

Montana ARPA Automation Program Loan Participation Program Policy

1. Program Overview

The American Rescue Plan Act (ARPA) Automation Loan Program is to assist Montana manufacturing businesses with the reduction of manual labor by updating or replacing production equipment that produces a product. This program is not designed to reduce the number of jobs.

2. Program Objectives

- Provide low interest loans to manufacturing companies that are addressing the lack of worker through automation.
- Obtain a reduction of manual labor by updating or replacing production equipment.
- Will need to demonstrate the payback period of less than five (5) years and Return on Investment (ROI) of at least 20%.

3. 1:1 Leverage Requirement

The ARPA Automation Program must, at a minimum, require that \$1 of public investment by the program will cause and result in a minimum of \$1 of private funds. The private funds can be in the form a cash by the manufacturer or loan funds provided by an eligible lender.

4. 1:1 Financing Requirement

The ARPA Automation Program must be processed through an approved lender through a shared Purchase Money Security Interest in the automation equipment. A list of lenders will be provided upon request.

5. Private Capital at Risk (PCAR)

If a lender wishes to sell a portion of their retained participation amount of the ARPA Automation Program loan, they must receive written approval from the ARPA Automation Program prior to the sale.

6. Borrower/Loan Size Requirements

- Eligible borrowers must be a Montana based manufacturing business who are in good standing with the Montana Secretary of State or Tribal Government and Montana Department of Revenue.
- The business must derive at least 51% of their revenue from the sale of manufactured goods.
- The business must have been in operation in Montana for at least three years prior to the application.
- Business that is seeking to adopt or integrate smart technologies into their existing operations.
- The business can only receive one ARPA Automation Loan.
- The maximum loan amount is \$500,000

7. Interest Rates and Terms

Interest rates on the State's share will be 0% with one year deferral. The maximum participation will be based on the payback period identified in the Capital Investment Justification Report but cannot exceed 5 years.

8. Collateral Requirements

- The collateral must have sufficient value to support the debt and will be shared proportionately with the lender by the Department of Commerce.
- ARPA Automation Program participated loan documents must have a "Due on Sale" clause
- ARPA Automation Program participated loan documents must not have a "Future Advance" clause
- ARPA Automation Program participated loan documents must not have a "Cross Collateral" clause associated with other lender loans

9. Guarantees

- Personal or Corporate guarantees as required by the lender.

10. Appraisal/Valuation

- Appraisal/Valuation as required by lender

11. Ineligible Loans

- If the project is unable to demonstrate that the proposed automation has a payback of less than 3 years and Return on Investment (ROI) less than 20%.
- The automation equipment that is not to be part of the production process.

12. Ineligible Borrowers

- The manufacturing business has been in business less than three years.
- The manufacturing business derives less than 51% of their revenue from the sale of manufactured goods.
- The business is not in good standing with the Montana Secretary of State or Tribal Government or the Montana Department of Revenue.

13. Program Specific Requirements

- Montana Manufacturing Extension Center (MMEC) will need to provide a Capital Investment Justification Report for the proposed automation project.

14. Other Loan Policy Considerations

- "Approved Lenders" must have an executed ARPA Automation Program Lender Loan Servicing Agreement and are required to adhere to the terms and conditions contained therein.
- Environmental risk assessment as required by the lender
- Loans considered by the ARPA Automation Program must comply with lender loan policies

- The participated portion of an ARPA Automation Program funded loan cannot be assigned.
- Montana taxes cannot be delinquent unless on payment plan.
- Lenders are required to submit various data as requested by the state under the ARPA Automation Program
- Anytime a lender downgrades an ARPA Automation Program loan, the lender must notify the Department of Commerce of the downgrade. Notification must occur within 30 days of the credit downgrade and provide an explanation as to why the credit was downgraded.
- The Approved Lenders will collect the State's share of the project and will transmit the funds once a year to the Department of Commerce.

15. Applications/Commitments

- Information for application to the ARPA Automation Program, provided however the recipient submits information deemed confidential pursuant to Montana law, the application and information is deemed a public record.
- Loan applications must include signed proof (i.e., loan committee minutes, lender certification of approval, etc.) of official approval by the lender.
- In addition to the loan application, the Department of Commerce must receive a copy of Montana Manufacturing Extension Center (MMEC) Capital Investment Justification Report.
- Completed applications will be processed in the order in which they are received by the ARPA Automation Program
- All completed applications will be reviewed for program compliance by ARPA Automation Program staff.
- Upon approval by the ARPA Automation Program, a commitment letter will be issued to the Lender listing the terms and conditions that must be complied with by the lender before the participation can be funded
- The review and acceptance of all loan documents or documents required does not constitute the concurrence by the ARPA Automation Program of the accuracy, validity or legality of the documents presented

16. Funding

- Documents required in the commitment letter must be received prior to funding the loan
- The Approved Lender must submit a letter to the ARPA Automation Program requesting release of the ARPA Automation Program funds. The letter must certify that all conditions of the commitment letter have been complied with and copies of all documents required in Schedule A of the commitment letter must be submitted with the letter.

17. Definitions

Approved Lender

To qualify as an Approved Lender for the ARPA Automation Program, a financial institution must have a current executed ARPA Automation Program Lender Loan Servicing Agreement and must adhere to the terms and conditions contained therein when servicing any loans under the ARPA Automation Program.

Capital Investment Justification Report

The capital investment justification report will identify the piece of equipment to be added, updated and/or replaced, the cost of the equipment and identify the annual savings and/or costs. Additionally, the capital investment justification will demonstrate the pay-back period and Return on Investment.

Montana Manufacturing Extension Center (MMEC)

MMEC is a statewide manufacturing outreach and assistance center that provides solutions to help Montana manufacturers grow, innovate and enhance their businesses.