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"CAPITAL SOLUTIONS - CAPITAL IDEAS"
"Capital Solutions for Economic Growth in the Pioneer Valley"

Session III
ALTERNATIVE SOURCES
&
COMMUNITY BASED FINANCE

Friday, June 11, 1993
The Depot Restaurant, Northampton

8:00 Registration

8:15 Opening Remarks
John Dunn, Director; Valley Community Development Corp.
Representative Ellen Story
Senator Stan Rosenberg

8:30 Quasi-Public Finance Sources
Donald Rielly, Director; M.S.B.D.C. Capital Formation Service
Janet Gezork, Project Developer; MA Government Land Bank

8:45 "Micro Lending Programs" & Community Development Corporations
Chris Sikes; The Western Mass Enterprise Fund
Charlene Golonka; Franklin Community Development Corporation

9:00 "Community Development Loan Funds"
Nat Henshaw; Coastal Enterprises, Wiscasset, ME

9:20 "Community Development Credit Unions"
Carol Aranjo; Nat. Assoc. of Community Development Credit Unions
& the D. Edward Wells Federal Credit Union; Springfield, MA

9:40 "Community Development Banks"
Lyndon Comstock; Community Capital Bank, Brooklyn, N.Y.

10:00 The Federal Perspective
U.S. Congressman John Olver
Tom Hubbard; Economic Development Staff of Senator John Kerry

10:30 Facilitated Discussion on Developing a Strategy for the Pioneer Valley
Scott Heyl; Hilltown Community Development Corporation

11:30 Adjourn

The Next Step.....Task Force Planning Meeting: Fri. July 9th, 9:00
Valley C.D.C. (586-5855)
Who Will Community Trust, Inc. Lend To?

Specific Loan Guidelines will be developed. These Guidelines will incorporate the following principles:

- All CTI Loan Applicants must demonstrate how they will use funds to meet a human, community, or environmental need, and will be evaluated according to the extent to which the project meets such needs, whether through employment, wages & benefits, type of product or service, or location;

- To be eligible for financing, there must be a financing gap; all or part of the project must not qualify for a standard commercial loan;

- To be eligible for financing, a project must provide one or more of the following benefits:
  - job creation, commensurate with the amount of investment in the project;
  - job retention, where the loan is necessary for the business to continue; or
  - provision of goods or services for low-and moderate-income people;

- The highest priority for CTI's loans are loans which will provide employment opportunities for low-and moderate-income persons; CTI will strive to provide favorable lending terms for loans which will provide such opportunities;

- CTI is committed to affirmatively serving the credit needs of individuals who are or have traditionally been denied access to credit.
Bank of Western Mass. (Dan McKenna)

The bank’s published minimum for commercial loans is $10,000 (Hampden, Franklin, and Hampshire counties). However, the lender Dan spoke with could not recall a loan in recent memory of less than $100,000. The majority of commercial loans are in the $100,000-$150,000 range. No plans for any new programs, other than SBA participation.

Springfield Institution for Savings (Don Bianchi)

The lender Don spoke with used to work at Bank of New England five years ago. At that time, she recalls people coming in seeking funds for start-up business loans "all the time". She sees much less activity now, given the economy. It is generally not profitable for SIS to make loans for under $50,000 (because they are a smaller bank; she assumes that a larger, "money-centered" banks may have any even higher threshold).

Small loans require a lot of work in terms of getting all necessary financial information in order (borrowers do not have accountants). To cover their costs, SIS needs to charge 4-5% over Prime Rate (Prime currently at 7.25%, as of 6/3/94). This expense may not work for small borrowers. This lender was not willing to give an estimate of the bank’s transaction costs for these smaller loans. This information is for internal use only.

SIS treats start-up businesses differently than going concerns (due to lack of established level of profitability, limited assets of borrower). SIS almost always requires a personal guarantee, a mortgage lien on a residence, or an SBA guarantee (for smaller loans, loans to new businesses, or all commercial loans?)

SIS feels that it is limited by law in its ability to provide technical assistance. They cannot give financial advise, and refer borrowers to the Small Business Development Center.

Fleet Bank (Jim Theroux)

Jim met with a commercial lender at the Springfield branch of Fleet. In this lender’s opinion, people who believe there is a credit crunch are 6-12 months "behind the times". He says there is no credit crunch, no shortage of funds. Fleet did 14 million dollars worth of lending in new small business loans in Western Massachusetts last year. Fleet expects to double this level of lending this year. In general loan demand is improving.

There are seven full time Fleet employees originating commercial loans in Western Massachusetts. Loan officers are located in Worcester (2), Greenfield (1), Northampton (1), and Springfield (3). Loans are made in the $10,000-$100,000 range at all the branches, $100,000-$500,000 range out of the Springfield office. Fleet has revised its process for reviewing and granting loans. They have a new, complicated formula which is intended to facilitate and speed
up the application/approval process. Of all loan applications, 70% were approved, 90% of approvals went through to closing.

Fleet does not lend to business start-ups, applicants must have been in business for at least 18 months. Technical assistance is handled through referrals to CDC’s, Ware CDA, and the Small Business Development Center. Referrals for loans under $10,000 are made to the Enterprise Funds.

Fleet believes that the other large banks are not as competitive in this arena. Fleet has only begun, within the last six weeks, to advertise its small business lending program, the "Easy Banking Program".

Fleet has special programs in inner city areas targeted to meet the credit needs of low income, women, and minority borrowers. Amherst (for example) is not eligible for these programs because its census data does not conform. However, a minority firm in Amherst could be eligible for a low interest rate, if it were located in the right census tract.

Fleet participates with the SBA. If a start-up is promising, Fleet will work with the SBA for a guarantee.

Bay Bank  (David Gengler)

For business borrowing, there are several options. The reserve credit option is a loan at prime plus 5 points, and is, like a credit card, not secured. If a borrower wants to borrow $25,000 or more, collateral is necessary.

If someone has no credit at all, Bay Bank will try to accommodate them, maybe referring them to a microlending program in Springfield. Someone with a bad credit record is going to have a hard time getting a loan from Bay Bank, or from anywhere else.

Shawmut  (Laura Baker)

Shawmut offers loans in the amount of $5,000-$500,000 when secured by a house or business assets. Unsecured lines of credit are available up to $50,000, at Prime Rate plus 4%. Shawmut does channel some borrowers whom they cannot serve through the SBA or the Valley CDC.

As a rule, Shawmut does not lend to start-up businesses. They make business loans in cases where the business has at least a 2 year track record, and is making a profit. Also, someone with a business track record relocating to this area would probably not be eligible for a commercial loan from Shawmut. A borrower with a problematic business track record, or with credit problems would most likely not get a loan.
This month changes occurred within the structure of Community Trust, Inc. At the first meeting of the Board of Directors a motion to amend the by-laws was approved. The motion changed the governing structure from a 15 person Board, which would meet monthly, to a 25 person Board, which meets quarterly, while a 9 person Executive Committee will meet each month. The reason given for the change was that many people had expressed interest in joining the Board, and the group wanted to be as inclusive as possible. The Board approved 12 new members, bringing the current number of Board members to 24. Question: will this step toward inclusiveness really expand participation? How active will Board members be when they only come to a meeting once every 3 months? Will the smaller Executive Committee become the actual decision-making body, while the full Board may only have enough information to rubber stamp already formulated decisions?

The second Capital Formation committee meeting took place. Two co-chairs were elected, of which I am one. I provided information for committee members on models of other successful CDLFs. Much lively discussion transpired on a variety of issues. The committee generally agreed that Community Trust needs to develop a market survey to confirm its general instincts on the need for particular types of lending capital. Also, the group needs to take the time to develop an organizational and a business plan. The Board definitely needs to more clearly define the goals of the organization, before the CF committee can proceed to raise funds.

I attended a meeting of a "Working Group" of Community Trust shortly before Christmas. I was made aware of the meeting only by chance, and it appeared to be a random grouping of people who attended (it was not a defined sub-committee, nor was it generally announced to other Board members). At this meeting, a group of five people attempted to generate some written description for Community Trust, that could be used in outreach and in fundraising. One member provided a sample for a local CDC's Enterprise Fund which the group decided to use as a model in drafting our own statement. It was agreed that each person would attempt such a draft for the next meeting, which was scheduled for Jan. 11. After the meeting, because of my concern that the existence of this "Working Group" was not known to other Community Trust Board members who might be interested in participating, I contacted two other Board members, whom I happen to know and invited them to attend. Both were interested in being included. One person had a conflict with the time of the meeting, the other person agreed to come. On Jan. 11, I received a message that the meeting had been canceled. I later learned that it was unfortunately rescheduled to Jan. 19 (when I will be here at the Cultural Diversity Workshop with y'all). Naturally, I was disappointed not to be able to attend, and am experiencing growing concern over the apparently non-inclusive style of the group. Question: How to include more people in this committee?

Up and Coming: Over the next month, I expect to wrestle more with the problem of how to include more members in the group’s functioning and decision-making. Also, I plan to begin a CRA survey of local banks. I will distribute minutes of the last Capital Formation committee meeting, send notices of the next meeting, schedule the use of the VCDC office, and chair the next meeting.
Some progress, in my assessment, has occurred over the past month. Namely:

1. The group has begun to sincerely wrestle with its mission and priorities. Not surprising to me, there are divided opinions on what Community Trust is really about. In a nutshell, the division seems to occur primarily between people (mostly from private sector backgrounds) who feel that any economic development is good for the community. Whereas some people from not-for-profit backgrounds are concerned that, as a 501(c)(3) organization, Community Trust should be geared toward lending to certain sectors of the community, namely low-mod. income people. Anyway, I am glad that this debate is out in the open, because the assumption that we were all on the same track was driving me batty. An awareness is dawning that we need to slow down, and even go backward in order to resolve some key underlying issues.

2. The group is beginning to identify in greater detail what it needs to do to get started. For instance, there has been a suggestion to have some sort of market study done. The Capital Formation committee has generated a listing of various organizations who might be able to provide suggestions on where to look for private investors/donors, as a result of their own fundraising experience. The group will invite someone who was involved with a local community loan fund that failed to discuss pitfalls.

3. An ad-hoc group of people who had been meeting, without any kind of formal identity or notice to other members, has formalized itself into the Public Relations Committee, and I am hopeful that notice of future meetings will be given to all Board members, so that more people will have the opportunity to participate.

4. The first official mailing packet went out to all (25) Board members, with a variety of information, including the dates and times for upcoming meetings. As a result, new people have become involved with our committees. Because there is no paid staff for the group, and the group is somewhat large and unwieldy, one of the main challenges will be to keep people informed. This mailing is a step in that direction.

5. The Public Relations committee is making some progress on a flyer describing Community Trust which can be used to educate the community and as a fundraising tool. This work is inching along, slowed--appropriately, I think--by the group’s on-going discussion of its true nature.

My activities this past month:

1. Attendance at Capital Formation, Public Relations, and Executive Committee meetings.
   I compiled minutes from last month’s CF mtg., mailed them to all members, and scheduled space for this month’s meeting, chaired that meeting.

2. Local CRA survey underway, yielding very interesting results. I have gathered CRA Statements from 5 local banks, and have met for long interviews (1.5 to 2.0 hours) with lenders at 3 of these banks to discuss their perspectives on their bank’s past and future CRA activities. I am at the same time feeling banks out on their willingness to participate in a community development loan fund: lending capital? reduced interest? donations for operating expenses? as well as covering other areas of personal interest.

Up and Coming:

1. My election to Board of Directors.
2. Continuation of committee participation.
3. Continuation of CRA survey.
Continuing progress by the group Community Trust, Inc. this past month includes:

1. Decision by the full Board of Director to hold a special meeting for the sole purpose of discussing the group’s mission and lending criteria for Community Trust’s Loan Fund (at last!). The meeting will be held in two weeks time.
   2. At the request of the Capital Formation Sub-committee, a group of interested individuals will meet to begin the development of a business plan. Capital Formation was not comfortable with seeking lending capital without additional clarity on the issues in #1 and at least a rudimentary business plan.
   3. Surveys to be conducted in Northampton (through the Chamber of Commerce) and Amherst (through the town Planning Dept.) regarding the credit needs of existing small businesses. Results should yield some hard data around which to design our Loan Fund.
   4. Public Relations Sub-committee continuing to work on a brochure for the group. Hopefully, this will be completed by next month.

My activities this past month:

1. On-going survey of bank’s regarding CRA. I met with a commercial lender this week who has recently developed a small business program, and expressed interest in the activities of Community Trust. When I suggested at a meeting of several bankers from a large local bank that Community Trust may be seeking lending capital, and a percentage of that money granted for use as operating money, there was general nodding around the table like that might be a real possibility.
   2. I have been co-chairing meetings of the Capital Formations committee, helping to schedule, making sure minutes are taken and mailed out, etc.
   3. Conducted research with area Chambers of Commerce and Pioneer Valley Planning Commission, in search of statistical data on access to credit (or lack thereof) for small business development. Not very fruitful results, more anecdotes. Looks like we will have to do our own market research (see # 3 above).
   4. Attendance at meetings, meetings, and more meetings. At recent Board of Directors meeting, I was elected to the Board. I also offered to convene and chair a Grants sub-committee, which has not yet gotten off the ground.

Up and Coming:

1. Convene and begin work with a new Grants committee. Apply to Northampton CDBG for $75,000 grant from planning monies. (Money is, rumor has it, remaining from FY ’92 and could well be ours for the asking. Looks very promising, and could be our key to getting our first staffperson on board.)
   2. Continuation and compilation of results from CRA survey.
   3. On-going committee and Board participation.
Swack Project Group, CED Class
April 16, 1994
Update #4
Laura Baker

On-going progress by the group Community Trust, Inc. this past month includes:

1. Special meeting was held on the issue of what the mission/goals of the group are, and how these goals will impact activities/lending decisions of the loan fund. The meeting was surprisingly productive, resulting in some additional clarification on who we are, and who we will lend to. We will prioritize loans which provide benefit for low/moderate income people, through the development of small businesses, jobs created or sustained, and to people who cannot qualify for traditional financing.

2. A small group met to begin the development of a business plan. Some very rough figures were sketched out. The group has another scheduled meeting to flesh out the plan, before bringing it to the larger group for comment.

3. The Capital Formation Committee met with a person who had been actively involved with a now-defunct area loan fund, the Western Mass. Community Loan Fund. She discussed problems and pitfalls of the WMCLF which were very instructive for our group.

My activities this past month:

1. Convened the first meeting of the Grants sub-committee.

2. Wrote and worked with another Grants sub-committee member to present an application for funding from the Northampton CDBG program. Request for funds was in the amount of $60,000 ($20,000 for permanent capital/loan loss reserve; $20,000 for 0-low interest lending capital; $20,000 for operating funds and consulting fees).

3. Attendance at other Board and sub-committee meetings. Facilitated "Special Purpose" meeting on defining who CTI is and who it will lend to.

Up and Coming:

1. Additional research on sources of grant/operating funds. Work with Grants sub-committee, as needed, to complete applications for funds.

2. Meet with newly hired City Planning Dept. staff person to complete and compile results from local CRA survey.
On-going progress by the group Community Trust, Inc. this past month includes:

1. A second meeting was held to flesh out a proposed budget for Community Trust during its first few years. Budget for 1994-1996 produced, which shows goals for acquisition of operating funds and capital funds. Also completed a cash flow statement for operations and for loan capital. Budget shows the need for a daunting level of Operating Funds.
3. Grants committee submitted two proposals for Operating funds.
4. Capital Formation committee met to review fund-raising/membership letter and budget.

My activities this past month:

1. Attendance at two public hearings in support of Community Trust proposal for Northampton CDBG funds. Mayor declined to fund grant proposal, although indicated that if other sources of money were in the project, she would consider it favorably. (No one wants to be the first one in.) The City would also consider a guarantee program.

2. With the help of Grants Sub-committee, another proposal for operating funds was submitted to the Xeric foundation. Although the request was much smaller than our CDBG request ($4800), the proposal was much more substantial. The up side to this is that we are beginning to build a "library" of written information that will be useful in future fund-raising efforts.

3. With a fellow Grants and Capital Formation committees member, prepared a membership solicitation form, with three goals: 1. Develop more members for Community Trust (and raise some money through membership fees) 2. Ask for pledges/commitments for future loan capital, and get a sense of how much people are willing to invest, and at what terms 3. ask people to consider the "10% plan", a proposed 10% donation toward operating funds to match the money they are willing to invest.

Up and Coming:

1. The continuing search for operating funds. Grants committee to prepare a pre-application for the Campaign for Human Development, due July 1, 1994.
2. Capital Formation committee to begin meeting twice a month, rather than once a month, as we never seem to get through all of our business.
3. Take fund-raising/membership letter to Executive Committee for comment, and get out the membership mailing.
4. Up-date efforts at acquiring statistical data through local surveys.
On-going progress by the group Community Trust, Inc. this past month includes:

1. Executive committee approved the mailing for membership solicitation, original letter slightly modified. The committee determined a plan for the mailing: at full Board meeting next week all Board members will be asked to bring a list of 10 names and addresses of acquaintances to solicit. Lists will be compared and culled during the meeting, so that members can address envelopes after adjournment, and add personal notes to the solicitations.

2. Analysis of small business surveys for the Northampton area by Capital Formation Committee.

3. Submission by Valley CDC of a proposal for funds to the Amherst Small Cities Program. Proposal includes money for technical assistance to Community Trust, Inc.

4. Final draft of brochure completed, to be mailed to Board members for review and approval at next week’s meeting.

My activities this past month:

1. Initiated some research with Capital Formation Committee. Spoke with small business originator at a local bank to determine who bank is serving (and who they may not be serving). Each committee member spoke to the appropriate person at a different local bank, and we compared notes at our meeting.

2. Helped plan agenda and mailing effort, to take place at the next full Board meeting.

Up and Coming:

1. Conduct outreach mailing/solicitation.

2. Valley CDC staffperson to generate letterhead for the mailing.

3. I will draft a sample letter for Board meeting next week, and ask members to send similar letter to the Mayor of Northampton, urging reconsideration of funding for Community Trust, Inc.

4. Compile results of interviews with lending officers.

5. Call several local businesses who responded to our survey, to get more in-depth information. Other members of Capital Formation Committee will do the same, and we will compare notes at the next meeting.

6. Hope to hear results of Xeric Foundation proposal during the month of June.
On-going work by the group Community Trust, Inc. over the past month includes:

1. Compiled and culled lists of potential donors to Community Trust. A group met one evening to prepare a mailing, which included personal notes by Board members to each potential donor. Also included: final copy of CTI brochure, a return donor sheet, envelope, and letter.

2. Several Board members sent letters to the Mayor of Northampton expressing disappointment that she did not fund CTI with Block Grant monies. Mayor responded by calling to schedule a meeting with one Board member.

My activities this past month:

1. Helped to organize above mailing effort.

2. Compiled results from calling local lender for information on their small business lending practices: who they are currently serving and who they are not.

Up and Coming:

1. Hope to receive news on Xeric Foundation proposal.

2. Grants committee to meet to determine other potential sources of funds.

3. Group to form membership committee (maybe).

4. Follow-up on mailing with phone calls.
On-going work by the group Community Trust, Inc. over the past month includes:

1. Outreach mailing complete.

2. The Capital Formation Committee discussed the up-coming meeting with the mayor. What is the best forum? The mayor suggested that she come to a Board meeting, but we decided that it would be preferable for several CTI members to meet with her specifically on the issue of her support (CDBG funds) of CTI. It was also decided that such a meeting should be postponed until CTI has other funders on board, because it is clear that she does not want to be the initial funding source.

3. The Capital Formation Committee decided that its next task will be the development of a comprehensive business plan for CTI. We will continue to meet bi-weekly.

4. One person who responded to our mailing offered to donate some training time to CTI. Her expertise is fund-raising and board development. I think we could use both.

5. Response received from Xeric Foundation Proposal....no funding.

My activities this past month:

1. On-going coordination of the Capital Formation Committee.

2. Put together some info. on business plans and other community loan fund models (also thanks to George) for the Capital Formation Committee to review.

3. Revised my Project Contract Outline: most significant changes in the section on "Minimum Objectives".

Up and Coming:

1. Schedule meeting between the Grants Committee and Pat (who will donate some training time on fund-raising) to determine the best strategy for this committee.

2. Continue work, with other members of the Capital Formation Committee, on the Business Plan.
On-going work by the group Community Trust, Inc. over the past two months includes:

1. Grants Committee met with Pat Byrne to discuss our fund-raising plans. Pat recommended, among other things, that we call ourselves the Resource Development Committee...so be it. After talking for a short while, it became readily apparent that the Resource Dev. Committee is hampered by lack of direction/participation at the Board level. Also, lack of clarity and targeted focus will make it difficult to win funders. Pat has offered time in the form of board development, which seems necessary.

2. Capital Formation Committee decided to take the lead and develop a lending focus. We came up with the following target markets based on research of local lenders and our own pre-dispositions: 1. Start-up businesses (first two years) 2. Graduates of micro enterprise programs who need additional capital 3. Cooperatively-owned businesses. A draft was presented to the Executive Committee, who approved it to go before the Board with minor modifications. New draft reviewed by "full" Board at quarterly meeting, and approved.

3. A member of CTI attended the First Alternatives Economics Fair sponsored by People for Co-ops and Collectives. He spoke with participants (11 local businesses) about financing needs, and told people about CTI. Favorable response from participants; number of businesses (PCC has at least 22 members) encouraging.

4. At the quarterly Board meeting, the group decided to focus on one, promising source of funds: Northampton CDBG funds. Members agreed to attend a meeting with the Mayor at her office, and also to come to a pre-meeting strategy session, scheduled for Oct. 12th.

My activities this past month:

1. Drafted lending proposals #1 and #2, as above.

2. Called Mayor’s office to set up meeting for representatives of CTI. I got a return call from the director of Planning and Development Dept., who was disinclined to recommend that we meet with the Mayor, as she did not think funding would be forthcoming, and did not want people to "feel bad". I encouraged her to recommend the meeting, that there were new developments to report from CTI. A meeting will be scheduled by the Mayor’s office. Drafted a letter for group to review addressed to the Mayor (cc: Dir. of Planning) re: progress/developments at CTI. One issue preventing Northampton from granting funding is they are unclear about eligible uses if CDBG funds for economic development activities.

3. Conducted research through MISER and the Small Business Development Center at UMass on numbers of start-up businesses in our area.

Up and Coming:

1. Additional research on need for lending capital by businesses in our newly-defined target markets.

2. Pursue local banks for operating support.

3. Follow-up with the City of Northampton.

4. Research HUD CDBG regs. for eligible uses of funds for economic development activities.
Swack Project Group, CED Class  
November 12, 1994  
Update #10  
Laura Baker  

On-going work by the group Community Trust, Inc. over the past month includes:

1. Four members of CTI met with the Mayor of Northampton to discuss the progress and plans of CTI and try to enlist her support for the group, and for future CDBG funding. The meeting was very helpful to the group, although the Mayor did not commit any funds at this time. She did make numerous suggestions of potential sources of funding and other interested parties. She expressed willingness to write letters of support on our behalf in the future, and that if we are seeking substantial funding, to commit matching funds contingent on garnering those funds.

2. A member of the Resource Development Committee drafted a beginning fund-raising plan, incorporating the Mayor’s suggestions of potential sources. The plan outlines categories of funders (i.e. public, foundation, business, banks, and individuals) and specific people and/or groups to approach. The plan assigns smaller sub-groups of CTI Board members to pursue each category of funders, gives a time-line and a fundraising goal.

3. A member of the Capital Formation Committee drafted a letter and survey on financing needs to be included in a larger mailing to cooperatively-owned businesses. The mailing is being conducted by People for Co-ops and Collectives.

My Activities this past month:

1. Scheduled, coordinated, and attended the meeting with the Mayor.
2. Helped with revisions to the fundraising plan and the co-op survey.
3. Researched criteria and reporting requirements for the use of CDBG monies for a community loan fund.

Up and Coming:

1. Meet with larger group to finalize the fundraising plan.
2. Implement the fundraising plan.
3. With other Capital Formation Committee members, develop outreach material to be used in the up-coming outreach/fundraising effort.
Swack Project Group, CED Class
December 10, 1994
Update #11
Laura Baker

On-going work by the group Community Trust, Inc. over the past month includes:

1. A memo outlining fundraising goals, sources, and sub-committees was circulated to 10 members of CTI.
2. A group of five members met to discuss the memo. It was generally approved with some minor revisions. Members assigned themselves specific sources to call, set up appointments with, and meet with during the month of December. Sources include the Northampton Development Corp., local utility companies, and several banks.
3. One Capital Formation Committee member (not me) met with Chris Sykes of the W. Mass. Enterprise Fund. Chris was very supportive and did not see CTI as competing with the Enterprise Fund. He offered several suggestions on additional funding sources. He strongly recommended we pursue the MOTT foundation.
4. Another member of the Capital Formation Committee (again, not me) attended a session on socially responsible investing, sponsored by the Unitarian Church.
5. The group reviewed a narrative draft of a Prospectus for Investors and Donors to the CTI loan fund. Some members offered revisions, and several people began work on financial projections to accompany the narrative.

My Activities this past Month:

2. Researched and wrote narrative draft (essentially a component of a business plan) of Prospectus for Investors and Donors. With another committee member, worked also on financials.
3. Assimilated comments and revisions into narrative.

Up and Coming:

1. By the end of December, to finalize narrative and financials of Prospectus, so that it can be given to potential funding sources during the visits that are shortly to be scheduled.
2. Print and bind Prospectus.
3. Make visits to potential funding sources.
4. Continue to implement fundraising plan.
MEMORANDUM

To: Members of Resource Development Committee (RDC):
   Kimberley Longey, John Dunne, John Coull, Scott Heyl,
   Greg Dibrindisi, Judy Raymond, Dan McKenna, Al Katz

From: Laura Baker (Committee Chair) and Don Bianchi

Date: November 7, 1994

Re: Followup to 10/12/94 Meeting of RDC

The next meeting of the Resource Development Committee (RDC) is scheduled for __________________ at 5:30 P.M. at the Valley CDC Office in Northampton. It is critical that all members of the RDC make every effort to attend.

At the September 28 Board of Directors meeting, we had a substantive discussion on possibilities for raising operating funds by our newly-named Resource Development Committee, formerly the grants committee. At the Board meeting, we in effect had our first meeting of our enlarged committee, and scheduled the next meeting for October 12. This followup meeting was attended by Laura, Kimberley and Don.

On October 25, representatives of the RDC (John Coull, Scott Heyl, Laura Baker and Don Bianchi) met with Northampton Mayor Mary Ford and Community Development Director Penny Kim. At the meeting, we received the Mayor's strong encouragement to seek funds from other sources. She suggested several sources to explore: the University of Massachusetts, banks, utility companies, the Small Business Administration, the Massachusetts Office of Business Development, and the Northampton Development Corporation.

The Mayor said that she would provide letters and/or statements of support in our applications for funds. Furthermore, if we demonstrate success in raising other funds, the Mayor indicated the City may be in a position to provide a match. Mayor Ford emphasized the need for us to plan 3-5 years in advance, and obtain multiple-year commitments of funding.

We are proposing the following agenda for the next meeting of the RDC, on ________________:

   o form subcommittees to enhance our fundraising efforts, and finalize subcommittee assignments;

   o identify a contact person for each subcommittee;

   o schedule the initial meeting for each subcommittee;
provide an update on the Capital Formation Committee's development of an information package to present to potential funders;

- initiate work on developing a 3-year plan for obtaining operating support.

If you cannot attend the next meeting of the RDC, please call Committee Chair Laura Baker at 268-0064 to confirm your subcommittee assignments.

We are proposing the following subcommittee assignments and fundraising goals.

**Public Sector Grants**

Sources to Solicit: Amherst Ready Resource Funds
Hilltown CDC Discretionary Funds
UMASS/ Small Business Dev. Ctr.
Small Business Administration
Northampton CDBG (after receiving other funds)
Others to be Identified

Fundraising Goal: $20,000 per year in grants

Subcommittee Members: Laura, Kimberley, Don, John D., Scott

**Foundation Grants**

Potential Sources: To Be Identified

Fundraising Goal: $20,000 in grants over next two years

Subcommittee Members: Laura, Kimberley, Don

**Funding from Business and Business-Related Organizations**

Potential Sources: Northampton Development Corporation
Pioneer Valley Venture Forum
Pioneer Valley Planning Commission
Businesses for Social Responsibility
Utility Companies (mark regionet)
Others to be Identified

Fundraising Goal: $10,000 per year; multiple-year grant commitments

Subcommittee members: Scott, Dan, Greg, John C., John D., Al
Funding from Banks

Potential Sources: SIS
Bank of Western Massachusetts
United Bank/ Vermont National Bank
Shawmut
Baybank
Fleet

Fundraising Goal: $2,500 per year per bank; multiple-year grant commitments

Subcommittee Members: John D., Judy, Dan, Laura, Al, Don

Individual Membership Contributions

Potential Sources: Residents in the communities

Fundraising Goal: 50 new members per year; $1,000 in membership contributions per year

Subcommittee Members: All committee members

As long-standing members of the "Grants Committee", it is exciting to see our focus enlarged and the broad expertise being brought to bear on the critical issue of raising operating funds for CTI.

Loan Capital Sources:

SBA
Banks
Individual Investors
Community Trust has a 25 member, volunteer Board of Directors that meets regularly throughout the year to establish policies, set priorities, review requests for financing and make investment decisions. Directors are elected to serve staggered terms of three years.

Officers:
President - John Coull, Owner
    Valley Bicycle
Vice President - Joan Cramer, Owner
    Personal Money Management Service
Vice President - Donna Sarro, Owner
    Well Balanced Payroll
Treasurer - Scott Heyl, Owner
    Heyl Construction
Clerk - John Dunne, Executive Director
    Valley Community Development Corp.

Directors:
Joseph Agundez       Claire Higgins
Laura Baker          Alan Katz
Suzanne Beck         Kimberly Longey
Don Bianchi          Rafael Lopez-Sanchez
Wes Brown            Dian Mandle
Martin Carrera       Louis Moore
John Connors         Judy Raymond
John Coull           Donna Sarro
Joan Cramer          Alan Sax
Douglas DaRif        Mary Seklecki
John Dunne           Jim Theroux
David Gengler        Charlene Golonka
Scott Heyl

Community Trust, Inc.
16 Armory St.
Northampton, MA 01060
(413) 586-5855
What is Community Trust?
Community Trust is a private, non-profit community-based financial institution whose purpose is to spur economic and social development in Hampshire and Franklin counties by bridging the gap between the small business community and conventional lending institutions.

Community Trust will:

- Offer credit to those whose credit needs are not otherwise being met;
- Provide the necessary technical assistance to borrowers to ensure the success of loans and to build the capacity of borrowers;
- Use the lending process in a way that encourages borrowers to participate in decision-making within their organizations and communities;
- Lend primarily for community development providing employment opportunities for low and moderate income people;
- Demonstrate the value and viability of lending to small businesses;
- Provide a bridge between conventional lenders and unconventional borrowers;
- Take deposits; pay a fair market interest rate on deposits; and reinvest deposits through socially responsible lending to businesses in Hampshire and Franklin counties.

Why was Community Trust started?
Over the past ten years, our area has lost all but a handful of its' local lending institutions. Access to loans for small businesses and flexible credit have all but disappeared from our community.

A survey of the remaining banks and financial institutions that do lending identified a clear gap in the lending area of between $10,000 and $150,000. Most nonprofits only lend up to $10,000 while most commercial banks don't make loans under $150,000. The lenders working for these Boston based or out-of-state banks do not have the local knowledge or the authority to make this type of loan, while savings banks are extremely cautious about lending to small businesses.

Community Trust was formed to fill this gap and meet the very real need for a community based financial institution.

When was it started?
The first annual meeting was held on November 17, 1993. Representatives came from all sectors of Hampshire and Franklin Counties: legislators, chambers of commerce, community development corporations, local businesses, and others to establish a long-term solution to the local credit crunch. Members present elected the Board of Directors.

Who can join Community Trust?
Membership is open to all residents of Franklin and Hampshire Counties 18 years of age or older, as well as persons working or doing business in the area who have completed an application for membership and paid annual dues.

What types of loans will Community Trust make?
All loan applicants must demonstrate how they will use the funds to meet a human, community or environmental need, whether through employment, wages and benefits, or products and services.

In order to be eligible for financing all or part of a project must not qualify for a standard commercial loan, and the project must provide one or more of the following benefits:

- Job creation, commendurate with the $ investment;
- Job retention, where the loan is for business survival; or
- Provision of goods and services for low and moderate income people.
Community Trust, Inc.
16 Armory Street, Northampton
(413) 586-5855

PROSPECTUS

For

Donors and Investors
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DESCRIPTION OF COMMUNITY TRUST, INC.

I. MISSION

The purpose of Community Trust, Inc. (CTI) is to provide economic opportunities for low to moderate income individuals through the development of an alternative source of financial services.

Strategy to Implement Mission: CTI will establish a community based loan fund which provides loan capital for small businesses to people who are or who have been traditionally denied access to credit. Loan amounts will range from $10,000 to $150,000. The loan fund will be based initially in Northampton, at the offices of the Valley Community Development Corporation, and loans will be made to businesses located in Hampshire or Franklin counties. Loan applicants must demonstrate how funds will meet a community need and the direct way that funds will act to benefit local residents through job creation, retention, or the provision of goods and services to low and moderate income people.

The purpose of this prospectus is to acquaint potential donors and investors with the concept and viability of establishing the type of community based loan fund proposed by CTI.

II. HISTORY

Community Trust, Inc. was incorporated as a non-profit organization in the fall of 1993 and held its first annual meeting in November of 1993. Prior to this meeting, a group of individuals from Hampshire and Franklin counties, concerned at the dwindling number of locally-based financial institutions, held a series of forums entitled "CAPITAL SOLUTIONS--CAPITAL IDEAS". From these public forums, a core group of individuals (representing banking, venture capital, small business, and non-profit sectors) began planning the most effective way to meet credit gaps and obstacles that small businesses face in obtaining financing.

During its first year of formal organization CTI has concentrated on developing its capacity to address financing problems that small businesses face, and has refined its analysis of existing gaps in institutional financing. CTI has been driven entirely by volunteer effort on the part of its Board of Directors. The Board (see complete list, Appendix I) continues to represent a comprehensive array of interests: strong representation from small business owners, from investment and venture capital specialists, and from the not for profit sector. Membership in CTI totals 45 people as of December 1994.

During this year, CTI has maintained a close relationship with its sponsoring organization, the Valley Community Development Corporation (VCDC). The VCDC has provided meeting space, organizational support for mailing, minutes, etc., and experience with economic development projects. In 1989, the VCDC was instrumental in fostering another community loan fund project, the Western Massachusetts Enterprise Fund, which lends to very small businesses in amounts less than $20,000, averaging $7,000. Originally the W. Mass Enterprise Fund was
housed and run out of space provided by the Franklin County CDC, but after an initial period, it spun off into its own separate entity. This year the W. Mass Enterprise Fund loaned $251,244 to 34 businesses in Western Massachusetts and is continuing to grow at a rapid pace. The amount loaned in FY '94 was three times the amount loaned in FY '93.

CTI envisions a similar pattern of growth: originating as an activity housed within the VCDC, spending 2-3 years becoming fully operational, and then establishing a separate venue.

III. GEOGRAPHICAL AREA OF ACTIVITY

CTI will lend to small businesses located in Hampshire and Franklin counties (see map below). Existing patterns of business distribution result in approximately half of Hampshire county businesses being located in the Northampton-Hadley-Amherst corridor. Because of the level of economic activity in this corridor and the current absence of sufficient credit options to stimulate new businesses, CTI anticipates a significant majority of its lending will be to businesses located in this corridor. Furthermore, because CTI will initially be located in Northampton (Hampshire county seat), lending activity during this period will be predominantly in Hampshire county, due to physical proximity. Business distribution patterns in Franklin county indicate a concentration of businesses (40% for the county) in the town of Greenfield. CTI's patterns of lending may shift in future years as the location of CTI changes, and as its capacity to make loans and conduct outreach increases.
Demographics of the Counties*:

The population of Hampshire county (146,568) and the population of Franklin county (70,092) yield a total population base of 216,660 people. Business development is proportional to population: Hampshire county has 3,141 business establishments employing 41,565 people, while Franklin county has 1,622 business establishments employing 21,568 people. (Source: County Business Patterns, 1991, Bureau of the Census.) As discussed above, businesses are concentrated in the larger towns and city.

The median household income in Hampshire county is $34,154 and in Franklin county is $30,350. Of employed residents of Hampshire county, 67% work within the county. Of employed residents of Franklin county, 68% work within the county. Businesses in both counties are predominantly small. In Franklin county, 55% of all established businesses employ 1-4 people, while 77% of businesses employ 9 or fewer people. In Hampshire county, 56% of all established businesses employ 1-4 people, while 78% employ 9 or fewer people. (Source: County Business Patterns, 1991).

Based on the number of new businesses incorporated in Massachusetts in a year's time (15,725 for the period April 1993-April 1994), one can extrapolate the level of business incorporation in the two counties to be 487 businesses annually. (Based on the ratio of established businesses in Mass. to established businesses in the two counties. Source: New England Economic Indicators, October 1994, Federal Reserve Bank of Boston).

IV. OUTREACH/MARKETING PLAN

The issue of market has been a primary focus for CTI. Because of the founding mission of the group, "market" has most often been identified in terms of potential borrowers. However, as the financial information will demonstrate, although the borrowers will be the end-users of CTI's services, they will not constitute its only market. As a business venture, CTI will rely on two additional markets to support its own operations. For simplicity's sake, these markets are discussed broadly as investors and donors.

A. Investors

Individual Investors:

One of the driving forces behind the formation of CTI was the desire of local residents to invest money locally. There is enthusiasm for a mechanism by which residents of Hampshire and Franklin counties can be assured that their money is working to benefit the local economy. There have been numerous expressions of this public interest. A graphic illustration of this interest occurred during the period between December 4, 1992, when news of the failure of the local Heritage Savings Bank and imminent merger with Fleet Bank became public information, and May 14, 1993, when Fleet Bank merged the Heritage deposits with its own.

* Unless otherwise indicated, statistics are based on 1990 STF-3 Census Data.
During this period, thousands of depositors pulled a total of 36,000 accounts from the soon-to-be Fleet Bank. A total of $320 million in withdrawals (representing a third of Heritage’s nearly $1 billion in deposits) fled the Bank. Other small, local banks received the over-flow. Florence Savings Bank increased its deposits by $36.4 million (19.9%) in the year ending September 30th. Other smaller local banks were similarly effected: Northampton Co-operative Bank reported increases of $7.6 million (14.7%); Easthampton Savings Bank received $25.7 million (13.9%); Peoples Savings Bank took in $34.3 million (9.5%); Woronoco was up $17.5 million (9.3%). (Source: Daily Hampshire Gazette article, 12/6/93.)

Over several months’ time, the Hilltown Community Development Corporation raised over $50,000 in individual investment for a revolving loan fund from the approximately 13,000 residents in its ten town region. The success of this capitalization was based on the desire of Hilltown residents to invest in their neighbors and their immediate communities.

CTI, without actively soliciting investment, has received half a dozen offers of investment from local residents and from its membership. The organization has asked these interested parties to postpone their investment until CTI has the organizational capacity to begin making loans. Outreach to individual investors will be the responsibility of the CTI members, who will use existing connections to religious groups, to "Businesses for Social Responsibility", to the "Social Investment Forum", venture capital groups, and supporters of local not for profit organizations. Advertising will be conducted through the local paper, the Daily Hampshire Gazette, which has demonstrated an on-going interest in CTI through several articles during the past year. Solicitations will also be made through an existing mailing list of interested parties (approximately 250 people).

CTI will offer its investors a range of options with terms which favor longer periods of investment. CTI will accept loans of $1,000 or more. Investors will determine the term of their loan, with the minimum term being one year. Longer term loans, and loans with low or 0% interest will be encouraged. For investors requiring a return, two options will be available: interest at a rate of 4 points below prime for investments of one or two years; interest at a rate of 2 points below prime for investments of three or more years. Interest payments will be made on a semi-annual basis.

Investments will not be insured. However, CTI will protect its investments by requiring collateral for its loans, providing technical assistance, regular monitoring of borrowers to facilitate successful loans, and maintaining loss reserves.

Based on the amount of money transferred out of Fleet Bank and the success of other area funds in raising money from individual investors, the total market of investors seeking locally-based investment opportunities is estimated to be in excess of $300 million. The loan fund proposed by CTI will seek to capture a very modest percentage of that market, .1% over 3 years.
Institutional Investors: Several institutions are likely prospects for investment of lending capital at favorable terms:

3. Foundations interested in making program related investments.

Reporting on the fund’s progress and financial status to investors and donors will occur semi-annually.

B. Donors

The experiences of previously established loan funds which have had varying degrees of success have informed the efforts of CTI in developing plans for its loan fund. Specifically, the most critical ingredient for loan fund stability has been the ability to fund operations. While the revenue from interest and fees generated by lending can be substantial, they are not sufficient to cover the loan fund’s total operating expenses. This is particularly true in a loan fund’s early years.

The most significant challenge in funding operations is not the unavailability of sources of grant funds and donations, but the fact that the amount of time needed to pursue these funds is prohibitive. The staff of a loan fund (in early years, typically a single individual) cannot simultaneously conduct outreach, screen applications, offer technical assistance to borrowers and raise operating funds. For this reason, CTI seeks three to five year commitments from its donors. It is vital to have this initial funding stability for the loan fund to succeed and grow. It is simply too draining for an incipient organization to raise its entire budget from donations on an annual basis. CTI will urge its donors to consider smaller initial amounts of commitment in favor of multi-year commitments.

Donors are an important market for CTI. Donations or grant funds are needed for start-up costs, to establish permanent capital and loan loss reserve, and to subsidize the operating budget of the loan fund. Although many loan funds are recent organizations, examples of large, successful, established loan funds (7-10 years, over 2 million in capitalization) indicate that an average of 40-60% of operations are covered by revenue (income generated from interest and fees). The remaining 40-60% of the operating budget is supported annually by donations and grants.

CTI is currently filing for 501(c)(3) status, which will allow donors’s contributions to CTI to be tax deductible. In the interim, donations made through CTI’s financial conduit, the Valley CDC, itself a 501(c)(3) organization, are also tax deductible.

The sources and amounts listed on the next page have been identified in CTI’s fundraising plan. These sources are sufficient to generate the operating capital and permanent capital (needed in the first year only) and annual operating capital in future years.
Although in early years, the loan fund will only generate a small percentage of its income from its lending activity, this activity is the purpose of the fund and demand for these loans is essential to the viability of the loan fund. CTI has conducted research about other area lenders (see section on Competition) and will target its loans to types of businesses that are not currently being served by these lenders. Because one of CTI’s goals is to prepare people to be able to access conventional financing sources and not to compete with these sources, borrowers will be required to demonstrate rejection from two financing sources (typically banks) before becoming eligible for a loan from the loan fund (see sample form, Appendix II).

<table>
<thead>
<tr>
<th>Sources</th>
<th>Fundraising Goal</th>
</tr>
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<tbody>
<tr>
<td><strong>Foundation Grants:</strong></td>
<td></td>
</tr>
<tr>
<td>MOTT Foundation</td>
<td>$20,000 per yr. from all sources combined</td>
</tr>
<tr>
<td>Sources to be Identified</td>
<td></td>
</tr>
<tr>
<td><strong>Public Sector Grants:</strong></td>
<td></td>
</tr>
<tr>
<td>Amherst Ready Resource Funds</td>
<td>$20,000 per yr. from all sources combined</td>
</tr>
<tr>
<td>Hilltown CDC Discretionary Funds</td>
<td></td>
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<tr>
<td>UMASS/Small Bus. Dev. Center</td>
<td></td>
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<tr>
<td>Small Business Administration</td>
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<tr>
<td>Northampton CDBG</td>
<td></td>
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<tr>
<td>Academic Institutions</td>
<td></td>
</tr>
<tr>
<td>Others to be Identified</td>
<td></td>
</tr>
<tr>
<td><strong>Business-Related Organizations:</strong></td>
<td></td>
</tr>
<tr>
<td>Northampton Development Corp.</td>
<td>$10,000 per yr. from all sources combined</td>
</tr>
<tr>
<td>Pioneer Valley Venture Forum</td>
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<tr>
<td>Pioneer Valley Planning Commission</td>
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<tr>
<td>Businesses for Social Responsibility</td>
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<tr>
<td>Utility Companies</td>
<td></td>
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<tr>
<td>Others to be Identified</td>
<td></td>
</tr>
<tr>
<td><strong>Banks:</strong></td>
<td></td>
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<tr>
<td>SIS</td>
<td>$30,000 total from all bank sources</td>
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<tr>
<td>United Bank/Vermont National Bank</td>
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<tr>
<td>Shawmut</td>
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<td>Baybank</td>
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<td>Fleet</td>
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<tr>
<td>Bank of Boston</td>
<td></td>
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<tr>
<td>Others to be Identified</td>
<td></td>
</tr>
<tr>
<td><strong>Individual Membership Contributions:</strong></td>
<td></td>
</tr>
<tr>
<td>50 new members per yr.</td>
<td>$1,000 per year</td>
</tr>
<tr>
<td><strong>Total Annual Fundraising Goal</strong></td>
<td>$81,000</td>
</tr>
<tr>
<td>(Operating Budget)</td>
<td></td>
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</tbody>
</table>
C. Borrowers

CTI has identified the following types of businesses as eligible borrowers:

1. **Start-up businesses**: Start-up businesses are defined as those business being newly formed, or businesses within the first two years of operation. This is a sector of the commercial market currently not served within the loan amounts proposed by CTI ($10,000-$150,000). A survey of local banks* revealed that most banks do not offer commercial loans to businesses with less than two years’ track record, and none lend to businesses with less than 18 months’ track record. It should be noted that some area banks do have personal loans and lines of credit available (under $50,000) to individuals who can provide sufficient collateral. Because CTI’s mission is to serve low to moderate income people it is anticipated that some applicants may not be "bankable" due to insufficient credit history or collateral.

The number of potential start-up businesses needing financing is a difficult number to gauge. Of the number of actual business start-ups in the two counties (estimated to be 487 annually), we project that 40% of these businesses (195) need, and are unable to obtain, financing. The two primary reasons for failure of small businesses within the initial years after start-up are 1. Management problems 2. Insufficient working capital. The CTI loan fund will help start-up businesses in both of these areas, through offering technical assistance and loans to its borrowers.

The Small Business Development Center, located at UMass, serves as an information resource for small businesses in the area. The Center reports counseling 356 people in the Western part of the state during a one year period (9/1/93-9/1/94) who wanted to begin a new business. This number does not include the many people who called for information or referral. The Valley CDC reports approximately 100 calls per year from people seeking assistance to start a business.

From this data, CTI conservatively projects the potential pool of borrowers from the two counties who need, and are unable to obtain, start-up financing to be in the range of 150-200 persons per year. Through informal discussions with area resident we presume that the total market of borrowers is much larger than those who may have sought formal assistance. Many people assume that they will not be able to get a conventional bank loan, or are intimidated about approaching a bank or the Small Business Development Center.

Outreach for the CTI loan fund will emphasize support and technical assistance to borrowers. People will be encouraged to contact the fund even if they have not fully developed a business plan. Assistance will be provided to create a complete plan, and assess the feasibility of a business concept. Through networking with the micro lending programs, the Small Business Development Center, and local banks, CTI anticipates 2-5 referrals per week of individuals

* CTI Board members interviewed commercial loan officers at Bank of Western Mass., SIS, Fleet Bank, Bay Bank, and Shawmut.
seeking loans in the $10,000-$150,000 range.

2. Graduates of Micro Loan Programs

The two counties are fortunate to have several excellent sources for micro loans (generally under $10,000). The Western Mass. Enterprise Fund provides technical assistance and loan capital to the greater Western Mass. region. Although the published limit for loans through the Enterprise Fund is $20,000, the average loan is $7,000. CTI anticipates referrals from this fund for borrowers seeking larger loans.

The amount of lending done by the Western Mass. Enterprise Fund to micro businesses is increasingly rapidly. In FY '94 they made loans to 34 micro businesses. The number of graduates who need larger amounts of financing is a small, but growing number.

Outreach will consist primarily of referrals.

3. Non-traditional Businesses

This third targeted category of borrowers is perhaps the most difficult to quantify because it includes a variety of types of businesses which share some common features. These businesses (cooperatives and collectives) are structured to promote greater economic equality among members, and often employ low to moderate income people. Because of their non-traditional structure, they have difficulty accessing traditional sources of financing, because lenders may be unfamiliar with the structure and viability of these businesses.

CTI is working with the group "People for Co-ops and Collectives" (PCC), an incipient trade organization for alternatively owned businesses. In discussion with these business owners at a recent Alternative Economics Fair, CTI learned that several businesses have been unable to obtain financing from traditional sources. PCC has identified approximately 30 co-ops and collectives and is developing a directory of these businesses. CTI and PCC have jointly distributed a survey to assess the financing needs of these businesses. This survey and the continuing connection with PCC will serve as the initial form of outreach to these non-traditional businesses.

COMPETITION

Although CTI has intentionally sought to create an unduplicated service, and thereby complement rather than compete with local lenders, there are other sources of loan capital for businesses within the two counties.

1. Banks: It is presumed that banks are the most common first stop for an entrepreneur seeking loan capital. As discussed above, borrowers from the CTI loan fund will need to demonstrate rejection from other financial institutions to be eligible to borrow. CTI's goal is to fund viable businesses that are not "bankable" because either the owner or the business does not fit the profile of traditional borrowers. Some of the most common reasons for this may be:
insufficient business track record, lack of traditional types of collateral, or a limited credit history. The terms of loans offered by the CTI loan fund will not offer a competitive advantage over local banks, such that businesses eligible for conventional financing might be lured away. CTI will seek support and partnership with local banks. CTI will assist banks to fulfill their obligations under the Community Reinvestment Act by making loans that the banks are not able to make.

2. Micro lending programs: CTI has defined its lending parameters so as not to duplicate the area so ably serviced by existing micro loan programs. The micro programs concentrate on the smaller (almost exclusively less than $10,000), first-step loans. The exception to this lending cap is the Enterprise Fund offered through the Hilltown CDC, which will make larger commercial loans on an as needed basis. However, Hilltown CDC lends exclusively in the Northern Hilltowns region (10 adjacent, small, rural towns). CTI anticipates most of its lending to take place in the more populated towns and city of Northampton, Hadley, Amherst, Easthampton, and Greenfield. CTI will seek to work in partnership and through active referral with the micro loan programs.

3. Small Business Administration: The SBA does not provide loan capital, rather it guarantees loans that banks are willing to underwrite. As stated above, borrowers from the CTI loan fund may not meet traditional bank standards.

4. There are loan funds which have targeted areas of focus, which lend regionally or nationally (for example, the National Co-op Bank, Co-op Fund of New England, Religious-based loan funds, etc.). Although these funds may be comfortable lending to a non-traditional business, they do not have the local advantage that the CTI loan fund will have. CTI’s fund director will be able to offer on-going face-to-face contact and support to borrowers unlike funds based out of state.

V. LEVEL OF LENDING ACTIVITY/GOALS

Because of the difficulty involved with starting and maintaining funding for a community based loan fund, CTI projects that its lending activity will begin at a very modest scale. During the first six months of operation, the loan fund will focus on organizational issues, and make one loan during this period. During 1995, the loan fund will make 6 loans averaging $30,000 each. During 1997, the loan fund will make 8 loans, averaging $40,000 each. In year three of operation, the loan fund will reach its maximum level of lending without additional staff.

The loan fund director will offer an average of 3 hours of technical assistance to potential borrowers, and another 3-5 hours per month of assistance to borrowers with outstanding loans. This figure will vary greatly dependent on the needs of the individual business; loans in need of workout assistance will require substantially more time.

The CTI Board of Directors will conduct initial fund-raising for the loan fund, and will seek 3-5 year commitments of operating capital, or annual commitments that can be renewed.
VI. STRUCTURE

The loan fund will be a project of CTI, which is incorporated as a non-profit, membership organization, and will be registered with the IRS as a 501(c)(3), tax exempt organization. The basic organizational structure of the loan fund will be based on components of other successful loan fund models. The loan fund director will be the person responsible for linking the various entities involved in the loan fund. The director will assist borrowers and bring loan applications before a loan committee (sub-committee of the Board of Directors), which committee will have the authority to approve loans. Loan origination and routine servicing will be performed by a local bank in partnership with the loan fund. Technical assistance to applicants, borrowers, and any work-out of delinquent loans will be the arena of the loan fund director. The Board of Directors will oversee the director and set policy for the fund.

A. Role of the CTI Board of Directors

The CTI Board of Directors will be responsible for initial fundraising and capitalization of the loan fund. They will assist the loan fund director with future fundraising efforts. They will establish initial operating policies for the loan fund, and be responsible for adapting these policies, as needed. They will elect the Loan Committee. They will help to build the membership base of CTI on a continuing basis, and assist the loan fund director with public relations for CTI and for the loan fund. The Board will maintain an Executive Committee which will meet monthly and act as the arbiter for any grievances resulting from decisions by the Loan Committee.

Qualifications of the Board of Directors:

The current Board of Directors consists of 25 individuals possessing diverse skills and experience. To highlight a few of these Directors:

1. John Coull (President): John is the successful owner of a 13 year old small business located in Amherst, Valley Bicycle. John has been active in the Amherst Chamber of Commerce and other non-profit organizations.
2. Joan Cramer (Vice President): Joan spent several years in banking before establishing her own financial consulting business.
3. Donna Sarro (Vice President): Donna holds an MBA degree and is the sole proprietor of a small payroll and bookkeeping business.
4. Scott Heyl (Treasurer): Scott participated in the creation and capitalization of a revolving loan fund at the Hilltown CDC. Scott has been active in numerous economic development efforts in Hampshire County.
5. John Dunne (Clerk): John is the Executive Director of Valley CDC and was instrumental in the establishment of the Western Mass. Enterprise Fund.
6. Don Bianchi: Don spent 5 years working as the senior loan officer for the Institute for Community Economics’ revolving loan fund.
7. Dan McKenna: Dan owns an investment consulting company and is active with the local "Businesses for Social Responsibility" group.
B. Role of the Loan Fund Director

Initial financial projections for the loan fund are designed to support the full-time salary of one staff-person. As is customary for a young community loan fund, this person will have many responsibilities. The loan fund director will conduct outreach for the fund, screen potential loan applicants, assist promising applicants with the preparation of their applications, bring applications before the loan committee, and provide technical assistance, as needed, to borrowers. The loan fund director will be the primary liaison with the loan fund’s bank partner and responsible for tracking loan repayment, for reviewing quarterly financial information provided by borrowers, and for intervention and workout with any delinquent loans.

Qualifications of the Loan Fund Director: The loan fund director will have broad experience underwriting a variety of small business loans. S/he will be familiar with the banking industry and with the alternative lending sector. S/he will have proven fundraising and public relations skills, and experience in management.

C. Role of the Loan Committee

The Loan Committee will be comprised of 3-5 individuals elected from and by the Board of Directors, with powers delegated by the Board. The Committee will meet at least monthly, more often if needed, to review loan applications. This Committee will have the final responsibility to determine which applicants will receive loans. The Committee will make this decision based, in part, upon the information and recommendation provided by the loan fund director. The Loan Committee will assist the director to determine appropriate terms and collateral requirements for each loan, so as to minimize the risk associated with each loan. Loan committee members will also be selected for their ability to evaluate business plans, interpret financial statements, and offer technical assistance.

Qualifications of Loan Committee members: The Loan Committee will be comprised of at least one person with small business underwriting experience, at least one person with loan fund experience, and at least one person from the not for profit sector, who has experience working with low and moderate income people.

D. Role of the local bank partner

As in the model developed and successfully implemented by the micro lending program, Working Capital, the CTI loan fund will seek a local bank as a partner. The bank will originate and perform routine servicing (accept and track monthly payments) for loans. The decision about which loans to make will rest solely with the CTI loan committee. The bank will be responsible for informing the loan fund director of any loan payment 10 days overdue, so that the loan fund director can immediately contact the borrower. The bank will turn over any loan more than 60 days delinquent to the loan fund. The loan fund will assume full responsibility for any collections or workout necessary. Benefits to the local bank: CTI’s cash assets will be deposited in this bank. The bank will gain favorable public recognition for its extra efforts to meet unmet credit needs in its community. The bank will be able to assist with meeting these credit needs without itself incurring any financial risk.
Qualifications of the local bank partner: The bank selected as a partner to the CTI loan fund will need to have a pro-active approach to its community credit obligations. The bank will need to pledge a minimum amount of annual operating support to the loan fund, and help solicit similar commitments from among its peers.

VII. LENDING CRITERIA

A. Threshold Criteria
To be eligible for a loan from the CTI loan fund, the applicant business must be in one of these three categories:

1. A start-up business (or within the first 2 years of operation)
2. A graduate of a micro lending program
3. A non traditional business (having an alternative ownership structure)

Within the above categories the applicant business must also:

1. Be located in Hampshire or Franklin counties.
2. Have a financially viable and complete business proposal.
3. Demonstrate rejection from other financing sources.
4. Demonstrate that it meets a community need.
5. Provide job creation, retention, or needed goods and services to low and moderate income people.

B. Lending Priorities
Within the businesses that meet the threshold criteria listed above, preference will be given to applicant businesses based on their level of demonstrable community benefit and the number of employment opportunities they will create for low to moderate income people.

VIII. LENDING PROCEDURES

A. Application Procedure/Intake
Intake of potential applicants will be the role of the loan fund director who will establish regular office hours, initially at the Valley CDC office suite (16 Armory Street, Northampton). The director will assist applicants, as needed, with the completion of necessary forms:

1. Application Form
2. Proof of rejection from other financial institutions
3. Three local references
4. Information in the form of, or equivalent to, a business plan, including financial projections

B. Loan Review
As soon as all forms and information have been received and analyzed by the loan fund
director, the application and accompanying documents will be presented to the Loan Committee. The loan fund director will present a recommendation to the loan committee regarding his/her assessment of the business proposal and the capabilities of the borrower. At a minimum, the borrower must be able to produce quarterly financial reports for the loan fund. The Loan Committee will arrive at one of three conclusions: 1. Approve the loan (with or without conditions) 2. Reject the loan (with reasons and suggestions) 3. Request additional information from the applicant before making a decision.

When a loan is approved, the loan committee will determine the rate, terms, and collateral requirements.

If rejected, a loan applicant who is aggrieved may petition in writing to have his/her application considered by the Executive Committee of the full Board of Directors.

C. Loan Origination and Servicing

Once a loan applicant is approved by the Loan Committee, the loan fund director will notify the local bank partner, who will originate the loan and prepare papers for the loan closing. (CTI will make the final determination regarding what forms and documentation are needed for loan closings). The bank will draw a check for the loan amount from the CTI deposits. The borrower will make monthly payments to the bank, and provide the loan fund director with quarterly financial reports. The bank will notify the loan fund director of any loan more than 10 days delinquent, and turn over any loan more than 60 days delinquent.

D. Loan Terms/Collateral Requirements

Loans will be made for terms of no more than three years. The duration of loans made will match the duration of investments. For example, $50,000 is invested with the loan fund for 2 years. This money may be lent for two 1-year terms or for one 2-year term, but not for a 3-year term. Interest charged on loans will generally be close to market rate, but there will be some flexibility dependant upon the needs of the borrower and the terms of invested capital. Generally money will not be lent at a rate below prime, and at no time will money be loaned for more than 6 points above prime. The purpose of the loan fund will not be to provide below market rate loans, but rather to provide loans at competitive rates to businesses unable to obtain traditional financing.

Loans will require some form of collateral. The loan fund will work creatively with borrowers to define acceptable collateral. The market value, or equity, of the collateral will not be considered more important than its value to the borrower. Likewise, the borrower will have to have some equity investment in the business, however, this equity investment need not be in the form of cash. All borrowers will be required to demonstrate a feasible repayment plan.

E. Loan Monitoring

The loan fund director will contact each borrower on a monthly basis. Borrowers will submit quarterly narrative reports on standard forms, and quarterly financial statements.

F. Work-out and Collections

When a loan is more than 10 days past due, the borrower will be sent a postcard notifying
him/her of the delinquency. At 30 days past due, the borrower will receive a formal notice of default. In the event that a borrower encounters difficulties in making payments, CTI will work in partnership with that borrower to develop a realistic workout plan. When necessary, CTI will aggressively pursue available means to ensure repayment, including exercising its claims on collateral, to protect its investors and the stability of the fund.

IX. EVALUATION OF THE FUND

Success of the fund will be measured:

1. By the impact of the loans in meeting otherwise unmet community needs and in the creation of jobs for low and moderate income residents.
2. By the success of borrowers in meeting repayment obligations.
3. By the ability of the fund to steadily increase its lending ability, and its base of lending and operating capital.
4. By the evaluation made by borrowers, prospective borrowers, and others on an annual survey regarding the quality of loan fund services, and by the fund’s ability to respond to comments on a year-to-year basis.
FINANCIAL PROJECTIONS AND BUDGET INFORMATION:

CTI Operating Budget Assumptions

Year 1 (1995)

- Hire a full-time Loan Fund Manager as of 6/1/95, annual salary of $35,000 for the first year, benefits at 23% of salary, allow for 5% annual increases.

- Valley CDC makes in-kind contribution of office space, use of phone, fax, copying, and office supplies without reimbursement.

- Legal Expenses include cost of filing application for tax-exempt status; CTI will seek at least partially donated legal services for loans.

- Office Supplies, Equipment line item reflects the cost of purchasing a used computer.

Year 2 (1996)

- Hire half-time administrative assistant as of 7/1/96, based on annual full-time salary of $25,000 for the first year, benefits at 23% of salary, and 5% annual increases.

- Valley CDC makes in-kind contributions as in 1995, but is reimbursed for half of its costs.

- Beginning this year, accounting expenses include the cost of an annual audit.

Year 3 (1997)

- CTI covers full cost of its offices expenses, either at the Valley CDC site or in another location. The Office Supplies, Equipment line item is substantially higher this year, to cover the equipment costs involved in moving the loan fund to a new location.

Generally, operating expenses are budgeted to increase 5% annually.
## LOAN FUND OPERATING BUDGET

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Staffing:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loan Fund Mngr. Salary (FTE)</td>
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<td>$36,750</td>
<td>$38,590</td>
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<td>Benefits</td>
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<td>Benefits</td>
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<td><strong>SUBTOTAL</strong></td>
<td>$25,113</td>
<td>$52,585</td>
<td>$62,965</td>
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</table>

| **Operating Expenses:** |         |         |         |
| (shared with VCDC)     |         |         |         |
| Rent, Utilities, Insurance | $10,800 | $11,340 | $11,905 |
| Office Supplies, Equipment | $2,000  | $1,000  | $3,500  |
| Copying Costs          | $600    | $630    | $660    |
| Phone/FAX              | $1,000  | $1,050  | $1,105  |
| **SUBTOTAL**           | $14,400 | $14,020 | $17,170 |

| **Other Operating Expenses:** |         |         |         |
| Printing                | $1,000  | $1,050  | $1,102  |
| Legal                   | $1,000  | $500    | $525    |
| Accounting              | $500    | $2,500  | $2,625  |
| Marketing/PR            | $500    | $525    | $551    |
| Postage                 | $800    | $840    | $880    |
| Miscellaneous           | $1,000  | $1,050  | $1,102  |
| **SUBTOTAL**            | $4,800  | $6,465  | $6,785  |

| **TOTAL EXPENSES**     | $44,313 | $73,070 | $86,920 |
| Less VCDC In-kind contributions | ($14,400) | ($7,560) | $0      |
| **NET EXPENSES ANNUALLY** | $29,913 | $65,510 | $86,920 |

| **Net Expenses Per Month** | $2,493  | $5,459  | $7,243  |

16
## Aggregate Cash Flow Statement: Operations

**Projections for 1995-1997**

<table>
<thead>
<tr>
<th></th>
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<td>$1,455</td>
<td>$400</td>
<td>$20,000</td>
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<td>$10,666</td>
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</table>

1. 1/12 of Annual Expenses (except in 1995)
2. At time loan is made, 12.5% is expensed for loss reserve
3. $50,000 in Permanent Capital set aside from 1st year fundraising
4. 5% interest spread on loans to borrowers outstanding
5. 1% Closing Fee up-front
6. Anticipated operating capital from fundraising/grant sources
7. Profit (loss) each month
8. Cumulative profit (loss)
Assumptions on Borrower Loan Repayment

Monthly Principal Amortization and Interest on $30,000 and $40,000 Loans:

All loans are fully amortized at 9% over 3 years:
Monthly payment on $30,000 loan = $954/month
Monthly payment on $40,000 loan = $1,272/month

Actual Borrower Amortization Schedules:

While monthly payments remain constant throughout the life of the loan, the portion of payment allocated to interest and the portion allocated to interest will vary. Actual annual totals in years 1 through 3 are as follows:

<table>
<thead>
<tr>
<th>Principal Amortization</th>
<th>Applied to Interest @ 9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000 loan</td>
<td>$40,000 loan</td>
</tr>
<tr>
<td>Year 1</td>
<td>$9,118</td>
</tr>
<tr>
<td>Year 2</td>
<td>$9,973</td>
</tr>
<tr>
<td>Year 3</td>
<td>$10,909</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$30,000</td>
</tr>
</tbody>
</table>

Assumptions Used for Budgets:

It is assumed that principal is amortized in equal monthly installments of $833 (for a $30,000 loan) and $1,111 (for a $40,000 loan). These amounts are included in the "Available Loan Capital Projection" in the column labelled "Borrower Loans Repaid".

Monthly interest is calculated each year based on 9% of the median amount between the starting and ending principal balances. This 9% figure is then reduced to 5% (which is the interest earned after paying lenders an average of 4%) and is included in the "Aggregate Cash Flow Statement: Operations" in the column labelled "Net Interest Income".

<table>
<thead>
<tr>
<th>Annual Interest Income @ 9%</th>
<th>Monthly Interest Income @ 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$30,000 loan</td>
<td>$40,000 loan</td>
</tr>
<tr>
<td>Year 1</td>
<td>$2,250</td>
</tr>
<tr>
<td>Year 2</td>
<td>$1,350</td>
</tr>
<tr>
<td>Year 3</td>
<td>$450</td>
</tr>
<tr>
<td>TOTALS</td>
<td>$4,050</td>
</tr>
</tbody>
</table>

Assume prime rate of 8%:
Loans to the fund for 1-2 yr. period can earn up to 4%—assume average of 3%.
Loans to the funds for 3+ yrs. can earn up to 6%—assume average of 5%.

Interest earned on funds in holding account, assume 4%.
Assume interest received is just sufficient to pay interest owed to lenders to the fund.

Assume 5% interest spread on money loaned. Loans will average 9% interest paid by borrowers.
### Loan Fund Projected Schedule of Capitalization

<table>
<thead>
<tr>
<th>Year (1995)</th>
<th>Individuals:</th>
<th>Institutional:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$5,000 per month starting 4/1/95</td>
<td>$50,000 by 12/31/95</td>
</tr>
<tr>
<td></td>
<td>Total of $45,000 by 12/31/95</td>
<td></td>
</tr>
</tbody>
</table>

**Year 2 (1996)**

<table>
<thead>
<tr>
<th>Individuals:</th>
<th>$7,500 per month</th>
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</thead>
<tbody>
<tr>
<td>Institutional:</td>
<td>$50,000 by 6/30/96</td>
</tr>
<tr>
<td>$75,000 additional by 12/31/96</td>
<td></td>
</tr>
</tbody>
</table>

**Year 3 (1997)**

<table>
<thead>
<tr>
<th>Individuals:</th>
<th>$10,000 per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional:</td>
<td>$75,000 by 6/30/97</td>
</tr>
<tr>
<td>$100,000 additional by 12/31/97</td>
<td></td>
</tr>
</tbody>
</table>

**Assumptions:**

- Institutional loans are expected to be 3 year loans.
- Individual loans are expected to be divided equally between 1, 2, and 3 year loans.
- Interest earned on funds in holding account is assumed to just cover interest points to lenders. Interest spread on outstanding loans is included in operating budget.

Based on the above capitalization schedule, the loan fund will have funds available to lend on the following schedule:

**Year 1 (1995)**

One $30,000 loan made in December. The loan fund manager will be hired in July 1995, and for several months will be solely engaged in the following activities:

- On-going capitalization
- On-going fundraising
- Applying for 501(c)(3) status
- Refining financial projections
- Building the CTI membership base
- Conducting outreach to potential borrowers

**Year 2 (1996)**

Make 6 loans averaging $30,000 each; one loan made every 2 months.

**Year 3 (1997)**

Make 8 loans averaging $40,000; two loans made every quarter.

Note: These projections assume all loans are for a 3-year term, and are fully amortized over that term at 9% interest.
## Available Loan Capital Projection*
### 1995-1997

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<th>Inv. from Instit.</th>
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*exclusive of interest
TABLE OF APPENDICES

I. CTI Board of Directors List
II. Sample Bank Rejection Form
Board of Directors
Community Trust, Inc.

Joe Agundez
159 Old Belchertown Road
Amherst, MA 01002

Laura Baker
10 South Main Street
Haydenville, MA 01039

Suzanne Beck
62 State Street
Northampton, MA 01060

Don Bianchi
1181 Burts Pit Road
Northampton, MA 01060

Wes Brown
P.O. Box 272
Northampton, MA 01060

Martin Carrera
320 Riverside Drive
Northampton, MA 01060

John Connors
2 Conz Street
Northampton, MA 01060

John Coull (President)
P.O. Box 1028
Amherst, MA 01004

Joan Cramer (Vice President)
663 East Pleasant Street
Amherst, MA 01002

Douglas DaRif
5 Leadmine Hill Road
Amherst, MA 01002

John Dunne (Clerk)
11 Revell Avenue
Northampton, MA 01060

Charlene Golonka
19 Madison Circle
Greenfield, MA 01301

Scott Heyl (Treasurer)
26 Market Street
Northampton, MA 01060

Claire Higgins
106 Laurel Park
Northampton, MA 01060

Alan Katz
1145 Main Street, Suite 304
Springfield, MA

Kimberly Longey
16 Armory Street
Northampton, MA 01060

Rafael Lopez-Sanchez
30 Village Park
Amherst, MA 01002

Dan McKenna
231 Plum Tree Road
Sunderland, MA

Louis Moore
135 Maplewood Terrace
Northampton, MA 01060

Judi Raymond
41 Main Street
Northampton, MA 01060

Donna Sarro (Vice President)
P.O. Box 404
Goshen, MA 01032

Alan Sax
56 Vernon Street
Northampton, MA 01060

Mary Seklecki
P.O. Box 349
Hadley, MA 01035

Jim Theroux
156 Shutesbury Road
Amherst, MA 01002
COMMUNITY LOAN FUND
A Project Of: Community Trust, Inc.
15 Armory Street, Northampton, MA 01060
(413) 586-5855

VERIFICATION OF REFUSAL OF LOAN APPLICATION

Lending Institution: ____________________________________________________________

Address: ___________________________________________________________________

Contact Person: _______________________________________________________________

Title: __________________________ Telephone: ________________________________

Applicant Name: _______________________________________________________________

Address: ___________________________________________________________________

Telephone: __________________________ Business Name: __________________________

Amount of Loan Requested: ____________________________________________________

Date of Application: __________________________________________________________

This signed form will verify that the applicant named has applied for a business loan as indicated
above. After reviewing the application, the person signing below attests that the loan application
will not be approved. (optional comments below)

____________________________________________________________________________
____________________________________________________________________________
____________________________________________________________________________

Date: __________________________

Name: _________________________

Signature: ______________________
A. Background:

The group I will be working with consists of residents of Hampshire and Franklin counties, two primarily rural counties in Massachusetts, who have been meeting for the past year, exploring a common interest in developing some sort of community based financial institution for the region. Within the group are persons affiliated with various non-profits: the local CDCs, the local CAP agency, ICE, etc. Also included are local entrepreneurs and persons involved in the banking and finance industries. The group officially incorporated as a not-for-profit organization, Community Trust, Inc., in fall of 1993. The first annual meeting was held in November 1993, during which meeting 12 Board members were nominated and elected to serve on what was intended to be a 15 person Board of Directors. At this time, people also indicated their interest in joining several sub-committees, such as the Capital Formation, Grants, Membership, and Public Relations committees. I will be serving on the Capital Formation and Grants committees, as well as attending Board meetings. At the first Board of Directors meeting, the Board size was expanded to 25, to accommodate additional people who had expressed interest in serving on the Board, with quarterly meetings, and monthly meetings of a 9 person Executive committee. I have expressed my willingness to work on tasks identified by the group between meeting times.

B. Problem Statement:

The problem identified by the group can generally be described as a lack of access to capital. In particular, the group has asserted, and local banks have confirmed, that the area lending institutions are unable to meet the demand, and to adequately service, loans in the $10,000-$150,000 range. These loans are too large for the Micro-Enterprise Funds to handle and may be too small for local banks or other investors to consider. Additionally, it is felt that many individuals and groups are unable to secure loans due to a lack of equity, or inadequate financial expertise. If these problems are not addressed there will continue to be a shortage of capital available for lending in the $10,000-$150,000 range for residents of Hampshire/Franklin counties, and sectors of the community with less fiscal expertise will continue to be denied access to capital.

C. Goal Statement:

The goals that have found written expression by this group to date highlight the provision of greater access to capital for low-income residents of Hampshire/Franklin counties, and the fostering of economic development activity which will create employment options for this low-income population. A loan fund will support small, local entrepreneurs, and lending will be targeted to people traditionally excluded from access to capital.

D. Project Product:

The product of Community Trust, Inc. will be a community based financial institution. Initially, this institution will take the form of a loan fund. There is continuing interest in later using accumulated capital from the loan fund to create a financial institution will more of a "store-front" presence, such as a community development credit union, or a bank.
E. Outputs:

Outputs of Community Trust, Inc. in its early stages will include a brochure, a market survey, a beginning budget, and a business plan. The group will develop lending criteria for the future staffperson to implement. Outreach will be an extremely important output for the group. Outreach will be needed in the form of community education, solicitation of members, private donors, and private lenders. A legal structure—whether non-profit or for-profit—will need to be selected and put in place, as well as a physical setting established for the activities of the fund. There will need to be an established pool of money for lending. The group will have to develop its level of public recognition and legitimacy in order to attract capital and borrowers.

F. Inputs:

Money is a critical input for a community development loan fund. Two types of capital are needed: firstly, a pool of lending capital, and secondly, a pool of operating capital. Additional information and models will be needed to determine some of the above outputs. The expertise and participation of different community members and groups—representing both public and private sectors—will also be critical. Either paid staff time, or donated time will be needed for planning and market research.

G. Implementation Plan:

The Board of Directors will establish the direction for the group and set parameters for the loan fund. The Capital Formation committee will focus on developing a pool of lending capital. The first step in this effort will be to develop a prospective budget and business plan for the organization. The group plans to generating lending capital from a variety of sources: public funds, social investment firms, private venture capital, religious groups, local individual investors, etc. The Grants committee will focus on raising the initial operating capital for administration of the loan fund. This will probably come from public, or grant sources, with a long-range expectation for the fund to be self-supporting. The Executive committee will work on press coverage, public outreach, written materials for distribution, a logo for the group, etc. Many of these activities will take place simultaneously.

Some of the specific tasks I will undertake have been defined, others, I have no doubt, will develop along the way. I will serve as a co-chair to the Capital Formations committee and as chair of the Grants committee, and therefore will schedule and facilitate some of the meetings. I will bring information to these committees from the Board and the Executive committee, and will research any particular topics that may arise. Within two months' time I will complete a CRA survey of banks in our area. This survey will compile more detailed information from the banks on any gaps they perceive in their ability to serve the community, and, in particular, the lower income sectors of the community. It will also serve as a starting place from which to develop a strategy for approaching local lenders to seek both lending capital (at no or low interest) and outright grants to be used for operating expenses.

H. Minimum Objectives:

Within the year of my CED project, Community Trust, Inc. will develop a business plan for the next phase of the organization. The business plan will include a prospective budget, a market plan, lending criteria, and a time-line for gathering lending capital. The Grants Committee will pursue foundation and government funding, as well as soliciting private donations.