards with responsible insurance carriers to the extent usually maintained by similar businesses and name Growth Fund as loss payee.
4. *Taxes and Other Liabilities.* Pay and discharge before the same become delinquent and before penalties accrue thereon all taxes, assessments and governmental charges upon or against it or any of its properties and all its other liabilities at any time existing except to the extent and so long as:
  - a. The same are being contested in good faith and by appropriate proceedings in such manner as not to cause any materially adverse effect upon its financial condition or the loss of any right of redemption from a sale thereunder, and
  - b. It shall have set aside on its books reserves (segregated to the extent required by generally accepted accounting principles) deemed by it adequate with respect thereto.

5. *Records and Reports.* Maintain a standard and modern system of accounting in accordance with generally accepted accounting principles, permit Growth Fund's representatives to have access to and to examine its properties, books and records at all reasonable times, and furnish Growth Fund the following:
  - a. Borrower will deliver to Growth Fund within 90 days after the close of each fiscal year of Borrower, consolidated balance sheets and the related consolidated statement of earnings and retained earnings of Borrower at the end of such fiscal year and for the fiscal year then ended. Such financial statements shall be prepared in accordance with generally accepted accounting principles and shall be certified by an accountants satisfactory to the Growth Fund.
  - b. Borrower, promptly after the receipt thereof, will deliver copies of any detailed audit reports submitted to Borrower by independent accountants in connection with each annual or interim audit of the accounts of Borrower made by such accountants.
  - c. Such other information relating to the affairs of Borrower as the Growth Fund may reasonably request from time to time.

E. Events of Default; Growth Fund's Rights.

The occurrence of any of the following events of default shall, at Growth Fund's option, terminate Growth Fund's commitment to lend, make all sums of principal and interest then remaining unpaid on all Borrower's indebtedness to Growth Fund immediately due and payable all without demand, presentment or notice all of which are hereby expressly waived:

1. *Failure To Pay Note.* Failure to pay any installment of principal or interest on any indebtedness of Borrower to Growth Fund when due (whether by acceleration or otherwise).
2. *Breach of Covenant.* Failure of Borrower to perform any other term or condition of this Agreement binding upon Borrower.
3. *Breach of Warranty.* Any of Borrower's representations or warranties made

herein or any statement or certificate at any time given in writing pursuant hereto or in connection herewith are false or misleading in any material respect at the time when made or given.

4. *Termination of Borrower's Business Operations.* Death, dissolution of Borrower, termination of existence, insolvency, business failure, appointment of a receiver of any part of the property of, assignment for the benefit of creditors by, or commencement of a proceeding under bankruptcy or insolvency laws by or against Borrower.
5. *Change in Ownership.* Any change in ownership of 25 percent or more of common stock of Borrower.
6. *Adverse Change.* A material adverse change in Borrower's financial condition, or Growth Fund believes the prospect of payment or performance of this Agreement and related Promissory Note is impaired.

Growth Fund may not waive its rights under this or any other Agreement, instrument or paper signed by Borrower unless the waiver is in writing and signed by Growth Fund. No delay or omission by Growth Fund in exercising any right is a waiver of that right or any other right. A waiver on any one occasion is not a bar to or waiver of any right or remedy on any future occasion. All Growth Fund's rights and remedies, whether evidenced by this or any other agreement, instrument or paper are cumulative and may be exercised singly or concurrently.

F. General Provisions.

1. *Governing Law.* This Agreement shall be construed under the laws of the State of North Dakota.
2. *Captions.* The captions in this Agreement are inserted for convenience of reference only and in no way define, describe or limit the scope or intent of this Agreement or any of the provisions hereof.
3. *Assignability.* Neither this Agreement nor the related Note shall be assignable without the prior consent of the Growth Fund. Any attempt at assignment

without such consent shall be void.

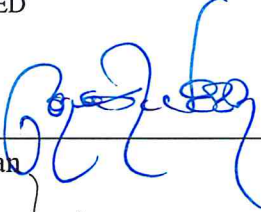
4. *Severability.* Should any part or provision of this Agreement be rendered or declared invalid by reason of any existing or subsequently enacted legislation or by any decree of a court of competent jurisdiction, the remaining provisions shall nevertheless remain in full force and effect to the maximum extent permitted by law.
5. *Counterparts.* This Agreement may be executed in two or more counterparts each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the date and year first above written.

AIRTONOMY, INC.

By:   
Joshua M. Riedy, Its President

GRAND FORKS GROWTH FUND, A JOB DEVELOPMENT  
AUTHORITY CREATED BY THE CITY OF GRAND FORKS  
PURSUANT TO THE PROVISIONS OF CHAPTER 40-57.4,  
N.D.C.C. AS AMENDED

  
Bret Weber, Chairman

  
Ken Vein, Vice Chairman

## PROMISSORY NOTE

Dated: June 24, 2020

The undersigned hereby promises to pay to the order of the Grand Forks Growth Fund, hereinafter called "Growth Fund" at its office at 255 North 4<sup>th</sup> Street, Grand Forks, ND 58203, the sum of Five Hundred Thousand Dollars (\$500,000.00) with interest at a variable rate commencing at 0 percent per annum for the first 36 months of the term of this Note, and 2 percent per annum for the remaining 24 months of this Note. Interest shall be computed on a 360-day basis. This note is payable in 24 monthly installments beginning 37 months from the date hereof. Each monthly installment shall be equal to the amount of accrued interest due. Said payments shall continue for a period of 24 months at which time the entire balance shall be due and payable. Payments are to be applied first to interest and the remainder to principal.

Upon any default in the payment of interest, or principal, this note shall become immediately due and payable at the option of the Growth Fund, without notice or demand. There will be no penalty for prepayment of this loan.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to Borrower at the address stated below, or to such other address, as Borrower may designate by notice to the note holder. Any notice to the Note holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to the Borrower.

This note is given pursuant to the terms of a certain Loan Agreement dated June 24, 2020, by and between the undersigned and the Growth Fund. This note is expressly made subject to the terms and conditions of the above agreement.

AIRTONOMY, INC.

By:  \_\_\_\_\_  
Joshua M. Riedy, Its President

EXHIBIT "A"

**SECURITY AGREEMENT**  
(With Future Advance Clause)

THIS INDENTURE, made this 24<sup>th</sup> day of October, 2025 and effective June 30, 2025, by and between: **AIRTONOMY, INC.** whose mailing address is 4200 James Ray Drive, Grand Forks, ND 58202, referred to herein as the “Debtor;” and **GRAND FORKS GROWTH FUND**, a job development authority, a public body, corporate and politic under North Dakota law, whose mailing address is 255 North 4<sup>th</sup> Street, P.O. Box 5200, Grand Forks, North Dakota 58203, hereinafter referred to as the “Lender.”

**WITNESSETH, FOR GOOD AND VALUABLE CONSIDERATION, THE PARTIES AGREE AS FOLLOWS:**

**1. SECURITY AGREEMENT.** The Debtor for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure the repayment of the “Secured Debt” as defined in Paragraph 2 below, hereby irrevocably **GRANTS, BARGAINS, SELLS, CONVEYS, ASSIGNS, PLEDGES AND MORTGAGES TO THE LENDER**, the following described, personal property, (hereafter collectively referred to as the “Secured Property”).

**A. Equity Interests.** Any and all of securities, security certificate, security entitlement, financial asset, shares of stock, membership interests, partnership interests (limited or general), or any other equity or ownership interests owned or hereafter acquired by Debtor, whether certificated or un-certificated, (the “Equity Interests”).

**B. Personal Property.** All machinery, equipment, fixtures, motors, tools, office furnishings, office machines and equipment, office and recordkeeping equipment, goods, tools, fittings, fixtures, apparatus, maintenance and repair equipment, furniture, money, accounts, accounts receivable, margin accounts, certificates of deposit, chattel paper, deposit accounts, documents, instruments, investment property, contract rights, commercial tort claims, letters of credit, letter of credit rights, payment intangible, general intangibles, any and all rights to payment of money including, but not limited to payment for goods sold or leased or services rendered whether earned or unearned, and rights to payment arising out of all present and future debt instruments, loans, obligation receivables, book accounts, notes, secured claims, unsecured claims, causes of action, money, checks, bank accounts, documents of title, and proceeds thereof, whether now or hereafter acquired by Debtor, and any and all other personal property now or hereafter necessary, in connection with, convenient to the use and operation of, or in any way related and/or arising from Debtor’s business, (the “Personal Property”), including, but not limited to all renewals, replacements, accessions, proceeds, alterations, accessories, increases, parts, fittings and substitutes thereof, all of which Personal Property shall be deemed not severable in whole or in part without material injury to the Secured Property.

C. **Inventory.** All inventory, goods, supplies, materials and other personal property, including but not limited to all merchandise, now or hereafter placed in or upon or necessary or convenient to the use and operation of the, related to and/or arising from Debtor's business (the "Inventory").

D. **Licenses and Permits.** All licenses, permits, franchises, patents, copyrights, trademarks, tradenames, and agreements, or rights thereto, now or hereafter held by, owned or used by Debtor in connection with, convenient to the use and operation of, in any way related to and/or arising from Debtor's business (the "Licenses and Permits").

E. **Judgments and Awards.** All awards and other compensation heretofore or hereafter to be made to the present and all subsequent owners of the Secured Property for any taking or damaging by eminent domain, either permanent or temporary, of all or any part of the Secured Property or any easement or appurtenances thereof, including any awards for a temporary taking, change of grade of streets, or taking of access (the "Judgments and Awards").

F. **Contracts.** All right, title and interest now or hereafter held, owned or acquired by Debtor in and to drawings, surveys, sales reports, engineering studies, permits, bonds, management contracts, contracts for deed, and similar agreements relating to the purchase, use, development and operation of the Secured Property or any part thereof (the "Contracts").

G. **After-Acquired Property.** All right, title and interest hereafter acquired in or to any of the Secured Property, real or personal as described in this Paragraph 1, as well as renewals, replacements, accessions, proceeds, alterations, accessories, increases, parts, fittings and substitutes thereof (the "After-Acquired Property"), hereby also releasing, relinquishing and waiving all exemptions, rights of a surviving spouse and homestead rights, in or to said property, vested or inchoate.

H. **Proceeds.** All proceeds (including without limitation insurance proceeds) from the Secured Property, whether from sale, lease, license, exchange or other disposition thereof, and any and all property of every name and nature, including but not limited to non-cash proceeds, from time to time hereafter by delivery or by writing of any kind conveyed, pledged, assigned or transferred, as and for additional security hereunder by the Debtor or by any one in their behalf or with its written consent to the Lender, which the Lender is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof (the "Proceeds").

2. **SECURED DEBT.** The term "Secured Debt" includes, but is not limited to the following:

- (a) The promissory note(s), contract(s), guaranty(s), or other evidence of debt described below and all extensions, renewals, modifications or substitutions: (1) FIRST AMENDED AND RESTATED PROMISSORY NOTE EXECUTED BY DEBTOR TO LENDER IN THE ORIGINAL PRINCIPAL AMOUNT OF \$500,000.00 DATED THE 30TH DAY OF JUNE, 2025 (2) ACCELERATE LOAN PROGRAM LOAN AGREEMENT EXECUTED BY THE DEBTOR DATED THE 20TH DAY OF JUNE 2020 AND (3) ANY AND ALL ADDITIONAL OR FUTURE LOANS OR ADVANCES MADE BY THE

LENDER PURSUANT TO THE TERMS OF ANY PROMISSORY NOTE, LINE OF CREDIT, CONTRACT, GUARANTY OR OTHER EVIDENCE OF DEBT EXISTING ON THE DATE OF THIS SECURITY AGREEMENT OR EXECUTED AFTER THE DATE HEREOF, WHICH MAY INCLUDE BUT IS NOT LIMITED TO RENEWALS, EXTENSIONS OR SUBSTITUTIONS OF THE DEBT OBLIGATIONS DESCRIBED HEREIN; PROVIDED, HOWEVER, THAT NOTHING HEREIN SHALL CONSTITUTE A COMMITMENT BY THE LENDER TO MAKE ADDITIONAL OR FUTURE LOANS OR ADVANCES IN ANY AMOUNT.

- (b) All future advances from the Lender to Debtor or other future obligations of Debtor to the Lender under any promissory note, contract, guaranty, or other evidence of debt existing now or executed after this Security Agreement whether or not this Security Agreement is specifically referred to in the evidence of debt.
- (c) All obligations Debtor owes to the Lender, which now exist or may later arise, to the extent not prohibited by law, including, but not limited to, liabilities for overdrafts relating to any deposit account agreement between Debtor and the Lender.
- (d) All additional sums advanced and expenses incurred by the Lender for insuring, preserving or otherwise protecting the Secured Property and its value and any other sums advanced and expenses incurred by the Lender under the terms of this Security Agreement, plus interest at the highest rate in effect, from time to time, as provided in the Secured Debt.
- (e) Debtor's performance under the terms of any instrument evidencing a debt by Debtor to the Lender and any mortgage or other agreement securing, guarantying, or otherwise relating to a debt the Lender.

If more than one person signs this Security Agreement as Debtor, each Debtor agrees that this Security Agreement will secure all future advances and future obligations described above that are given to or incurred by any one or more Debtor, or any one or more Debtor and others.

**3. FUTURE ADVANCES.** Additional or future loans or advances pursuant to the terms of any promissory note, line of credit, contract, guaranty or other evidence of debt which may include but is not limited to renewals or substitutions of the Secured Debt, are contemplated and, along with other future obligations, are secured by this Security Agreement and shall have priority to the same extent as if made on the date this Security Agreement is executed even though all or part may not yet be advanced or the evidence of such debt not having been executed on the date hereof by Debtor. Nothing in this Security Agreement, however, shall constitute a commitment to make additional or future loans or advances in any amount. Any such commitment would need to be agreed to in a separate writing.

**4. WARRANTIES.** Debtor represents and warrants to the Lender, as follows:

(a) The Debtor is the lawful owner of and has good marketable and merchantable title to the Secured Property; Debtor has good right and lawful authority to grant, bargain, sell, convey, warrant, mortgage, assign and pledge the same as provided herein; and the Secured

Property are free and clear of all mortgages, liens, pledges, charges and encumbrances, and shall not hereafter grant any security or other lien interest in the Secured Property. Debtor warrants and will defend the title to the Secured Property against all claims and demands whatsoever not specifically excepted herein.

(b) There is no provision in any mortgage, indenture, contract or agreement to which the Debtor is a party or by which they are bound or in any order of any court or administrative agency to which the Debtor is subject, which prohibits the execution and delivery by the Debtor of this Security Agreement, or of the Secured Debt, or the performance or observance by the Debtor of any of the terms or conditions of this Security Agreement or of the Secured Debt.

(c) The Secured Debt and this Security Agreement have been validly executed and delivered and are valid and enforceable obligations of the Debtor in accordance with their terms.

(d) There are no actions, suits, or proceedings pending or, to the knowledge of the Debtor, threatened against the Debtor or the Secured Property in any court or before any federal, state, municipal or other governmental agency, which, if decided adversely to the Debtor, would have a materially adverse effect upon the Debtor or upon the Secured Property, and the Debtor is not in default with respect to any order of any court or governmental agency.

(e) The Debtor is not in default in the payment of the principal of or interest on any indebtedness for borrowed money and is not in default under any instrument or agreement under and subject to which any indebtedness for borrowed money has been issued, and no event has occurred under the provisions of any such instrument or agreement which with or without the lapse of time or the giving of notice, or both, constitutes or would constitute an event of default thereunder.

**5. PAYMENT OF INDEBTEDNESS.** Debtor agrees to promptly pay when due the principal of and interest on the Secured Debt secured hereby, which includes but is not limited to any additional or future loans or advances made by the Lender, and to pay prepayment and late payment charges as provided in this Security Agreement or the Secured Debt, and to perform each and every agreement and covenant contained in this Security Agreement and the Secured Debt.

**6. MAINTENANCE.** Debtor agrees to keep and maintain the Secured Property in good condition, repair and operating condition free from any nuisance, waste or misuse, and to comply with all requirements of law, federal, state or municipal statutes, ordinances and regulations, restrictions and covenants affecting the Secured Property and their use, and will promptly repair or restore any buildings, improvements or structures now or hereafter on the Secured Property and all fixtures therein which may become damaged or destroyed to their condition prior to any such damage or destruction and to pay when due all claims for labor performed and materials furnished therefore. Debtor further agrees that it will not, without first obtaining the Lender's prior consent: (a) remove, alter, or demolish any building thereon, nor sever or remove any fixtures or appliances from said buildings; nor (b) make any additions, alterations, or expansions to the Secured Property which will alter the basic structure, affect the market value or change the existing architectural character of the Secured Property; nor (c)

acquiesce in any rezoning classification, modification or restrictions affecting the Secured Property; nor (d) abandon or vacate the Secured Property. With respect to Lender's consent to any of the foregoing, the Debtor shall submit a written notice of such building modification, alteration, addition, expansion or other proposal to the Lender, and the Lender shall have sixty (60) days from receipt of such notice to review and either approve or disapprove the same; provided, however, that Lender shall be deemed to have approved the modification, alteration, addition, expansion or other proposal if it does not respond to said written notice within said sixty (60) day period. Lender may enter upon and inspect the Secured Property at any reasonable time and effect whatever repairs or replacements the Lender may reasonably require to maintain the Secured Property in good condition (provided the Lender shall have no duty to make such inspections and shall not incur any liability or obligation for making or not making any such inspections).

7. **INSURANCE.** Debtor agrees to provide, continuously maintain and deliver to the Lender, insurance of such type or types and amounts as Lender may require, on the Secured Property, including but not limited to comprehensive general liability insurance for any accident on the Secured Property, business interruption insurance, hazard insurance and flood insurance. Such insurance policies shall be carried in companies approved by the Lender with loss payable clause in favor of and in form acceptable to the Lender. In the event of loss, Debtor shall give immediate notice to Lender, who may make proof of loss and each insurance company concerned is hereby authorized and directed to make payment for such loss directly to the Lender instead of to Debtor and the Lender jointly, and the insurance proceeds, or any part thereof, may be applied by Lender, at its option, to the reduction of the indebtedness hereby secured or to the restoration or repair of the property damaged.

8. **EVIDENCE OF TITLE.** Debtor agrees to deliver to, pay for and maintain with Lender until the Secured Debt hereby secured is paid in full, such evidence of title as Lender may require, including abstracts of title or policies of title insurance and any extensions or renewals thereof or supplements thereto.

9. **PAYMENT OF IMPOSITIONS, CONTEST OF LIENS AND IMPOSITIONS.** Debtor agrees to pay when due and before any penalty all taxes, assessments, water charges, sewer charges, and other fees, taxes, charges and assessments of every kind and nature whatsoever assessed or charged against or constituting a lien on the Secured Property or any interest therein or the indebtedness secured hereby ("Impositions"); and will upon demand furnish to the Lender proof of the payment of any such Impositions. In the event of a court decree or an enactment after the date hereof by any legislative authority of any law imposing upon a bank under a mortgage security agreement after financing statement the payment of the whole or any part of the Impositions herein required to be paid by the Debtor, or changing in any way the laws relating to the taxation of debts secured by mortgages or a mortgagee's interest in Secured Property conveyed as security, so as to impose such Imposition on the Lender, then, in any such event, Debtor shall bear and pay the full amount of such Imposition, provided that if for any reason payment by Debtor of any such Imposition would be unlawful, or if the payment thereof would constitute usury or render the Secured Debt secured hereby wholly or partially usurious, the Lender, at its option, may declare the whole sum secured by this Security Agreement, with interest thereon, to be immediately due and payable, without prepayment

premium, or the Lender at its option, may pay that amount or portion of such Imposition as renders the indebtedness secured hereby unlawful or usurious, in which event Debtor shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of said Imposition. In addition to the payments due in accordance with the terms of the Secured Debt hereby secured, Debtor shall, at the option and on demand of the Lender, pay to the Lender monthly and concurrently with payment of principal and interest, a sum equal to one-twelfth (1/12) of the annual taxes, assessments, insurance premiums, maintenance and other charges upon the Secured Property, as estimated by the Lender, in trust nevertheless for Debtor's use and benefit and for payment by the Lender of any such items when due. The failure of Debtor to make any of such payments shall constitute a default under this Security Agreement. Debtor shall not be in default hereunder in respect to the payment of any taxes, payments in lieu of taxes, assessments, levies or other charges which Debtor shall be required by any provision hereof to pay so long as Debtor shall first notify the Lender in writing at least thirty (30) days prior to the due date thereof of its intention to contest such payment and shall thereafter, in good faith and with all possible promptness, contest such payment; provided, however, that Debtor shall furnish to the Lender, prior to commencing of any such protest or other contest, cash or other security satisfactory to the Lender to indemnify the Lender against any loss or liability by reason of any such protest or other contest and to pay any such taxes, assessments, levies or other charges, together with interest and penalty thereon, if any, if said contest should fail. Upon a final adjudication of any such protest or other contest, and in any event prior to the date on which the interest of the Lender in the Secured Property will forfeit by reason of the nonpayment of any such taxes, special assessments, levies or other charges, the Debtor shall pay the amount thereof then due. Lender may, at its option, make such payment from the security deposited by Debtor.

**10. PRIOR LIENS.** From the effective date of this document and thenceforward, Debtor agrees to keep the Secured Property free from mortgages, encumbrances, charges, pledges or liens of every and any kind including, but not limited to, any statutory lien under Title 35, North Dakota Century Code, and/or from the making of any levy, judicial or non-judicial seizure or attachment upon the Secured Property. Lender acknowledges the existence of prior debt held by the Bank of North Dakota and North Dakota Development Fund.

**11. CONDEMNATION AND INSURANCE ACTIONS AND PROCEEDS.** Debtor agrees to immediately notify the Lender of the commencement of any condemnation proceedings, actual or threatened, affecting the Secured Property or of any loss that may be covered by insurance. Debtor hereby assigns to the Lender any insurance proceeds and any award for property taken and for damages to remaining property, in connection with an actual or threatened condemnation proceeding, whether fully adjudicated or settled, and such proceeds and awards (less expenses of collection) shall, at the option of the Lender, be applied to the Secured Debt secured hereby then most remotely to be paid, whether due or not, without the application of any prepayment premium, or shall be applied to the restoration or repair of the Secured Property. Lender shall have full authority, but shall not be obligated, to make proof of loss and adjust and collect insurance and to intervene in any condemnation proceeding in the name of

Debtor and settle, collect and receive any award from the condemning authorities. Any insurer or condemning authority is hereby authorized and directed to make payment directly to the Lender. Any expenses incurred by the Lender in intervening in any action or collecting such proceeds shall be reimbursed to the Lender first out of the proceeds. Should proceeds be applied to restoration or repair of the Secured Property, the restoration or repair shall be pursuant to plans and specifications approved by the Lender, and the proceeds shall be disbursed by the Lender under such safeguards as the Lender may reasonably require to assure completion in accordance with such plans and specifications.

**12. INDEMNIFICATION.** Debtor agrees to indemnify, save and hold the Lender harmless from all costs and expenses (including reasonable attorneys' fees and costs of a title search, continuation of abstract and preparation of survey) incurred by reason of any action or proceeding before any court or administrative body and appeals therefrom (excepting an action to foreclose or to collect the Secured Debt secured hereby) in which the Lender may be or become a party by reason hereof, including but not limited to condemnation, bankruptcy, probate and administration proceedings, as well as any other of the foregoing wherein proof of claim is by law required to be filed or in which it becomes necessary to defend or uphold the terms of the lien created by this Security Agreement, and all money paid or expended by the Lender in that regard, together with interest thereon from the date of such payment at the rate specified in the Secured Debt secured hereby, shall be so much additional indebtedness secured hereby and shall be immediately and without notice due and payable by Debtor.

**13. COSTS AND EXPENSES.** Except as otherwise expressly provided herein, Debtor agrees to pay, without demand, all costs, fees and expenses of this Security Agreement, including costs of search and evidence on title, advertising and recording expenses, documentary taxes and attorneys' fees as allowed by law, and all other sums expended hereunder by the Lender with interest from date of expenditure at the rate provided in the Secured Debt.

**14. PROTECTION OF SECURITY.** Should Debtor default hereunder in any respect, or if the Lender in its sole judgment and discretion deems it necessary to disburse funds, appear in actions or take other action to protect the full security interest intended to be created by this instrument, then Lender, without obligation to do so, without notice to or demand upon Debtor, and without releasing Debtor from any obligation hereof, may make such appearances, disburse such funds and take such action as either may deem necessary to protect the security hereof, the Lender being authorized to enter upon the Secured Property for such purposes. Debtor shall, on demand, reimburse the Lender for all amounts expended, including reasonable attorneys' fees, pursuant to this paragraph, together with interest thereon at the rate stated in the Secured Debt, and shall be so much additional indebtedness secured hereby and shall be immediately and without notice due and payable by Debtor

**15. FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Debtor shall provide to the Lender upon request, any financial statement or information the Lender may deem necessary, and/or as required under the Secured Debt. Debtor warrants that all financial statements and information Debtor provides to the Lender are, or will be, accurate, correct, and complete. Upon failure of Debtor to furnish such financial statements or information, the Lender may cause an audit of the respective books and records, at Debtor's sole cost and expense, and

the Lender may also treat such failure as a default hereunder, entitling the Lender to exercise the remedies described herein. If Debtor fails to do so, the Lender may sign, deliver, and file such documents or certificates in Debtor's name and Debtor hereby irrevocably appoints the Lender or the Lender's agent as attorney in fact to do the things necessary to comply with this paragraph.

**16. POWERS OF LENDER.** Without affecting the liability of any person, including Debtor, for the payment of any Secured Debt secured hereby, or the lien of this Security Agreement on the remainder of the Secured Property for the full amount of the Secured Debt unpaid, the Lender is empowered as follows: Lender may from time to time and without notice:

- (a) Release any person liable for payment of any of the Secured Debt,
- (b) Extend the time or otherwise alter the terms of payment of any of the Secured Debt,
- (c) Alter, substitute or release any property securing the Secured Debt; or
- (d) Accept any additional security or resort to any security in such order as the Lender may determine.

**17. SECURITY AGREEMENT UNDER UNIFORM COMMERCIAL CODE.** This Security Agreement shall constitute a security agreement as defined in the Uniform Commercial Code for the State of North Dakota, being Title 41 of the North Dakota Century Code (the "Code") and Debtor hereby grants to the Lender a security interest within the meaning of the Code in favor of the Lender on the Equity Interests, Personal Property, Inventory, Licenses and Permits, Judgments and Awards, Contracts, After-Acquired Property and Proceeds, all as described in Paragraph 1 above (collectively described in this Paragraph 17 as the "Collateral") and which comprise the Secured Property. Debtor is and will be the lawful owner of the Collateral mentioned in any financing statement, subject to no liens and encumbrances other than the lien hereof and liens previously disclosed to the Lender. Such Collateral shall be used by Debtor solely for business purposes. Such Collateral will not be removed from buildings included within the Secured Property without the consent of the Lender, and may be affixed to such buildings but will not be affixed to any other real estate. The only persons having any interest in the Collateral are the Debtor and the Lender and no financing statement, assignment or any other similar document covering any such property and any proceeds thereof is on file in any public office except pursuant hereto. Debtor shall from time to time provide the Lender on request with itemizations of all such Collateral. Neither this paragraph nor the filing of a financial statement shall in any way impair the intent that all of the equipment, personal property and fixtures included within the Collateral that are deemed to be a fixture under North Dakota law, at all times and for all purposes including the Lender's remedies upon default, shall be deemed a part of the reality. Debtor shall upon request by the Lender, execute and deliver any financing statement or continuation statement deemed necessary by the Lender to perfect the security interest created hereby.

**18. CONTROL.** To the extent reasonably requested by the Lender to create, attach and/or perfect the Lender's security lien interest pursuant to the Code or otherwise, the Debtor shall grant to the Lender possession and/or control over and to all or any portion of the Secured Property, including but not limited to any certificated security in registered form, deposit accounts, un-certificated certificates of deposit, electronic chattel paper, commodity contracts, commodity accounts and/or any investment property. Debtor shall execute and deliver and cause necessary third parties to execute and deliver any and all documents requested by the Lender to obtain possession and/or control over and to the Secured Property pursuant to this Paragraph 18.

**19. DUE ON SALE OR ENCUMBRANCE.** If all or any part of the Secured Property or any interest therein is sold, conveyed, transferred or further mortgaged, encumbered, charged or pledged or if any part thereof are assigned, or if any person other than Debtor or the Lender obtains any interest in or right to acquire the Secured Property, without the prior written consent of the Lender, then the Lender may, at the Lender's option, declare all Secured Debt secured hereby immediately due and payable, in full, together with any applicable prepayment premiums. Failure by Debtor to pay such sums within such time shall constitute an event of default hereunder. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to future or successive transactions.

**20. INSURANCE FOR NON-PAYMENT.** Both parties agree that the Lender may, if the Lender so elects, procure and thereafter continue during the term of this Security Agreement, for as long as the Lender desires, a form of insurance acceptable to the Lender insuring the Lender against any loss sustained by the Lender by reason of any default in payment by the Debtor of the Secured Debt hereby secured. If the Lender elects to procure such insurance, Debtor shall promptly reimburse the Lender the full amount of the initial premium for such insurance. During the term of this Security Agreement, at the Lender's option, Debtor shall each month deposit in escrow with the Lender one-twelfth (1/12) of the next following anticipated annual premium for such insurance, said deposit to be made at the same time and place as Debtor make monthly payments on the Secured Debt. The Lender may thereafter pay all annual renewal premiums from such escrow. Should the amount deposited in escrow be insufficient to pay any renewal premium in full as the same become due, Debtor shall immediately upon demand deposit with or pay to the Lender such additional amount as may be sufficient to pay the renewal premium in full. Failure of Debtor to pay or deposit any of the amounts referred to herein shall constitute a default of the terms of this Security Agreement.

**21. NON-WAIVER.** The entering upon and the taking possession of the Secured Property, the collection of Proceeds, or the application thereof to the Secured Debt hereby secured shall not cure or waive any default or notice of default, invalidate any act done pursuant to such notice, nor extend or postpone the due date of any payment secured hereby.

**22. APPLICATION OF PAYMENTS.** Except as otherwise required by law, all payments made to the Lender and any amounts applied to the Secured Debt secured hereby shall be applied to the various amounts secured hereby in any order the Lender may determine.

**23. EVENTS OF DEFAULT.** The occurrence of any one or more of the following events shall be an "Event of Default" hereunder:

- (a) Debtor shall fail to make any payment or installment of principal or interest when due pursuant to the terms of the Secured Debt or under this Security Agreement, or shall fail to pay when due any other sum or amount due under this Security Agreement or the Secured Debt; or
- (b) Debtor shall fail to observe and perform any other covenant, condition or agreement on their part hereunder under the terms of any Secured Debt or under the terms of any other agreement with the Lender,
- (c) Debtor shall: (i) admit in writing Debtor's inability to pay their respective debts generally as they become due; or (ii) admit in writing the fact that Debtor's respective debts exceed a fair valuation of its property; or (iii) commence a voluntary proceeding under any applicable federal or state bankruptcy, insolvency or other similar law; or (iv) make an assignment for the benefit of their respective creditors; or (v) consent to the entry of an order for relief in an involuntary proceeding under any applicable federal or state bankruptcy, insolvency or other similar law; or (vi) have entered against Debtor by a court of competent jurisdiction a decree or order granting relief in any involuntary case under any applicable federal or state bankruptcy law, or appointing, with or without the consent of the Debtor, a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Debtor or for any substantial part of their property, or approving a plan for reorganization of the Debtor, or ordering the winding up or liquidation of their affairs, and such decree or order shall not be vacated, set aside or stayed for a period of thirty (30) consecutive days; or
- (d) Any representation or warranty made by the Debtor herein, in the Secured Debt or in any document or certificate furnished to the Lender in connection herewith or therewith or pursuant hereto or thereto, shall prove at any time to be incorrect or misleading in any material respect as of the date made; or
- (e) A default shall occur with respect to any of the covenants, conditions or agreements under the Secured Debt, or any one of them, and the time for cure of such default pursuant thereto shall have expired, and such default shall not have been waived in writing by Lender; or
- (f) A good faith belief by the Lender at any time that the Lender is insecure with respect to any person or entity obligated on the Secured Debt or that the prospect of any payment is impaired or the value of the Secured Property is impaired; or
- (g) A material adverse change in the Debtor's business ownership, management or financial conditions, which the Lender in its opinion believes impairs the value of the Secured Property or repayment of the Secured Debt; or
- (h) The Debtor issue additional shares of stock, membership interests, partnership interests or other equity interests, as the case may be; or

- (i) Use of the Secured Property in violation of any law, statute, ordinance, regulation or any judicial or non-judicial interpretation thereof; or
- (j) A default by Debtor under the terms and conditions of any agreement, understanding and/or obligation with any third party(ies); or
- (k) The dissolution or termination of existence, whether voluntary or involuntary, of Debtor.

then, in any such case, the Lender or its attorney, may, at the Lender's option, without further written notice to the Debtor, declare the principal of and the accrued interest on all of the Secured Debt and all sums advanced or due hereunder, with interest, to be forthwith due and payable, and thereupon the Secured Debt, including both principal and all interest accrued thereon, and including any prepayment premium or late payment penalty then applicable, and all sums advanced hereunder and interest thereon, shall be and become immediately due and payable without presentment, demand or further notice of any kind.

**24. LENDER'S REMEDIES.** In the event of the happening of any Event of Default entitling the Lender to accelerate the maturity of the Secured Debt, or in case the principal of the Secured Debt shall have become due and payable, whether by lapse of time or by acceleration, then and in every such case the Lender may proceed to protect and enforce its rights by a suit or suits in equity or at law, either by (i) the specific performance of any covenant or agreement contained herein or in the Secured Debt, or (ii) in aid of the execution of any power herein or therein granted, or (iii) the foreclosure of this Security Agreement by the foreclosure of a mortgage by action or by advertisement as provided under North Dakota law and to sell the Secured Property as provided by such foreclosure by action or by advertisement, to a purchaser, in fee simple, as provided under North Dakota law, and if such sale occurs, Debtor agrees that the Secured Property may be sold as one parcel, or (iv) for the enforcement of any other appropriate legal or equitable remedies.

**If the Lender is required to commence any action against Debtor to enforce any provision of this Security Agreement, the venue for such action shall be in Grand Forks County, North Dakota District Court, by a Judge alone and without a trial by jury. The Debtor, having had an opportunity to consult with independent counsel of their choosing, hereby knowingly and voluntarily waive their right to a trial by jury in any manner relating to this Security Agreement, the Secured Debt or any other agreement, document or instrument related thereto. Further, the Debtor acknowledges and agrees that Grand Forks County, North Dakota District Court shall have complete and full personal jurisdiction over the Debtor and subject matter jurisdiction with respect to any such action.**

**25. TIME OF THE ESSENCE.** Time is of the essence hereof.

**26. SURRENDER OF POSSESSION AFTER SALE.** Debtor agrees to surrender possession of the Secured Property to the purchaser at any foreclosure sale on the date the

applicable redemption period expires, if any, in the event such possession has not previously been delivered by Debtor.

**27. TITLE EVIDENCE AND INSURANCE POLICIES.** Each abstract of title, title insurance policy and all other evidences of title, and all hazard insurance policies placed or deposited with the Lender shall be deemed an incident to the title to the Secured Property and upon foreclosure by exercise of power of sale, or otherwise, shall pass to the purchaser and the same are hereby pledged as additional security for payment of the indebtedness secured hereby.

**28. COLLECTION COSTS.** Debtor agrees to pay the Lender, all costs and expenses, including attorneys' fees, incurred by the Lender in collecting, enforcing or protecting the Lender's rights and remedies under this Security Agreement or the Secured Debt, including but not limited to all such costs and expenses incurred from any foreclosure sale, litigation, bankruptcy or insolvency proceeding or action.

**29. EFFECT OF DISCONTINUANCE OF PROCEEDINGS.** Lender shall have the unqualified right, after invoking any remedy permitted under this Security Agreement, to discontinue the same, and in such event Debtor and Lender shall be restored to their former positions with respect to the Secured Debt secured hereby; and this Security Agreement, the Secured Property and all rights, remedies and recourse of the Lender shall continue as if the same had not been invoked.

**30. WAIVER, CUMULATIVE RIGHTS.** Waiver by the Lender of any default by Debtor, or acceptance of payment in default or partial payment, shall not constitute a waiver by the Lender of any continuing or subsequent default. Failure by the Lender to exercise any right, power, privilege or remedy which the Lender may have by reason of a default by the Debtor shall not preclude the exercise of such right, power, privilege or remedy so long as such default remains uncured or if a subsequent default occurs. Each right, power, privilege and remedy herein conferred upon the Lender is cumulative and in addition to every other right, power, privilege and remedy available to Lender at law or in equity, or under any other agreement, and each and every right, power, privilege and remedy herein set forth or otherwise so existing may be exercised from time to time as often and in such order as may be deemed expedient by the Lender and such exercise shall not be a waiver of the right to exercise at any time thereafter any other right, power, privilege or remedy.

**31. FURTHER ASSURANCES.** Debtor agrees upon reasonable request by Lender to execute and deliver such further mortgages, security agreements, financing statements and other agreements as may be necessary or proper to perfect, continue and preserve Debtor's obligations hereunder and the Lender's lien on the Secured Property or otherwise to carry out more effectively the purposes of this Security Agreement or any property intended to be subjected hereto. If Debtor fails to do so, the Lender may sign, deliver and file such documents in Debtor's names and Debtor hereby irrevocably appoints the Lender or Lender's agent as attorney in fact to do the things necessary to comply with this paragraph.

**32. BINDING ON SUCCESSORS.** This Security Agreement shall apply to, inure to the benefit of and bind all parties hereto, their heirs, legatees, devisees, personal representatives,

successors and assigns. All obligations of the Debtor hereunder are joint and several. The term “Lender” shall mean the owner and holder, including any pledge, of the Secured Debt secured hereby. In this Security Agreement, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

**33. HEADINGS.** The headings of the paragraphs are for convenience only and shall not be construed as limiting in any way the scope of the provisions hereof.

**34. SEVERABILITY.** If any portion or provision of this Security Agreement is held to be void, unenforceable or invalid, the balance of this Security Agreement shall nevertheless be effective and enforceable.

**35. GOVERNING LAW.** This Security Agreement has been made and entered into in the State of North Dakota and shall be governed and interpreted by the laws of the State of North Dakota.

**IN WITNESS WHEREOF**, the Debtor has executed this Security Agreement the day and year first hereinabove written.

AIRTONOMY, INC.

Signed by:  
*Josh Riedy*  
422167362D5B4B1...

**Joshua Riedy**

“Debtor”



Grand Forks Growth Fund, a JDA  
Staff Report  
Growth Fund Committee – May 18, 2020  
JDA – June 1, 2020

**APPROVED**

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**Agenda Item:** Airtonomy Funding Request

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**Submitted by:** Meredith Richards, Community Development Director

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**Staff Recommended Action:** Approve \$500,000 loan with terms detailed below, and authorize City Attorney to prepare appropriate documents for potential equity conversion

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**Growth Fund Committee Action:** CONCUR

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**JDA Action:** Motion by Brown, second by Vein , to approve the recommendation. Motion carried unanimously.

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**UPDATED INFORMATION:**

The applicant requested a loan and, based on the recommendation of the EDC Board, also volunteered to provide the JDA with the ability to convert the loan to equity via a Simple Agreement for Future Equity (SAFE). This recommendation recognized 1) that the requested low-interest loan offers minimal monetary return to the JDA and 2) the applicant has significant growth potential, and a conversion option could give the JDA an opportunity to share in that with no additional risk. It was noted at the Growth Fund Committee meeting that the City Attorney had reservations about the use of the SAFE (see attached memo); therefore, the Committee’s recommendation was to approve the requested loan along with a comparable equity instrument to be prepared by the City Attorney.

Based on subsequent discussions, the applicant is unable to offer a conversion mechanism other than the SAFE form since that would compromise agreements with pre-existing investors. Therefore, staff’s revised recommendation is to approve the \$500,000 loan with terms detailed herein, and authorize the City Attorney to prepare loan documents that include an option to execute the attached SAFE.

**BACKGROUND:**

At the Growth Fund Committee meeting on April 27, 2020, Josh Riedy, CEO of Airtonomy, provided an update on his business since 2018, when the JDA approved \$50,000 to support their Microsoft TechSpark grant. He stated that Airtonomy is poised for exceptional growth, and recently received \$1 million from the State’s LIFT Program to aid in that growth. Airtonomy is now requesting \$500,000 from the JDA for working capital to further fuel its expansion.

The Innovation Technology Loan Fund (LIFT) is a \$15 million innovation loan fund to support technology advancement put in place by the 2019 legislative session. Its purpose is to provide financing for commercialization of intellectual property within the State of ND, with the following industries targeted for the Fund:

- Advanced computing and data management
- Agriculture technology and value-added agriculture
- Autonomous and unmanned vehicles and related technologies
- Energy and value-added energy
- Health care

LIFT marries the JDA's prioritization of "legacy" sectors such as agriculture with "aspirational" high-tech sectors such as UAS. Staff feel that leveraging LIFT support, and utilizing the due diligence provided by that program, with similar local funding would be a highly effective mechanism to build the local tech economy while. To that end, staff recommend providing the \$500,000 requested by Airtonomy via a loan with terms that mirror the LIFT program:

**Terms:** The loan will have a 5-year term; payment and interest accrual will be deferred 3 years; monthly interest-only payments at 2% would be required in years 4-5, with a balloon payment at the end of the 5-year term.

**Security:** The loan is unsecured.

**Job/Compensation Information:** Airtonomy currently employs 10 and expects to add 20 new FTEs within 2 years with average annual compensation of \$80,000 in wages plus \$24,000 in benefits (\$104,000/year total).

#### **ANALYSIS AND FINDINGS OF FACT:**

- The funding request was supported by the EDC Board; however, its suggestion was that the JDA consider acting as an investor rather than a borrower, to take advantage of the growth potential offered by this firm as opposed to the limited return provided by an unsecured loan. Use of the Simple Agreement for Future Equity (SAFE) model was initially suggested as an appropriate mechanism to do this, which was agreeable to Airtonomy; however, the City Attorney was concerned about this approach. Staff is in discussion with the City Attorney regarding other acceptable investment agreements.
- Because their request is time sensitive, Airtonomy has agreed to provide an option for the Growth Fund to convert the loan to an equity or pre-equity investment within the first three years. It could be converted to true equity should the company undertake a successful equity event such as a Series A round or acquisition. It could be converted to a pre-equity investment should the Growth Fund feel the company is on a positive trajectory but has not realized an equity event by that time.
- This aligns with EDC/JDA prioritization of high-tech business sector growth and economic diversification. This is a growing sector globally but one which has lagged locally, despite our strong UAS presence.
- Airtonomy's product becomes even more attractive in a COVID-19 work environment.
- Confidential financial documents are available to Growth Fund Committee and JDA members upon request.

#### **SUPPORT MATERIALS:**

- Business Financing Application
- LIFT term sheet
- Memo from City Attorney
- Airtonomy SAFE draft



# BUSINESS FINANCING APPLICATION

**Date/Time Field** 042820  
**Company Name** Airtonomy  
**Location** Grand Forks  
**Mailing Address** 4200 James Ray Drive  
**City** Grand Forks **State** ND **Zip** 58202

## COMPANY DESCRIPTION

Airtonomy, a North Dakota UAS Technology company, aims to disrupt antiquated approaches to asset management in the energy, agriculture, and public safety industries with a platform to make processes automated, uniform, safer, more accurate, and timelier than current human-centric means. Simply put, Airtonomy is the plumbing for advanced drone operations, specifically those using artificial intelligence.

## PROJECT DESCRIPTION

Airtonomy is in a growth phase and plans to bring venture capital and many highly-skilled jobs to the region, elevate national visibility and usage of UAS, and introduce innovative new patented products. Cumulatively, Airtonomy will impact vital industries, including energy, agriculture, and technology. By 2024, the company forecasts revenue exceeding \$100 million generated from customers across the US and worldwide and already has partnerships with multi-billion-dollar organizations including Xcel Energy and Microsoft.

## FINANCING DESCRIPTION

Airtonomy is seeking \$500,000 of funding from the JDA as a direct loans matching the terms of North Dakota's Department of Commerce, via the LIFT funding. These terms include a 5-year term with no principal or interest payments for 3 years and the final two years are interest only at 2%. At the end of the 5-year term, a balloon payment is required. This format gives the company flexibility in reaching their goals as they establish and scale.

## EMPLOYMENT DESCRIPTION

Full - time Equivalents <sup>1</sup>	NUMBER	AVERAGE COMPENSATION/HR		
		EARNINGS <sup>2</sup>	BENEFITS	TOTAL
EXISTING <i>at time of application</i>	10	\$ 70,000.00	\$ 14,000.00	\$ 84,000.00
CREATED <i>within 2 years of project completion</i>	20	\$ 80,000.00	\$ 24,000.00	\$ 104,000.00

Neither created nor retained (FlexPACE only)

<sup>1</sup> "Full-time Equivalent" positions work at least 32 hours/week

<sup>2</sup> "Earnings" include wages, salary, bonuses, commissions

**List Position(s) Created:**  
 Primarily: Engineers, Computer scientists, and software developers.  
 Secondly: Product developers, managers, and sales/marketing.

**List Position(s) Retained:**

**Company Provided Benefits:** *(check all that apply)*

INSURANCE:     Health     Dental     Vision     Life     Disability

**Company Provided Benefits:** (check all that apply)

- LEAVE :  Vacation  Sick Leave  Paid Holidays  
 ALLOWANCES :  Housing  Transportation  
 OTHER :  Profit Sharing  Employee share payroll tax  Other

**USES AND SOURCES OF FUNDS**

**Uses**

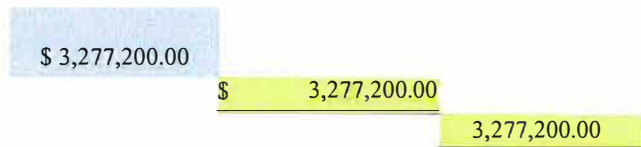
**FIXED ASSETS**

- Aquisition
- Land Improvements
- New Building Construction
- Building Improvements
- Purchase of Machinery/Equipment
- Contingency
- Total Fixed Assets**



**OPERATING CAPITAL**

- Inventory
- Other
- Total Working Capital**
- Total Uses**



**Sources**

**EQUITY FINANCING**

Owner Equity	
Other Equity	\$ 1,777,200.00
<b>Total</b>	<b>\$ 1,777,200.00</b>

**DEBT FINANCING**

	Rate (%)	Months Amortized	Term Months	Amount
Growth Fund (not PACE) JDA	2.00 %	0	60	\$ 500,000.00
Bank: Bank of ND - LIFT Fund	2.00 %	0	60	\$ 1,000,000.00
Other:				
Other:				
Other:				
<b>Debt Financing Total</b>				<b>\$ 1,500,000.00</b>
<b>Total Sources</b>				<b>\$ 3,277,200.00</b>
<b>Total Surplus/(Deficit) of Funding</b>				<b>\$ 0</b>

**PACE Financing (Internal Use)**

Source	Rate (%)	Months Amortized	Term Months	Amount
Bank of North Dakota:				
Bank of North Dakota:				
Grand Forks Growth Fund:				

<b>Source</b>	<b>Rate (%)</b>	<b>Months Amortized</b>	<b>Term Months</b>	<b>Amount</b>
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Grand Forks Growth Fund:

Total PACE

Special Conditions

## VALUATION & SECURITY

### REAL ESTATE

**VALUE**  
Describe how value was determined *(Please attach supporting documentation .)*

**DEBT SUPERIOR TO GROWTH FUND**  
Existing: Proposed:

List creditors and amounts superior to Growth Fund.

Creditor	Amount
Total:	

Proposed Growth Fund Loan to Value

### Equipment

**VALUE**  
Describe how value was determined *(Please attach supporting documentation .)*

**DEBT SUPERIOR TO GROWTH FUND**  
Existing: Proposed:

List creditors and amounts superior to Growth Fund.

Creditor	Proposed:
Total:	

Proposed Growth Fund Loan to Value

### Equity

**Equity source(s) description.** Describe source(s) of equity for the project including how it will be obtained and appraised.

Airtonomy has raised \$1,777,200 to date and has reinvested these dollars in the company through research, development, and operations.

Microsoft TechSpark: \$100,000  
 Microsoft Corporate: \$50,000  
 Grand Forks Region Economic Development Corporation: \$50,000  
 Grand Forks Jobs Development Authority: \$50,000  
 North Dakota Department of Commerce (Renewable Energy Council): \$500,000  
 Microsoft AI for Earth: \$15,000  
 ND EPSCoR (Students in Technology Transfer and Research (STTAR): \$7,200  
 Institutional Private Investment: \$885,000  
 Microsoft Startups Program: \$120,000

Total: \$1,777,200

**Guaranty(ies)**

Name	Corporate Guarantee	Amount	\$ 500,000.00
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The undersigned affirms that (s)he has reviewed the **uses and sources of funds** and statements of **valuation and security** contained herein, and that they accurately represent project financials in substance and in fact.

Lead Lender Signature \_\_\_\_\_

Date \_\_\_\_\_

**COMPANY INFORMATION**

**Contact Person:** Joshua M. Riedy **Title:** CEO  
**Phone:** (701) 330-0157 **Email:** josh@airtonomy.ai  
**Federal Tax ID** 83-4154963 **Federal Employer ID** \_\_\_\_\_  
**State Employer ID** \_\_\_\_\_  
**Legal Structure** Corporation  
**Business Type** Technology Driven Companies **Established** 2019  
**Maturity of Company** Start-Up (0-2 Years)  
**Location (s)** Grand Forks

**Major Customers**

Name	Location	Percentage
Xcel Energy	North Dakota	
SkySkopes	North Dakota	
Minnekota	North Dakota	

**Major Suppliers**



## REQUIRED ENCLOSURE

- Most recent **Interim Financial Statements** (balance sheets, income statements)

**Comments**

- Signed **Personal Financial Statement** as of the date of the application for any person with a 20% or more ownership interest in the company.

**Comments**

- Pro Forma** balance sheet, income statement, and cash flow statement for the 24 months following loan closing that show the financial position of the business including proposed financing.

**Comments**

- Key person insurance** to secure loans; include supporting information as available.

**Comments**

- Information concerning any pending or threatened **litigation** or administrative proceeding, or any administration orders, judgments, or injunctions.

**Comments**

- Commitment Letter** from your bank regarding any financing it will provide for this project.

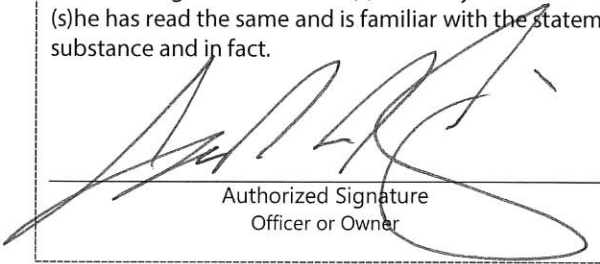
**Comments** Documents related to LIFT funding from the Bank of North Dakota.

- Copy of the **last commitment letter** from your bank indicating your working capital line of credit.

**Comments**

This application is required to assess the applicant firm's qualifications for a Growth Fund business incentive loan. As these loans are made with public funds, this application is public record and will be discussed at public meetings. There are, however, exemptions that limit public disclosure regarding (1) the identity, nature, and prospective location of the applicant when such has not been previously disclosed; and (2) subsequent to this, trade secrets and commercial or financial information, marketing strategies and other marketing information that would cause a substantial risk of competitive injury if disclosed. (See North Dakota Century Code §44-04-17 through §44-04-20.)

The undersigned affirms that (s)he is duly authorized to submit this application and the information contained herein; that (s)he has read the same and is familiar with the statements contained herein; and that (s)he verifies the same are true in substance and in fact.

  
Authorized Signature  
Officer or Owner

04/30/20  
Date

**Authorized Signature (Officer or Owner)**

**Title:**

I hereby authorize the lender(s) named herein, and their authorized agents, to release information relevant to this application to the Grand Forks Growth Fund and the Grand Forks Region EDC. I further authorize the Grand Forks Growth Fund and Grand Forks Region EDC, and their authorized agents, to release information regarding the status of this application to those lenders. This information will be used to assess eligibility for Growth Fund assistance.

  
Authorized Signature  
Officer or Owner

04/30/20  
Date

February 21, 2020

Mr. Joshua Riedy, CEO  
Airtonomy  
4200 James Ray Drive  
Grand Forks, ND 58502

Dear Joshua:

Thank you for the recent application to the Innovation Technology Loan Fund. The Committee, administered by the Department of Commerce met on Wednesday, February 12 and approved a loan of \$1,000,000 to Airtonomy for development of its asset management system in the energy, agriculture and public safety industries.

A covenant of the committee for the loan is that \$1 in loan funding is available for every \$2 in other funding secured. Per our conversation related to the loan I want to review two points:

1. Funding secured by Airtonomy in the amount of \$200,000 from the Aero Space Foundation and \$385,000 from other venture capital funds secured during the current funding round can be utilized towards the match requirement for loan funding. Thus, Airtonomy is eligible to immediately apply for \$292,500.
2. The committee indicates the match funding can come from multiple sources. If the Grand Forks EDC were to make an equity or other investment, that amount could be applied towards the match portion of the loan.

After approval of the application by the ITLF Committee, the final loan application and approval is transitioned to the Bank of North Dakota. BND will review the provided business plan and financials to make a final determination regarding the proposed loan. The business plan shall demonstrate how the product commercialization will generate sufficient cash flow to repay the debt under normal credit circumstances.

The terms of the loan are as follows:

Maximum Amount of Loan: \$1,000,000

Note Terms--Years 1 to 3 0% with no principal payments required

Note Terms--Year 4 and 5 2% with interest payments required. Frequency of payments to Be determined in cooperation with borrower.

Beginning of Year 6

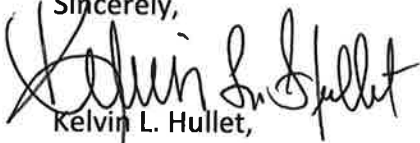
The full amount of the loan is due. Upon approval by BND, the loan may be refinanced at the prevailing BND base rate.

Guarantees: Personal guarantees are not required for applicants receiving a loan from the Innovation Loan Fund.

Note: The entire amount of the loan is not required to be drawn upon at one time.

Please sign and return this letter. The credit and underwriting process are underway and BND may request additional information. BND staff will be in contact to schedule a loan closing after approval by the BND Investment Committee.

Sincerely,



Kelvin L. Hullet,  
Market Manager ED and Government Finance

Airtonomy

By: \_\_\_\_\_  
Joshua Riedy, CEO

Date: \_\_\_\_\_



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



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Agenda Item: Accelerate Loan Modification Request: Thread

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Submitted by: Andy Conlon, Economic Development Manager

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

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Growth Fund Action: Osowski made a motion to approve staff recommendation with a new maturity date of February 12, 2026, seconded by Wolf. Motion carried unanimously.

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JDA Action: Motion by Osowski, second by Berg to allow Sande to vote. Motion failed 0-6.  
Motion by Berg, second by Fridolfs to approve. Motion carried 5-0 with Sande recused.

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**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. Airtonomy, Inc. (Thread) was one of several Grand Forks companies that were successful in receiving initial LIFT funding, securing \$1,000,000 as part of the LIFT program.

In June 2020, the JDA subsequently approved a loan of \$500,000 to Thread structured with terms mirroring those of LIFT: an unsecured loan at 2% interest 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. Thread has made regular interest-only payments, as scheduled, since August 2023 and the loan is set to come due July 1, 2025.

Thread has experienced success and hit major milestones as a company over the term of this loan and is pursuing a Series B investment round; the second company in ND history to do so. The company has communicated with staff and BND over the past several weeks that in order to continue their positive momentum, they are requesting a modification to both their BND and Growth Fund loans. To accommodate and allow a reasonable amount of time for the company to close out the Series B investment round, BND has agreed to a modification of terms to their LIFT loan. Those terms have been mirrored to apply to the Growth Fund's loan below:

*Proposed loan modification terms:*

- Extend maturity date to April 12, 2026 (current maturity date is July 1, 2025)
- From July 1, 2025 to April 12, 2026, interest will accrue at Wall Street Journal Prime Rate (7.5%)
- Monthly payments are required; Thread will continue to make the current level of repayment it has been making over the past 24 months (\$833.33). This monthly payment will satisfy a portion of the monthly interest accrued (at 7.5% - interest accrued monthly will be approximately \$3,125.00). The remaining monthly interest balance will remain outstanding each month and will be collected at maturity with the outstanding principal of \$500,000.
- On April 12, 2026, the principal amount of \$500,000 plus any unpaid interest accrued is due in full.
- As part of the change in terms request, the Growth Fund would intend to file a UCC filing on all business assets (the loan as currently structured is unsecured).

Staff is not qualified to perform formal underwriting but has consulted with BND program administrators who have reviewed company financials and are comfortable moving forward with this proposal. In exchange for flexibility on terms, the Growth Fund will both receive more in interest upon maturity as well as improve its security position. Staff believes this proposal balances the needs of the company with the interests of the Growth Fund and recommends approval.

**FINDINGS & ANALYSIS:**

- Thread has made regular monthly interest-only payments of \$833.33 since August 1, 2023, leaving the current outstanding balance at \$500,000. Approximately \$18,333 in interest has been paid to date.
- The company has provided a turn-down letter from Bremer Bank evidencing the unavailability of private debt to refinance this loan.

**SUPPORT MATERIALS:**

- Loan Letter from Bremer Bank



3100 S Columbia Rd  
Grand Forks, ND 58201

[bremer.com](http://bremer.com)

May 5, 2025

Airtonomy Inc  
DbA Thread  
4200 James Ray Dr  
Grand Forks, ND 58201

RE: Loan Request

Dear Josh,

Thank you for your loan application. We have carefully reviewed your financials and unfortunately we are unable to extend credit to you at this time.

If you have any questions, please feel free to contact me.

Sincerely,

Lana Motl  
Bremer Bank  
3100 S Columbia Rd  
Grand Forks, ND 58201  
701-795-4562  
[lbmotl@bremer.com](mailto:lbmotl@bremer.com)

**From:** [Josh Riedy](#)  
**To:** [Conlon, Andrew](#); [Rosaasen, Haley](#)  
**Cc:** [Jim Higgins](#)  
**Subject:** Re: Thread (Airtonomy) Lease  
**Date:** Wednesday, November 5, 2025 7:34:48 PM

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Andy:

Thanks for the message. Hive staff have been in contact, asking to vacate the space immediately.

I in turn asked that they not move sensitive and valuable equipment.

My intent is to have a 3rd party remove that equipment by Tuesday.

Presently I am awaiting guidance from the BND and NDDF.

Regarding the GF Growth Fund meeting, Thread (Airtonomy) ceased operations but has not dissolved, nor do I expect this to happen for some time.

Let me know if you have corresponding questions.

-Josh Riedy

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**From:** Conlon, Andrew <AConlon@grandforksgov.com>  
**Sent:** Wednesday, November 5, 2025 2:57 PM  
**To:** Josh Riedy <josh.riedy@thread.one>; Rosaasen, Haley <HRosaasen@grandforksgov.com>  
**Cc:** Jim Higgins <jim.higgins@thread.one>  
**Subject:** RE: Thread (Airtonomy) Lease

Hi Josh,

We're of course sorry to hear this, but appreciate your quick communication on the matter. As I understand it, GFHIVE Management staff will/have contacted you about next steps on the lease.

As it relates to Thread's Accelerate loan, can you confirm that Thread is no longer in business? Once confirmed, we'll plan to bring this item forward to the November Growth Fund Committee meeting for action. Thank you for the timely communication.

**ANDY CONLON**

Economic Development Manager  
City of Grand Forks

701-746-2642  
[aconlon@grandforksgov.com](mailto:aconlon@grandforksgov.com)

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**From:** Josh Riedy <josh.riedy@thread.one>  
**Sent:** Thursday, October 30, 2025 9:38 PM  
**To:** Rosaasen, Haley <HRosaasen@grandforksgov.com>; Conlon, Andrew <AConlon@grandforksgov.com>  
**Cc:** Jim Higgins <jim.higgins@thread.one>  
**Subject:** Thread (Airtonomy) Lease

On behalf of Thread (Airtonomy) I regretfully request immediate termination of the company's lease at the Hive.

Please let me know if you need anything further regarding the request.

Thanks for your time and consideration.

-Josh Riedy, Founder and CEO, Thread

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