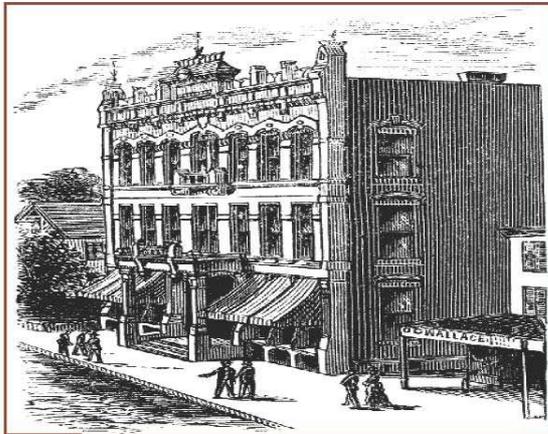


Small Business Loan Program

Continuing Fitchburg's Prosperity for Future Generations

Community Development Office
166 Boulder Drive, Suite 102, Fitchburg, MA 01420
Phone: 978-829-1890 Fax: 978-829-1965

Funds for this program are made available through the city of Fitchburg's Community Development Block Grant Program (CDBG)



*Crocker Block 1885 **



*Fitchburg Savings Bank 1885 **



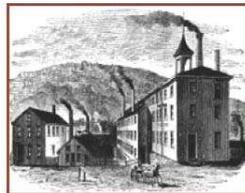
E.M. Dickenson & Co. 1885



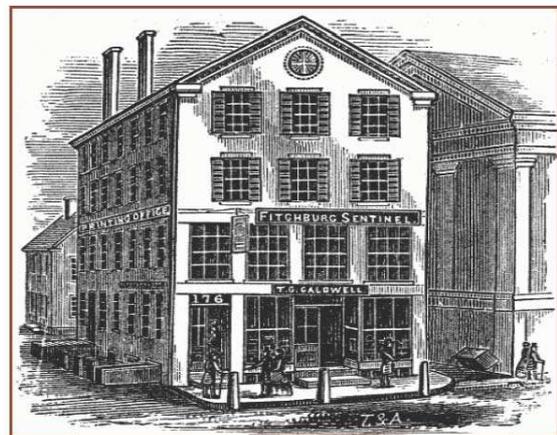
*The "Hanna Mill" 1885 **



*Fitchburg Paper Co. 1885 **



*Fitchburg Woolen Mill 1885 **



*Fitchburg Sentinel 1885 **

Current Loan Advisory Committee Comprises:

- One Community Development Staff Person
- One Chamber of Commerce Staff Person
- One Staff Person from a Private Bank
- One Staff Person from a Local Downtown Revitalization Coalition

Thank you for your interest in pursuing a Micro Loan in order to relocate, start, or grow your business here in Fitchburg. Six copies of the following materials must be submitted to the Community Development office to initiate a loan application:

1. Letter of Intent:
 - Background of Business
 - Purpose of Loan
 - Amount of Loan
 - Total Project Cost, Other Sources of Funds
 - Number of Jobs Created or Retained (including type of job)
 - Timeframe for Jobs (if claiming job creation)
 - Explanation as to why Loan Necessary for Job Retention
2. Loan Application (worksheet enclosed).
3. Personal Financial Statement and resume – One for Each Principal (worksheet enclosed)
4. Personal Tax Returns with all Schedules – One for Each Principal
5. Documentation of ability to create or retain job(s) including time frames for hires if job creation. Please note: hires/employees will have to complete job form.
6. Business Financial Statements and/or Business Tax Returns for three years. Interim Financial Statement not more than 90 days old.
7. Business Plan (if you do not have a business plan, you may be eligible for assistance in creating one, please contact us for referral.)
8. Cash Flow Projections / Profit and Loss Projections for the next two years.
9. A list of assets and liabilities of the business, (balance sheet)
10. Related supporting documentation- copies of leases, patent info, contacts, permits, licenses, marketing studies, articles, etc.
11. Evidence of collateral available to secure loan

When the Community Development office has received six copies of all of these materials, designated staff will review the application for completeness, eligibility and minimum underwriting standards. The loan application will be reviewed by the Loan Advisory Committee for its recommendations and a loan decision will be made within a reasonable timeframe. The applicant will be notified of the loan review dates and should be available to answer any questions that may arise.

Please feel free to contact the Community Development office with any questions.

Part 1 ~ General Policy Statement

The purpose of the Fitchburg Micro Loan Program is to stimulate business for the purpose of retaining and expanding economic development and job growth in the city of Fitchburg, Massachusetts by providing financial assistance to small businesses and entrepreneurs located in Fitchburg, Massachusetts.

The City of Fitchburg is committed to serving the credit needs of businesses in the city. The Loan Advisory Committee and the Community Development Office administer these loan policies and underwriting guidelines to define qualified lending opportunities, set forth approved lending procedures and minimize the risks inherent in lending activities. This loan policy is intended to be a guideline. Flexibility is allowed through exception procedures to effectively deal with the diverse needs of our loan applicants.

At the time of origination, all loans must have a specific repayment plan consistent with the purpose of the credit and clearly identifiable repayment sources. The Loan Advisory Committee must adequately analyze risk factors associated with each request. All loans must adhere to all applicable federal and state laws and regulations. All income generated from these loans must be payable to the city of Fitchburg and deposited in the Economic Development Revolving Loan fund. This fund was established and is maintained by the city of Fitchburg for the continued funding of such activities in the future.

All loans will be required to meet job creation, job retention or other public benefit standards established under the Community Development Block Grant program (CDBG) for the benefit of low and moderate income persons. All loans are subject to a CDBG eligibility review by the Community Development Office. This Office will need to approve and document the proposed benefit prior to the approval of any loans.

ADMINISTRATION

The City of Fitchburg, through its Community Development Office, in consultation with the Loan Advisory Committee, will review and approve the Loan Policies of the program on an on-going basis. Only applications that meet both eligibility requirements and approved Underwriting Standards will be forwarded to the Loan Advisory Committee for formal loan review.

EXCEPTIONS TO POLICY

The Loan Policy cannot foresee all loan contingencies. The City reserves the right to make exceptions to Policy. Loan applicants who do not meet minimum underwriting standards can request an exception. Exception requests which meet federal (CDBG program) standards, but which do not fully meet other standards of the program such as loan amount requested and/or job creation or retention goals will be reviewed by the Community Development Office and, if an exception is granted, the loan will be presented to the Loan Advisory Committee for review.

LOAN LIMITS

For smaller business or service sector loans which involve limited growth and job creation/retention potential, the loan limit shall be \$35,000. For loan requests determined to have significant job and business growth potential, the loan limit may be extended up to a maximum of \$75,000.

The above limits may be exceeded only upon recommendation by the Loan Advisory Committee and approval of the City through its Community Development Office. Loan insiders are not allowed. Loans to the Secretary, the Board of Directors or their family members are prohibited.

Part 2 – Commercial Loan Policy

DESIRABLE LOANS

Desirable loans will be loans to business concerns and individuals supported by a current satisfactory balance sheet and income statement and which have a maturity of not more than four years. In addition, sufficient cash flow must exist to service existing and proposed debt.

All loans provided will be required to meet job creation, job retention and/or other eligibility requirements established under the Community Development Block Grant program. The city of Fitchburg's Community Development Office will need to approve and document eligibility prior to the approval of any loans.

Loan Collateral Valuation

- Chattels on equipment -- *80% of appraised liquidation value, 60% of appraised fair market value, or 80% of invoice, if new.* Equipment loans should be amortized over the life expectancy of the equipment, but in no event, any longer than four (4) years.
- Motor Vehicles -- when accepted as an integral part of the commercial operation.

Loans of this type will be considered to have "soft collateral" or collateral which is less liquid, less marketable than other loans and will be made only in circumstances in which all other loan criteria are considered highly favorable. In all instances, the Borrower must provide financial information and other data to justify and otherwise support the borrowing to the same extent as if the loan were unsecured. In cases where the collateral is insufficient to cover the full amount of the loan (often referred to as side collateral), or where the value of the collateral is difficult or impossible to ascertain, the loans will be considered unsecured loans for approval, policy and recording purposes.

Appraisals

An appraisal on real property will be obtained whenever the Community Development Office finds it reasonable to warrant such, at the Borrower's expense. An appraisal would be used to determine that equity exists in sufficient amounts to secure the loan.

UNDESIRABLE LOANS

Loans of the following type are not considered desirable commercial loans. Such loans will ordinarily be declined unless they are specifically approved for reasons which would justify an exception of the City's General Policy:

1. Loans to a business enterprise where the loan cannot be repaid within a reasonable period except by borrowing elsewhere or by liquidating the business.
2. Loans to a new enterprise where the loan is unsecured.
3. Loans to parties whose integrity or honesty is questionable.
4. Loans to be paid from the proceeds of the settlement of an estate, unless the loans are fully collateralized or guaranteed by the estate and approved by the City.
5. Loans secured by non-marketable stock such as stock in a closely held corporation that has no ready market.
6. Loans for the purpose of acquiring capital or other forms of ownership in a business.
7. Loans for the purpose of providing down payments to support other borrowings.
8. Loans to parties who owe taxes or outstanding bills to the city of Fitchburg.

GUARANTEES & CO-MAKERS

It is the City's policy to obtain the unlimited personal guaranty of the principals of a corporation or to make the principals co-makers of the note. A personal financial statement updated annually must support guarantees. Corporate guarantees will be obtained when lending to a subsidiary unless the subsidiary is strong enough to support the credit.

CORPORATE AUTHORITY & VOTES

The officers of a corporation, partnership or trust which is a Borrower must sign a Corporate Resolution (vote) and Borrowing Authority (vote) showing the names and signatures of the people who are allowed to execute loans on behalf of the entity.

The City must receive evidence that a corporation, partnership, or trust is a legal entity with a properly filed name and that it is in good standing with the Commonwealth of Massachusetts or its state of incorporation. For loans over \$5,000.00 (five thousand dollars), prior to the disbursement of loan proceeds, a Certificate of Good Standing, issued by the Secretary of State of Incorporation, is required of corporate Borrowers.

LOAN TERMS

Loan terms will typically have a maximum maturity of 60-72 months and have a firmly established repayment schedule which provides for monthly principal and interest payments sufficient to pay the loan in full at the final maturity. This schedule of payments must be known and understood by Borrower. Balloon payments and bullet loans are considered exceptions to Policy.

The longer the maturity of a term loan means greater risk than that associated with short term lending and requires more thorough understanding of:

1. The long-range prospects of the Borrower.
2. The Borrower's earning power.
3. The ability of the Borrower to meet scheduled payments.
4. The Borrower's existing and future position in the industry.

PROCEDURES

Loan Application

A completed Small Business Loan Application will be submitted by all commercial loan Borrowers.

Loan Documentation

All loans, both approved and declined, shall be documented with sufficient information justifying their disposition. All approved loans shall have the customary financial information supporting the advance in addition to all required legal documentation necessary to secure the City's interest. All loans shall have the purpose and source of repayment clearly documented.

Credit Files

A credit file is to be maintained on all active commercial loan accounts. Information to be included in the file consists of financial statements and projections, spreadsheets, commercial loan worksheets, credit approval summaries, correspondence and any other information pertinent to the file.

Financial Statements

The City's Loan Policy requires that business financial statements and personal financial statements be provided by Borrowers, Co-Borrowers and Guarantors when a commercial loan is made. The following are the required documents:

- Personal Financial Statement
- Business Financial Statements or Tax Returns for Three Years
- Personal Tax Returns with all Schedules
- Pro forma balance sheets (when necessary)
- Business Plan (when necessary)

Interest Rates, Pricing, and Repayment

Interest rates will vary, depending on the recommendations of the Loan Advisory Committee in its assessment of each loan application according to the underwriting guidelines of the program. Loans which are fully secured and considered by the LAC to be of low risk and high potential reward in terms of job creation and growth potential will be offered the most favorable rates and terms. As a general guideline, commercial loans will be priced at or below current commercial lending rates at the time of the loan application and will not exceed 80% of the Prime rate, as listed in the Wall Street Journal or other applicable source.

The interest rate will be fixed for the entire term of the loan.

Restaurants

To better support our growing restaurant industry, interest rates for restaurants will be 0%, and the term of the loan will be five (5) years.

Payments on restaurant loans will be deferred for six (6) months, and the first 18 months of repayment may be at a reduced rate. Restaurants on Main Street may be eligible for partial loan forgiveness.

The interest rate will be fixed for the entire term of the loan.

Delinquent Loans

Loans become delinquent fifteen (15) days after maturity date or payment due date. Late fees may be assessed by the lending institution processing loans under the program. For loans delinquent beyond a 60-day period may be considered in default and applicants will be required to cure such defaults immediately upon receipt of notice by the City. Failure to cure will result in collection actions in accordance with the terms and conditions of the loan agreement and loan security instruments as applicable.

Insurance

Property insurance is required for all secured loans. Definitions will be as follows:

- Real Property – Real estate property excluding the land.
- Personal Property – Tangible property such as inventory, equipment, fixtures, machinery, motor vehicles, etc.
- Policy – At the closing of a loan, evidence of required insurance must be present for all loans secured by personal and real property. An insurance binder or policy must name the City of Fitchburg as “Mortgagee” or loss payee. Ongoing review is required to insure loan policies remain in effect during the loan.

Credit Investigation

A credit check must be performed on all loan applicants. A credit check will include TRW Credit Reports and Dunn and Bradstreet Reports.

Customer Calls

A representative of the City may meet with the Borrower periodically to keep up with events of the business and to monitor banking needs. This is valuable from both a loan management and marketing perspective. Site inspections will include plants, construction areas, significant equipment/business, etc.

Deferred-forgiven Loans

Under certain circumstances, the Micro Loan Program may provide loan financing with deferred and/or deferred-forgiven repayment terms as exceptions. Some loans could be eligible for up to 6 months of deferred payments, 18 months of reduced payments.

To be eligible for these terms a business must be located in the Urban Renewal Area and meet at least two of the following criteria:

- Businesses requiring life, safety, or food code corrections documented by the City.
- Businesses meeting an unmet market need.
- Businesses leveraging grant resources, particularly when matching funds are required.
- Businesses with prohibitively high front end costs that can demonstrate sustainability within the loan term.

Restaurants located on Main Street in good standing with their loan may be eligible for loan forgiveness after 54 qualifying payments.

Examples of Desirable Uses of Funds

- Restaurant grease trap and interceptor equipment
- Inventory for specialty retail stores
 - E.g., Jewelry/gifts, book/record store, hobby/collectable shop.
 - E.g., specialty grocery (such as organic or ethnic markets, or unique offering, such as a candy store or bakery)
- Equipment purchases, including recreation equipment
- Property acquisition costs
- Lease payments
- Operating expenses during start up
- Purchase of outdoor seating

Part 3 – Loan Criteria Checklist

- Letter of Intent
- Loan Application (worksheet enclosed).
- Personal Financial Statement and resume – One for Each Principal (worksheet enclosed)
- Personal Tax Returns with all Schedules – One for Each Principal
- Documentation of ability to create or retain job(s) including time frames for hires if job creation.
- Business Financial Statements and/or Business Tax Returns for three years. Interim Financial Statement not more than 90 days old. (existing businesses only)
- Business Plan
- Cash Flow Projections / Profit and Loss Projections for the next two years.
- A list of assets and liabilities of the business, (balance sheet)
- Related supporting documentation
 - Leases, Purchase and Sale agreement, Option to Purchase, or documentation of lease negotiations
 - Patent info
 - Contracts
 - Permits
 - Licenses
 - Marketing studies
 - Articles
 - Other: _____
 - Other: _____
- Evidence of collateral available to secure loan
- References
- Evidence of quotes, price listings, estimates for loan proposed purchases. *Note: loan cannot reimburse for materials already purchased.*