

WORKING CAPITAL LOAN PROGRAM

PURPOSE: Provide working capital for inventory, materials, marketing, and related expenses to industrial and commercial borrowers. Relocation-related expenses for businesses moving into the City are included in this category.

TERM: Not to exceed three (3) years unless PBDC funds are used to match bank terms, which may extend term to five (5) years.

MAXIMUM LOAN: \$50,000.

REQUIRED LEVERAGE: 1:1

REQUIRED EQUITY: 10% of total project cost.

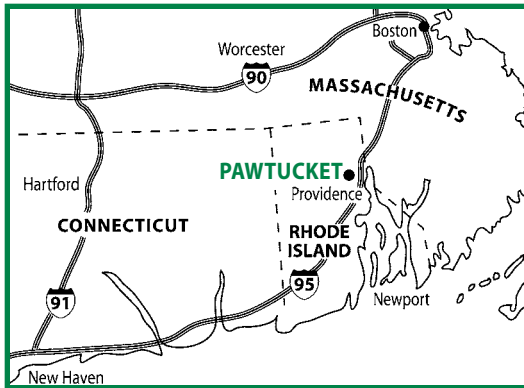
INTEREST RATE: Fixed at prime at closing for term of the loan.

SECURITY POSITION: Junior lien on all assets of business.*

PERSONAL GUARANTEE: Required, may include lien on residence.

*Interest rates are subject to change.

Ten minutes north of Providence, fifty minutes south of Boston and three hours from New York City makes Pawtucket, Rhode Island a perfect location for doing business.



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*Rhode Island's
Creative Community*

**PAWTUCKET'S
BUSINESS
DEVELOPMENT
CORPORATION**



**BUSINESS
LOAN
PROGRAMS**

*Donald R. Grebien
Mayor*

MISSION STATEMENT

Pawtucket's Business Development Corporation (PBDC) serves as an alternative financing resource for small and medium-sized businesses in the City of Pawtucket. Its purpose is to encourage businesses to increase or retain employment, renovate existing commercial buildings, expand the tax base and maximize private investment. PBDC acts as a stimulus for economic development, while prudently managing the financial resources available to businesses.

LOAN PROGRAM GUIDELINES GENERAL PROVISIONS

1. PBDC will loan a maximum of \$100,000 per borrower. This guideline may be waived by the loan review committee if extenuating circumstances exist.
2. The primary focus of the revolving loan programs is to provide financing to small and medium sized companies. To qualify, the business must be located in Pawtucket or relocating to the City. It must create or retain jobs, and must demonstrate the need for the funds as well as the financial strength to repay the loan.
3. The loan review committee will consider the total project costs that will be incurred by a potential borrower by weighing the leveraging of other funds, the availability of additional capital, the equity invested, the number and quality of the jobs created or retained, the impact on local taxes and the total amount of PBDC funds required.
4. PBDC will require an overall project leveraging ratio of \$1.00 of private funds (debt or equity) injected into the project for every \$1.00 of PBDC funds. The leveraging ratio for ventures funded exclusively under the commercial/ retail program may be lowered to \$0.50 of private funds to \$1.00 of PBDC funds. The leveraging for projects involving the acquisition and improvement to real estate will require \$3.00 of private funds to \$1.00 of PBDC funds.
5. Equity from business owners or stockholders of not less than ten percent (10%) will be required in all of the loan categories with the exception of the commercial/ retail ventures, which require twenty percent (20%).
6. Ventures supported by PBDC loan programs should result in the creation or retention of jobs. It is expected that no less than one (1) job shall be created or retained per \$20,000 of PBDC funds. This job generation should be reflected in the business plan and financial projections prepared by the company.

7. Transaction costs of undertaking the loans made by PBDC will be passed through to the borrower. While there is a nominal application fee, if an affirmative decision to lend has been made by PBDC, the borrower will be required to make a good faith deposit. Transaction costs will be minimized whenever possible.

8. Borrowers will be made aware, and shall acknowledge, that since federal funds may be involved in the financing that certain monitoring of financial statements and employment records will occur.

9. Ineligible businesses and uses of PBDC loan funds under these programs include the following:

- Certain types of service companies (e.g. publishers)
- Passive investment companies.
- Debt consolidation or refinancing.
Note: Subject to the availability of unrestricted funds, loans to not-for-profit corporations may be possible, subject to the restriction regarding use of funds, job generation, and financial covenants pertaining to for-profit entities.

10. PBDC reserves the right to amend, waive or modify any provisions stated above.



LOAN PROGRAMS COMMERCIAL VENTURES

PURPOSE: Provide matching loans to retail and service-sector borrowers, including start-ups. Eligible uses of funds include inventory and leasehold improvements.

TERM: Not to exceed three (3) years.

MAXIMUM LOAN: \$10,000.

REQUIRED LEVERAGE: 0.5:1

REQUIRED EQUITY: 20% of total project cost.

INTEREST RATE: Fixed at prime at closing for term of the loan.*

SECURITY POSITION: Senior or junior lien on all assets.

PERSONAL GUARANTEE: Required, must include lien on residence.

EQUIPMENT LOANS

PURPOSE: Provide matching loans to industrial borrowers seeking to purchase equipment or upgrade existing equipment. Allows borrower to borrow up to 90% of value of equipment. Used equipment may be purchased, however an appraisal is required.

TERM: Not to exceed five (5) years unless PBDC funds are used to match bank terms, which may extend term to seven (7) years.

MAXIMUM LOAN: \$50,000.

REQUIRED LEVERAGE: 2:1, if equipment only. 1:1 if part of a project.

REQUIRED EQUITY: 10%

INTEREST RATE: Fixed at prime at closing for term of the loan.*

SECURITY POSITION: If possible a senior lien on specific equipment, include junior lien on other equipment.

PERSONAL GUARANTEE: Required, may include lien on personal residence.

REAL ESTATE LOANS

PURPOSE: To enable industrial and commercial borrowers to acquire and rehabilitate real estate. Allows borrower to borrow up to 90% of the value of the real estate. Eligible activities include acquisition of land and buildings, new construction, and renovation of existing property. Loans will be targeted to older building stock. Borrowers must be owner/ occupants, except by waiver of PBDC.

TERM: Not to exceed ten (10) years.

MAXIMUM LOAN: \$100,000 or higher if funds are available.

REQUIRED LEVERAGE: 3:1, except as part of a total project, then 1:1.

REQUIRED EQUITY: 10%

INTEREST RATE: Fixed at prime at closing for term of the loan.*

SECURITY POSITION: Junior lien subject to first mortgage holder or other government entity.

PERSONAL GUARANTEE: Required, may include lien on personal residence.