



The Montana Automation Financing Program Guidelines

July 2026

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Table of Contents

Montana Automation Financing Program Guidelines	2
Definitions	2
Program Overview	4
Eligibility	4
Eligible Applicants	4
Eligible Projects	5
Direct Loan Funding Opportunity	5
Eligible Uses of Proceeds	6
Ineligible Uses	6
Interest Rate and Loan Terms	7
MMEC Incentive Rate Reduction	7
Loan Security and Guarantees	7
Loan Servicing	8
Collateral Support Funding Opportunity	8
Eligible Lender Loans and Uses	8
Lender Responsibilities	9
Application, Review and Scoring	10
Application Content	11
Review Process	12
Scoring Applications	13

Montana Automation Financing Program

Guidelines

The Montana Automation Financing Program is administered by the Montana Department of Commerce to extend financial assistance to Montana-based Manufacturing enterprises seeking to upgrade, replace, or expand their equipment through automation and modernization investments. The program supports businesses modernizing operations, enhancing efficiencies, and fostering growth. The program is not intended to replace jobs but to empower businesses to scale while upskilling their workforce.

The program consists of Direct Loans and Collateral Support to Montana Manufacturers. It is designed to leverage private capital and only provide the least amount of state financing necessary to move eligible projects forward so that limited state dollars can support as many manufacturers as practicable.

Definitions

Applicant: An Eligible Business that submits a request for assistance under the program.

Automation Project: An equipment, technology, or process investment that upgrades, replaces, or expands equipment and is aimed at automating processes and enhancing workflow efficiencies.

Capital Investment Justification Report: A report that identifies the equipment, cost of the equipment, and resulting annual savings and/or costs and demonstrates the payback period and Return on Investment completed by the Montana Manufacturing Extension Center.

Collateral Support: A credit enhancement provided by Commerce, such as a pledged cash reserve or other support approved by Commerce, to assist a Participating Lender in extending credit to an Eligible Applicant that is otherwise creditworthy but lacks sufficient collateral.

Commitment Letter: A written document issued by Commerce specifying the terms and conditions under which Commerce will provide program assistance.

Direct Loan: A Commerce loan made directly to an Eligible Applicant under the program.

Eligible Applicant/Business: A Montana-based Manufacturing business in good standing with the Montana Secretary of State's Office or Tribal Government that derives at least 51% of its revenue from the sale of manufactured goods, is registered with the Montana Secretary of State's Office and has been in operation for at least two years before applying, and is not debarred from doing business with the State or federal government.

Manufacturer or Manufacturing: An Applicant that satisfies one or more of the following: (i) transforms raw materials or components into products using tools, labor, machinery, or chemical processes; (ii) engages in manufacturing-related activities such as packaging or distribution of a product; or (iii) has a NAICS code specific to manufacturing.

Montana Manufacturing Extension Center: The statewide Manufacturing outreach and assistance center that provides solutions to help Montana Manufacturers grow, innovate, and enhance their businesses.

Participating Lender: An approved lender, such as a bank, credit union, CDFI, or an organization with a revolving loan fund that executes a program Lender Participation Agreement and adheres to its terms and conditions.

Return on Investment: The ratio of net benefits to investment cost as demonstrated in the Capital Investment Justification Report for the proposed Automation Project.

Program Overview

The program provides a combination of Direct Loans and a Collateral Support Program tailored to Montana Manufacturers. Direct Loans provide financing up to \$100,000 per Eligible Applicant, and the Collateral Support component enhances loans originated by Participating Lenders when collateral coverage is the primary barrier to approval.

Funding for the Automation Financing Program is anticipated to be available beginning in September 2026, with funds deployed on a revolving basis. Total funding available is dependent on repayments and will be announced prior to the application cycle opening on Commerce's program website. Direct Loan applications will be accepted, with awards made based on available funding and the criteria outlined in the Application, Review, and Scoring Section of these guidelines. Collateral Support applications will be accepted on a rolling, first-come, first-served basis, and reviewed through Commerce's Loan Review Committee process, subject to funding availability and as further described in the Application, Review, and Scoring Section of these guidelines.

Eligibility

Eligible Applicants

Eligible Applicants must:

- Be a Montana-based Manufacturing business in good standing with the Montana Secretary of State's Office or applicable Tribal government

- Derive at least 51% of its revenue from the sale of manufactured goods
- Have been registered with the Montana Secretary of State's Office or applicable Tribal government and in operation for at least two years before applying
- Not be debarred from doing business with the State of Montana or the federal government

Commerce may request documentation necessary to confirm that the Applicant meets these requirements, including NAICS code verification and recent financial statements.

An Eligible Applicant may receive no more than a cumulative \$1,000,000 in Automation Program assistance over the life of the program, including any past Automation Loan Participation Program loans and all new Direct Loan or Collateral Support assistance.

Eligible Projects

Program assistance is available for Automation Projects that involve the purchase and installation of equipment or technology that upgrade, replace, or expand Manufacturing equipment and are reasonably expected to improve efficiency, productivity, or capacity. Projects demonstrating strong economic or operational benefit to the business will be prioritized for funding.

The Automation Project must:

- Upgrade, replace or expand equipment in a way that automates processes or enhances workflow efficiencies.
- Support the long-term viability and growth of the Manufacturing operation.
- Align with the program's intention to modernize operations without primarily reducing headcount.

Direct Loan Funding Opportunity

Commerce may provide Direct Loans of up to \$100,000 per Eligible Applicant. There is no minimum loan amount. Applicants are expected to request the least amount of

Commerce financing necessary to complete the project. Commerce may approve a lower amount based on underwriting, project need, and program capacity.

Direct Loan applications are initially accepted only during competitive application rounds announced by Commerce. After the initial competitive application round, Commerce will accept applications on an ongoing basis, dependent on available program funds. Additional information on application procedures and scoring is provided in the Application and Scoring Section of these guidelines.

Eligible Uses of Proceeds

Eligible uses of Direct Loan proceeds include:

- Purchase of eligible equipment for an Automation Project
- Installation costs that are reasonably necessary to place the equipment into service
- Shipping, taxes, and other incidentals related to equipment operation, if expressly approved by Commerce as eligible incidentals

Any incidental costs must receive approval in writing from Commerce prior to the obligation of funds. Incidental costs will be approved at Commerce's sole discretion.

Ineligible Uses

Ineligible uses of Direct Loan proceeds include, but are not limited to:

- Goodwill, "blue sky," or the intangible value of a business
- Costs associated with loan application preparation or project administration
- General operating expenses or working capital requests
- Any purpose prohibited by state or federal law or inconsistent with program objectives

Interest Rate and Loan Terms

Direct Loan terms will be consistent with the useful life of the equipment and individual project needs. Base interest rates are:

- 2.00% fixed for Direct Loans with terms up to five years
- 2.50% fixed for Direct Loans with terms greater than five years and up to seven years

Direct Loans may have terms of up to seven years, with a preference for a five-year payback period. The program allows for amortization schedules that may extend up to 20 years so long as the stated maturity does not exceed seven years. Commerce may approve deferral of payments on its Direct Loan for up to one year, including interest-only or fully deferred structures, as specified at closing and at Commerce's discretion.

MMEC Incentive Rate Reduction

To encourage deeper project analysis, Applicants are encouraged to work with MMEC to complete a Capital Investment Justification Report. If an Applicant completes a Capital Investment Justification Report with MMEC that demonstrates a positive ROI for the Automation Project, Commerce will reduce the applicable Direct Loan interest rate by 1.00%. The reduced rate will apply for the term of the Direct Loan, subject to the borrower maintaining compliance with program and loan requirements.

Loan Security and Guarantees

All Direct Loans must be secured with fixed assets, personal guarantees, other reasonable sources of collateral acceptable to Commerce or a combination of these. Commerce may:

- Accept subordinated security positions where necessary to leverage private financing

- Require personal or corporate guarantees from owners or affiliates as appropriate
- Adjust collateral and guarantee requirements based on project and borrower risk

Loan Servicing

Commerce will service Direct Loans. Payments will be made via ACH, and borrowers are responsible for timely payment in accordance with loan documents.

Collateral Support Funding Opportunity

The Collateral Support component is designed to increase access to affordable credit for Eligible Applicants that are otherwise creditworthy but lack sufficient collateral to secure conventional financing from a Participating Lender. The program provides targeted Collateral Support that allows lenders to extend new credit while sharing risk with Commerce and reducing administrative burden compared to lender participation structures.

Collateral Support is subject to the following percentage and dollar caps:

- Collateral Support may not exceed 40% of the total enrolled lender loan amount.
- Collateral Support is capped at up to \$500,000 per enrolled lender loan.

Collateral Support applications are submitted by Participating Lenders on a rolling first-come, first-served basis. Additional information on lender applications and reviews is provided in the Application and Scoring Section of these guidelines.

Eligible Lender Loans and Uses

Collateral Support may be provided only for new loans originated by Participating Lenders to finance eligible Automation Projects for Eligible Applicants. Eligible uses of the underlying lender loan mirror those for Direct Loans, including equipment purchase, installation, and approved incidentals.

Refinancing of existing debt is generally ineligible for Collateral Support unless Commerce determines that:

- The refinancing is essential to complete a new or expanded Automation Project; and
- The overall transaction meets program objectives and does not primarily serve to relieve pre-existing obligations.

Lender Responsibilities

Participating Lenders are responsible for:

- Originating, underwriting, and approving the underlying loan according to their credit policies and applicable federal and state law
- Applying to the program on behalf of the Eligible Applicant
- Executing required Collateral Support documents with Commerce
- Closing, documenting, servicing, and collecting the loan
- Reporting performance, defaults, recoveries, and claims as required by the program

In the event of a default on a loan enrolled in the Collateral Support component, the Participating Lender must service, collect, and pursue remedies on the loan using its standard commercial policies, including liquidating all collateral and guarantees other than the program's Collateral Support and applying the resulting proceeds to the outstanding balance. If a loss remains after these efforts, the lender may submit a claim to Commerce for payment from the Collateral Support. The Collateral Support is held as a cash deposit at the lender in Commerce's name. The lender may claim up to the lesser of the enrolled support amount and the remaining unpaid balance. Upon approval of a complete claim, Commerce will pay the eligible amount from the Collateral Support reserve in accordance with the program's loss-sharing structure and the Lender Participation Agreement. Any subsequent recoveries related to the defaulted loan must

be shared between Commerce and the lender on a proportional basis as outlined in the program's lender agreements.

Application, Review and Scoring

Direct Loan and Collateral Support assistance are accessed through different pathways designed to reflect how each product is used.

Application materials and online forms for both funding opportunities are available through the Montana Grants and Loans Portal at montana.servicenowservices.com/mtgl.

- **Direct Loans — initial and ongoing application periods**

Commerce will accept Direct Loan applications through an initial competitive application cycle following program launch. The initial cycle will be announced in advance through Commerce's website and standard press release and communications channels and will specify the application period, required materials, available funding, and any cycle-specific priorities or focus areas. All required financial information necessary for underwriting must be received by the stated financial information deadline for applications submitted during the initial cycle. If satisfactory financial information is not received by the deadline, Commerce will be unable to complete underwriting, and the application will not be scored or considered in the initial cycle. Commerce anticipates convening a Loan Review Committee promptly following the close of the initial cycle and intends to issue final funding decisions to all complete and Eligible Applicants from that cycle as soon as practicable.

Following completion of the initial competitive cycle, the Direct Loan component will remain open and Commerce will accept applications on an ongoing basis, subject to the availability of funds. Commerce will update and publish the current available Direct Loan balance on at least a quarterly basis and may temporarily

suspend acceptance of new Direct Loan applications if available funds are fully committed. Commerce will resume acceptance of new Direct Loan applications when sufficient funds become available.

Eligible Applicants may apply directly to Commerce using the Montana Grants and Loans Portal and must provide all required documentation identified in the application materials. Commerce will announce application cycles, funding availability, and any changes to application status through Commerce's website and standard Commerce press release and communications channels.

Interested parties may sign up to receive Commerce press releases and topic-specific updates or manage their existing subscriptions at any time through the [Subscriber Preferences Page](#) or by visiting subscriberhelp.govdelivery.com for assistance with the subscription service.

- **Collateral Support — rolling lender-initiated requests**

Collateral Support is available on a rolling, first-come, first-served basis, subject to funding availability. Participating Lenders apply to the program on behalf of Eligible Applicants after completing their own credit underwriting and determining that the borrower is otherwise creditworthy but lacks sufficient collateral to meet the lender's standard requirements. Commerce will not accept Collateral Support applications directly from businesses.

Application Content

Regardless of product type, applications must provide sufficient information for Commerce to assess eligibility, project merit, and repayment capacity. At a minimum, the application package will typically include:

- A program application form
- Documentation of business eligibility and good standing

- A description of the proposed Automation Project, including budget, sources and uses, and anticipated benefits
- Quotes or cost estimates for equipment and installation
- Financial information appropriate to the request, such as historical financial statements and, when needed, projections, and a debt service analysis
- For Collateral Support, a lender term sheet or underwriting summary detailing proposed loan terms, identified collateral, and the size and nature of the collateral shortfall

Commerce may request additional information as needed to complete its review.

Review Process

All applications will be reviewed by Commerce staff and the Loan Review Committee in accordance with these guidelines and any applicable state law.

- **Direct Loans**

After an application round closes, Commerce will review all complete Direct Loan applications received by the deadline. Staff will evaluate eligibility, repayment capacity and alignment with program objectives and will present recommendations to the Loan Review Committee. The Loan Review Committee will score and rank applications using the criteria below and recommend awards to Commerce leadership for final decision.

- **Collateral Support**

For Collateral Support requests, Commerce will confirm eligibility of the borrower and project, review the lender's underwriting summary and evaluate the proposed level of Collateral Support relative to the identified collateral gap. The Loan Review Committee will consider each complete request in the order

received, subject to available funds, and make recommendations to approve, conditionally approve, or deny the request.

Commerce may approve a request, approve with conditions, defer a decision pending additional information, or deny a request.

An Applicant's submission of an application to the loan portal does not confer upon the Applicant a right to receive the requested loan. Additionally, Commerce's receipt or acceptance of an application does not convey to the Applicant a right to a loan.

Application materials submitted to Commerce may be subject to the public's right to know under Article II, Section 9 of the Montana Constitution as well as Sections 2-6-1001, et seq., MCA. Any documents the business submits with the application that it considers confidential must be marked as such. Additionally, the business must enter into a Nondisclosure Agreement with Commerce to clearly identify all confidential documents.

Scoring Applications

Commerce will score applications based on the extent to which they advance the program's purpose and demonstrate strong project readiness and impact. In evaluating Direct Loan applications and, as applicable, Collateral Support requests, Commerce will apply the following scoring factors:

- **Need for state funds**

The extent to which the project would be unable to proceed, proceed at a materially smaller scale, or proceed on significantly less favorable terms without program assistance

- **Size of business**

Whether the Applicant is a very small business with fewer than 10 employees

- **Rural location**

Whether the project is located in rural or underserved communities to support geographically balanced economic development

- **Engagement with support partners**

The extent to which the Applicant has worked with MMEC, SBDC, SCORE, economic development organizations, or similar partners in planning and implementing their projects, reflecting stronger preparation and planning

- **Return on investment and competitiveness**

Whether the project clearly improves productivity, reduces unit costs, enhances quality, expands capacity or otherwise strengthens the business' competitiveness, including those documented with a high ROI analysis

Commerce may publish a more detailed scoring rubric for specific application rounds and may identify which factors are most important for a particular round, provided such information is clearly communicated in the application materials.