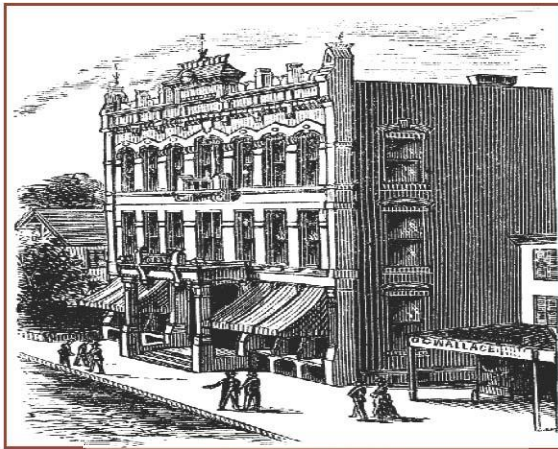


Fitchburg, Massachusetts

Micro Loan Program

Continuing Fitchburg's Prosperity for Future Generations

Community Development Office
166 Boulder Drive, Fitchburg, MA 01420
978-829-1890 Fax: 978-345-0161



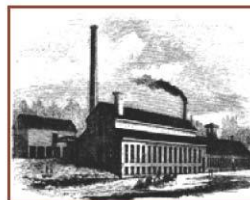
*Crocker Block 1885 **



*Fitchburg Savings Bank 1885 **



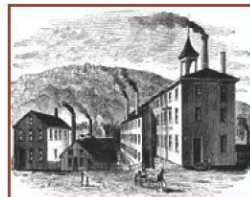
E.M. Dickenson & Co. 1885



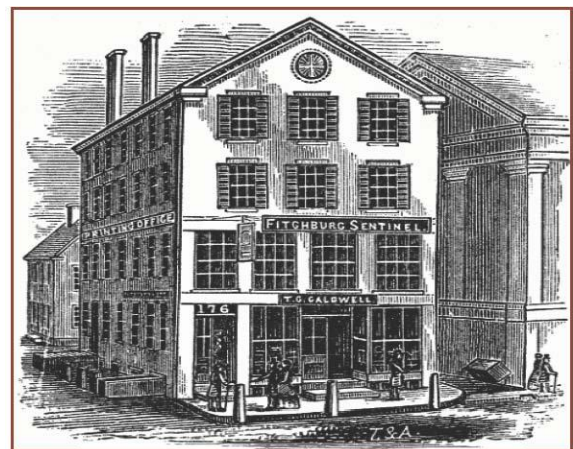
*The "Hanna Mill" 1885 **



*Fitchburg Paper Co. 1885 **



*Fitchburg Woolen Mill 1885 **



*Fitchburg Sentinel 1885 **

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

* Courtesy of www.gutenberg.org

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 Industrial Development Financing Authority (IDFA) care of the Department of 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 – One for Each Principal (worksheet enclosed)

4. Personal Tax Returns with all Schedules – One for Each Principal

5. Job Retention / Creation Forms – Filled out and Signed (include timeframe for hiring if jobs are not yet created)

6. Business Financial Statements or Business Tax Returns for Three Years

7. Business Plan (if available)

8. Cash Flow / Pro Formas (if available)

When the Community Development Office has received six copies of all of these materials, the Loan Review Committee will meet within a reasonable timeframe to make a decision on the loan and vote on the terms of the loan. The applicant will be notified of the meeting date and time prior to the meeting, and should be available to answer any questions that may arise.

Please feel free to contact the Community Development Office at 978-829-1890 with any questions.

Part 1 - General Policy Statement

The Industrial Development Financing Authority (IDFA) Loan Review Committee is committed to serving the credit needs of businesses in the city of Fitchburg. The Loan Review Committee of the IDFA approves and adopts these loan policies, procedures and underwriting guidelines to define qualified lending opportunities, sets forth approved lending procedures and minimizes the risks inherent in lending activities of the IDFA Committee. This loan policy is intended to be a guideline. Flexibility is allowed through exception procedures to effectively deal with the diverse needs of our clients.

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 Fitchburg Planning Office. The Community Development Office will need to approve and document the proposed benefit prior to the approval of any loans.

LENDING OBJECTIVES OF THE IDFA

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 IDFA 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.

MARKET AREA

The IDFA's primary market area is the city of Fitchburg. Since funding comes from the city of Fitchburg, no secondary market area exists.

ADMINISTRATION

The Loan Review Committee will review and approve the Loan Policy annually. The Secretary is responsible for administering the Loan Policy and reports to the Committee. The Committee is responsible for recommending and approving Policy revisions and will resolve questions of interpretation.

The Loan Review Committee shall ratify all loans made within the IDFA, review delinquent loans and review loans presented for approval on a monthly basis. In addition, the Secretary will report all lending activities to the Committee monthly.

EXCEPTIONS TO POLICY

The Loan Policy cannot foresee all loan contingencies. The Committee may make exceptions to Policy. All approved loans must clearly state Policy exceptions and justifications. Loans presented to the Committee for approval must clearly state any Policy exceptions with justifications. Any questionable items will be brought to the attention of the Committee for clarification. The Secretary shall compile a list of Policy exceptions monthly and report to the Committee.

LOAN LIMITS

The Committee herewith establishes a limit of \$25,000.00 (twenty-five thousand dollars) on loans to any single borrower. A single borrower includes any subsidiary, affiliated or related corporation, partnership, proprietorship, etc. as well as primary officers/owners of the business and their immediate families.

The above limit may be exceeded only by a prior vote of the Committee based upon the recommendation of the Secretary. All loans above limit must have a partnering lender.

Loan insiders are not allowed. Loans to the Secretary, the Committee or their family members are prohibited.

PURPOSE

The purpose of the IDFA's 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.

MISSION, GOALS AND OBJECTIVES

The mission of the IDFA is to provide financial assistance to small businesses and entrepreneurs located in Fitchburg, Massachusetts. A goal of the IDFA is to create one job for each \$25,000.00 loaned by addressing the financial needs small businesses have when starting or expanding their operation.

The IDFA shall be responsible for the implementation of the Commercial Loan Policy.

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 exists to service existing and proposed debt.

All loans provided will be required to meet job creation, job retention or other public benefit standards established under the Community Development Block Grant program for the benefit of low and moderate-income persons. The city of Fitchburg's Community Development Office will need to approve and document the proposed benefit prior to the approval of any loans.

Advances Against Loan Collateral

- 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.
- Accounts Receivable -- Advances of no more than 70% of receivables less than 90 days old supported by current aging monthly until the loan is repaid.
- Inventory advances to be determined on a case by case basis but in no event, not more than 25% of currently reported inventory.

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 with abundance of caution. 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.

- Motor Vehicles

Margin Maximum
Type Requirements Terms

Max. 90% of
New Sales Price 48 Months

Max. 90% of
Sales Price

Used Not to Exceed 48 Months
the Loan Value
in NADA Book

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 IDFA's General Policy.

1. Loans to 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 if the repayment of the loan is dependent solely upon the future profitable operation of the enterprise unless guaranteed by another agency like the SBA or secured by high grade marketable securities (appropriately margined 60%) and/or a certificate of deposit.
3. Loans to parties whose integrity or honesty is questionable.
4. Loans outside the IDFA's primary market.
5. 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 IDFA.
6. Loans secured by non-marketable stock such as stock in a closely held corporation that has no ready market.
7. Loans for the purpose of acquiring capital or other forms of ownership in a business.
8. Loans for the purpose of providing down payments to support other borrowings.
9. Loans to parties who owe taxes or outstanding bills to the city of Fitchburg.
10. Loans to establishments who sell or serve alcohol.

GUARANTEES AND CO-MAKERS

It is the IDFA'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 AND 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 IDFA must obtain 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 48 months and have a firmly established repayment schedule providing 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 perfect the IDFA'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, IDFA comment sheets, commercial loan worksheets, credit approval summaries, correspondence and any other information pertinent to the file. The contents of the file are as follows, but are not limited to:

- Purpose of Loan
- Amount
- Term
- Repayment Schedule
- Financial Statements
- Relevant Financial Information
- Appropriate Ratios
- Source and Application of Funds
- Net worth Calculations
- Proforma Statements
- Secretary's Recommendation

With this memo on file, an individual will be able to review a credit folder and understand a loan transaction and the thought process that went into the loan approval. In addition, a memo should be placed in the credit file, as necessary, to describe subsequent events that affect the loan. A copy of the above memo will be circulated among the Board members and officers so that all will be aware of the loan activity in the IDFA.

Financial Statements

The IDFA'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, and at least annually thereafter until the loan is paid. The following are the required documents:

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

Statement Request Action

1. Tickler System

- a. All financial statements required are maintained on a computer database.

2. Procedures

- a. Statement request letters are sent 90 days after fiscal year end.
- b. If not received, second request mailed out in 30 days.
- c. If still not received, Secretary calls in 30 days.

3. Exemptions

- a. Financial statements may be waived if (1) the total loan balance is less than \$2,500.00 (two thousand five hundred dollars) and (2) the Borrower has been paying as agreed.

4. Default

- a. Under certain conditions, a loan may be declared in default for lack of financial information. The IDFA will

use discretion to declare default and begin collection efforts.

Annual Review

All commercial loan relationships over \$2,500.00 (two thousand five hundred dollars) loaned to one Borrower will be reviewed at least annually. The annual review shall consist of an analysis of financial statements, cash flow, debt and collateral coverage.

Interest Rates and Pricing

The interest rate will be based on the *Wall Street Journal's* prime rate as of the date the loan closes. As a general guideline, commercial loans will be priced as follows:

Term 1-2 Years 2-4 Years

Amount \leq \$25,000.00 \leq \$25,000.00

Rate 75% of Prime 80% of Prime

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

Delinquent Loans

Loans become delinquent 15 (fifteen) days after maturity date or payment due date. The Secretary is directly responsible for the collection of all delinquent credits until the loan is assigned to a lawyer for collection. A detailed report on the delinquent Borrower(s) will be submitted monthly to the Loan Review Committee. These reports must be detailed enough to permit easy assessment of the overall delinquent loan situation, percentage of loan(s) delinquent and amount of loan dollars delinquent.

Non-Accrual Loans

All loans which become 60 (sixty) days past due must, without exception, be placed on non-accrual status, if not paid prior to reaching 90 (ninety) days overdue. Interest accruals are resumed on loans that have gone 90 (ninety) days or more past due only when they are brought fully current with respect to interest and principal and when, in the judgement of the Board of Directors, the loans are estimated to be fully collectable as to both principal and interest.

Loan Charge-Offs

The Loan Review Committee will determine all commercial loan charge-offs at its monthly meeting.

Appraisals

An appraisal on real or personal property will be obtained whenever good judgement warrants it, at the Borrower's expense. An appraisal is important in the event the Borrower defaults in the future and the property in question is sold to recover the loan balance.

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 IDFA will 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.

INDUSTRIAL DEVELOPMENT FINANCING AUTHORITY

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