IOWA MANUFACTURING 4.0 LOAN PARTICIPATION PROGRAM

IOWA Economic Development

OVERVIEW

The Iowa Economic Development Authority (IEDA) is partnering with lenders throughout Iowa to assist manufacturers making the transition to Industry 4.0 technologies. The Manufacturing 4.0 Loan Participation Program (LPP) will help offset the risk for Iowa's lenders in extending capital for manufacturers seeking to compete in a new digital world. Through the U.S. Treasury State Small Business Credit Initiative (SSBCI), Iowa has allocated $22 million to the program.

Manufacturers interested in the program should contact a commercial lender directly to inquire about using the program as a lending option for them when making an investment in Manufacturing 4.0 technologies. The lender will originate the loan and determine all loan terms with the borrower.

BACKGROUND

State's contribution

Once terms are agreed upon, the lender can apply on behalf of the borrower and request up to 20% participation in a loan through the Manufacturing 4.0 Loan Participating Program.

Program access for manufacturers

Manufacturers will be encouraged to contact their current lender and ask about the program. Alternatively, lenders may also promote the program if they are a participating lender in the program. IEDA will also hold a list of participating lenders and can provide the list to manufacturers inquiring about the program. Information about the program and its benefits will also be available to lenders and manufacturers on IEDA's Manufacturing 4.0 website (iowamfg.com). The program is offered on a first-come, first-served basis to qualified Iowa manufacturers until funds are no longer available, however, as loans are repaid, funds will be recycled back into the program

Responsibility for setting the loan terms

The participating lender will set all terms. Lenders are responsible for their own credit underwriting decisions and loan originations. IEDA ensures compliance with the program requirements, manages the state's participation level and reports to the U.S. Treasury based on information shared by the lender as required in the Provider Participation Agreement (PPA) that must be on file with IEDA to participate in the program.

State's responsibilities

IEDA's responsibility is to ensure compliance with U.S. Treasury loan participation requirements and reporting. IEDA will review each participation agreement and application for compliance with SSBCI standards. IEDA may request additional information from the lender or borrower if necessary to approve applications. Standard reporting documentation will be provided to participating lenders, and an IEDA point of contact will request quarterly reporting data on any LPP loans. IEDA will market and promote the LPP to potential applicants and Iowa's lending institutions. If approved for loan participation, IEDA will issue a participation certificate to the lender to be included in final loan closing documents. Once an application is approved, IEDA's accounting team will work with the lender to disburse participation funds. They will also be responsible for the collection of payments remitted to IEDA.

Lender's responsibilities

By signing the PPA, the lender will agree to service the loan and any collection on loan payments and remittance to the state the state's purchased portion. The lender will agree to provide quarterly reports on Manufacturing 4.0 LPP loans using the standardized documentation provided by the state. The lender will agree to notify the state, in writing, of any acceleration of payment under any of the loan documents; the commencement of any collection proceeding against the borrower or any co-guarantor or co-signer of the loan; the seizure, sale, transfer, assignment, foreclosure or attempt to exercise against any collateral securing the loan, any forbearance or similar arrangements or any written notice provided by the lender to the borrower, guarantor or other endorser of the loan. The lender will notify the state in writing regarding any commencement of collection proceeding against the borrower or any co-guarantor or co-signer of the loan; the seizure, sale, transfer, assignment, foreclosure or attempt to exercise against any collateral securing the loan. The state will allow the lender to lead in the attempt to recover assets and negotiate any excess recoveries because of its subordinate position. IEDA's percentage of the outstanding balance of the loan shall never exceed the amount stated in the final participation certificate issued as part of the loan closing documents.

ELIGIBILITY

Borrower qualifications

- Iowa for-profit manufacturers with a minimum of 51% of revenue from the sale of manufactured goods
- Implementing Industry 4.0 technology or contributing to automation activities
- Employ 500 or fewer employees
- Cannot earn any portion of its revenue from the lending activities
- Must be in good standing with Iowa Department of Revenue
- Cannot have a principal or investee with 20% or more of the ownership stock or stock equivalent who has been convicted of a sex offense against a minor (as defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911))

Lender qualifications

- A depository institution, insured credit union or community development financial institution that is experienced in the making of loans to businesses of the type provided for under the SSBCI regulations.
- The institution has a physical office in the state of Iowa and is regulated by the Iowa Division of Banking, the Federal Reserve Board, Iowa Finance Authority, Iowa Division of Credit Unions or similar regulatory agency.
- The lender is in material compliance with all federal and state laws, rules and regulations.

Use of funds

- Acquiring Industry 4.0 fixed asset equipment:
  - Specialized equipment for automation
  - Collaborative robotics and equipment for process improvements
- Acquiring software assets required to implement Industry 4.0 technology:
  - Implementation of Industrial Internet of Things (IIoT)
  - Infrastructure hardware
  - Cybersecurity protocols
  - Sensor integration tools
  - Predictive maintenance software
  - Industrial wearable technology for injury prevention
  - Data visualization software
  - RFID tagging software
- Construction or renovations of owner-occupied real estate to support Industry 4.0 equipment installation

Loan eligibility

- Eligible loans must meet a lender's credit underwriting criteria.
- SBA 7(a), SBA 504 and USDA loans are ineligible as are any loans that have a government guarantee.

IOWA ECONOMIC DEVELOPMENT AUTHORITY
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315 USA

International: **+1.515.348.6200**
Domestic: **1.800.245.4692**

Program limitations

- Minimum loan participation requests allowable are $20,000 or 20% of a $100,000 loan.
- Maximum requests are $2,000,000 or 20% of a $10,000,000 loan.
- Maximum term is up to 20 years.
- Term loans with the possibility for balloon payment at the end of the amortization schedule are allowable under this program.
- Participating lenders must always maintain at least a 20% interest in the loan.
- Collateral requirements will be determined by lender. At the time of loan inception, the lender and IEDA agree that an applicant's collateral position will be equal (pari-passu) or subordinated to the lender in the event of default.

Fees

- Loans with maturities of one year or less will be assessed a 0.5% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities of one year to five years will be assessed a 1% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities of five to ten years will be assessed a 1.5% fee of the amount of the state's purchased participation on the loan.
- Loans with maturities greater than ten years will be assessed a 2% fee of the amount of the state's purchased participation on the loan.