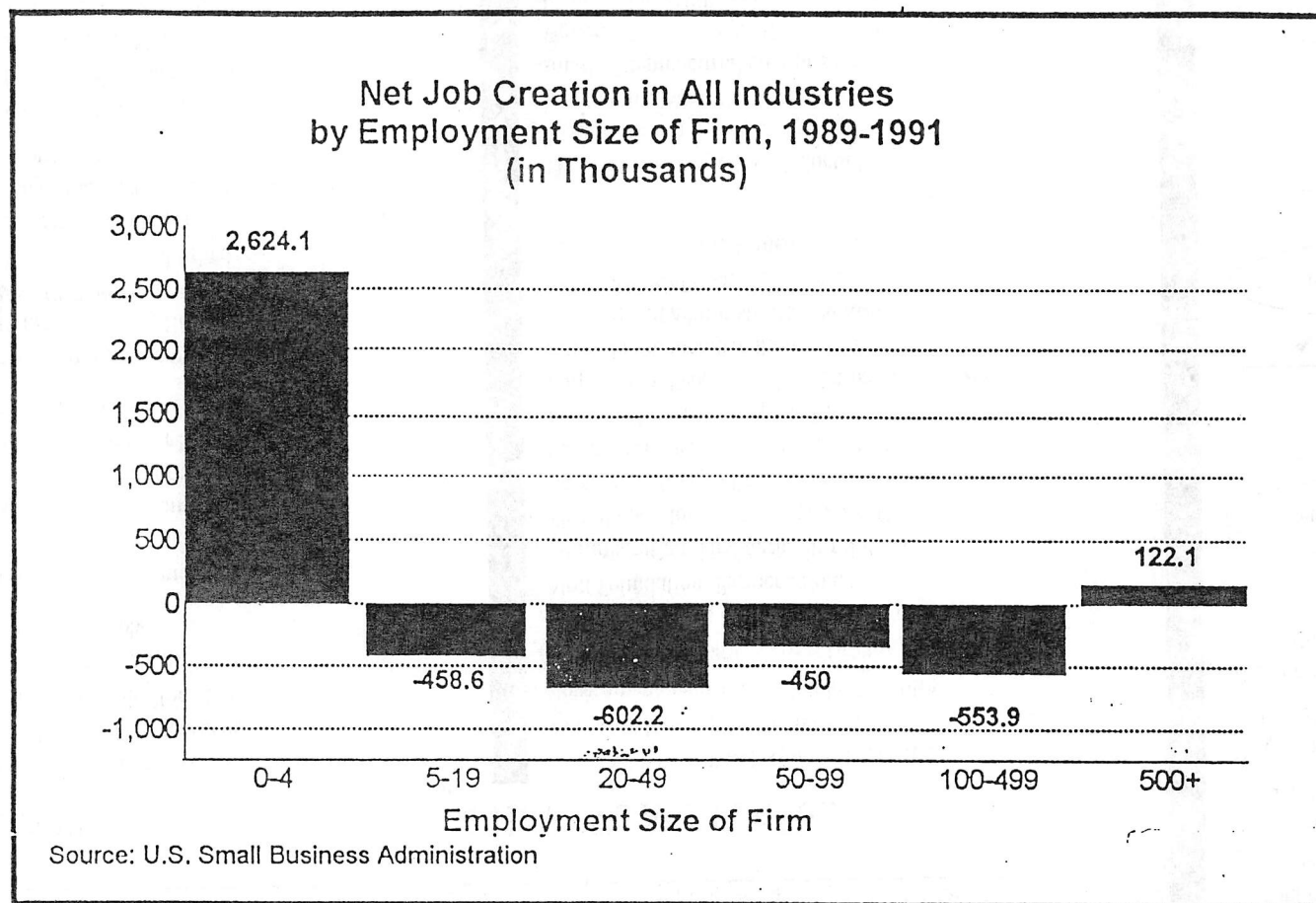


MICRO-BUSINESSES CREATE JOBS



The WMEF Loan Fund

The Western Massachusetts Enterprise Fund (WMEF) is a consortium of Community Development Corporations (CDCs) in Western Massachusetts. We are a private, non-profit, tax-exempt corporation created to help establish or expand small businesses.

The mission of the Western Massachusetts Enterprise Fund is to encourage and support the development of the entrepreneurial spirit among individuals in Western Massachusetts who have lacked access to traditional financing vehicles.

The focus of the WMEF Loan Fund is small loans of \$20,000 and less. Our average loan is \$7,000.

How We Started

While the rest of the state prospered during the 1980s Western Massachusetts suffered a sharp economic decline. Plant closings and layoffs cost larger mill towns half their manufacturing jobs.

The downturn in the economy encouraged many people to seek self employment as their sole source of income. Community Development Corporations received hundreds of requests for help in setting up small businesses.

In response, five Community Development Corporations: Valley CDC, Hilltown CDC, Millers River CDC, Franklin County CDC, and North Adams CDC established the Western Massachusetts Enterprise Fund in 1989. Since then five more CDCs have joined the consortium.

Key to the success of the Fund is the ability of the CDCs to work cooperatively to attract federal, state, and private sources while at the same time offering direct business counseling to local businesses.

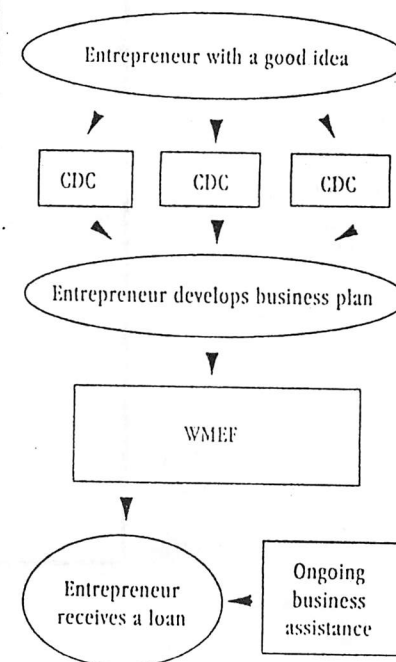
How We Are Funded

The WMEF Loan Fund is supported by the following foundations, banks and government agencies: BayBank; Berkshire County Savings Bank; Calvert Group; Social Investment Fund; Charles Stewart Mott Foundation; Farmer's Home Administration; First Agricultural Bank; Fleet Bank; Florence Savings Bank; Great Barrington Savings Bank; Lenox Savings Bank; Marianist Sharing Fund; Massachusetts Minority Enterprise Investment Corporation; Peoples Savings Bank; Pittsfield Co-operative Bank; Rural Development Administration; Shawmut Bank; Sisters of Charity; Small Business Administration; and United Savings Bank.

The WMEF welcomes tax-deductible donations from people and groups wishing to support the development of small entrepreneurial enterprises of Western Massachusetts. We also welcome loans to the WMEF Loan Fund. Please contact the Executive Director at our offices in Greenfield.

How We Work

- 1) The business owner (or start-up) is referred to the local CDC through banks, Chambers of Commerce, WMEF, or publicity.
- 2) The applicant receives pre-screening and business counseling at a local CDC.
- 3) The CDC recommends the business to WMEF for a loan, and assists the applicant in preparing an application.
- 4) The WMEF loan analyst meets with the applicant at the CDC and reviews their business plan.
- 5) The loan analyst presents loan requests to the WMEF Loan Committee.
- 6) Approved loans are generally closed within a week.



WM Borrowers

The WMEF has made loans to a wide variety of businesses. The following is a partial list of the types of borrowers we have worked with:

Butcher • Elder Care • Gourmet Food Distributor • Hot Tub Installer • Lawn Care Services • Lens Maker • Massage Therapist • Newspaper • Pet Store • Photographic Services • Sign Maker • Sporting Goods • Taxi Service • Trucking Company • Word Processor

A Success Story

The first business to receive a WMEF loan is perhaps the best example of how a small amount of capital combined with technical assistance can help.

In 1989, four women starting Indigo Coffee, a small business producing gourmet coffee for the restaurant and specialty food markets. To be competitive, they needed special display units for their outlets.

Unable to obtain the \$4,000 needed from conventional financing sources, they turned to WMEF. A loan and advice were provided. One year later Indigo Coffee had repaid the WMEF loan and was distributing coffee throughout New England. With annual sales of \$500,000, they now qualify for traditional financing.

Contact Your Local CDC

If you have a good idea and lots of energy, contact your local Community Development Corporation. If you do not have a CDC serving your community, call the Western Massachusetts Enterprise Fund at our offices in Greenfield.

Participating CDCs:

Franklin County (Greenfield)
(413) 774-7204

Greater Fitchburg
(508) 342-9561

Greater Holyoke, Inc.
(413) 536-4611

Valley (Northampton)
(413) 586-5855

Hilltown (Chesterfield)
(413) 296-4536

North Adams
(413) 664-6369

Pittsfield Economic Revitalization Corp. (PERC)
(413) 499-9368

Nueva Esperanza (Holyoke)
(413) 538-5193

Millers River (Athol)
(508) 249-9295

Westfield
(413) 562-7221

WESTERN MASSACHUSETTS ENTERPRISE FUND

310 Main Street, Greenfield, MA 01301

(413) 774-4033 • fax 774-3673

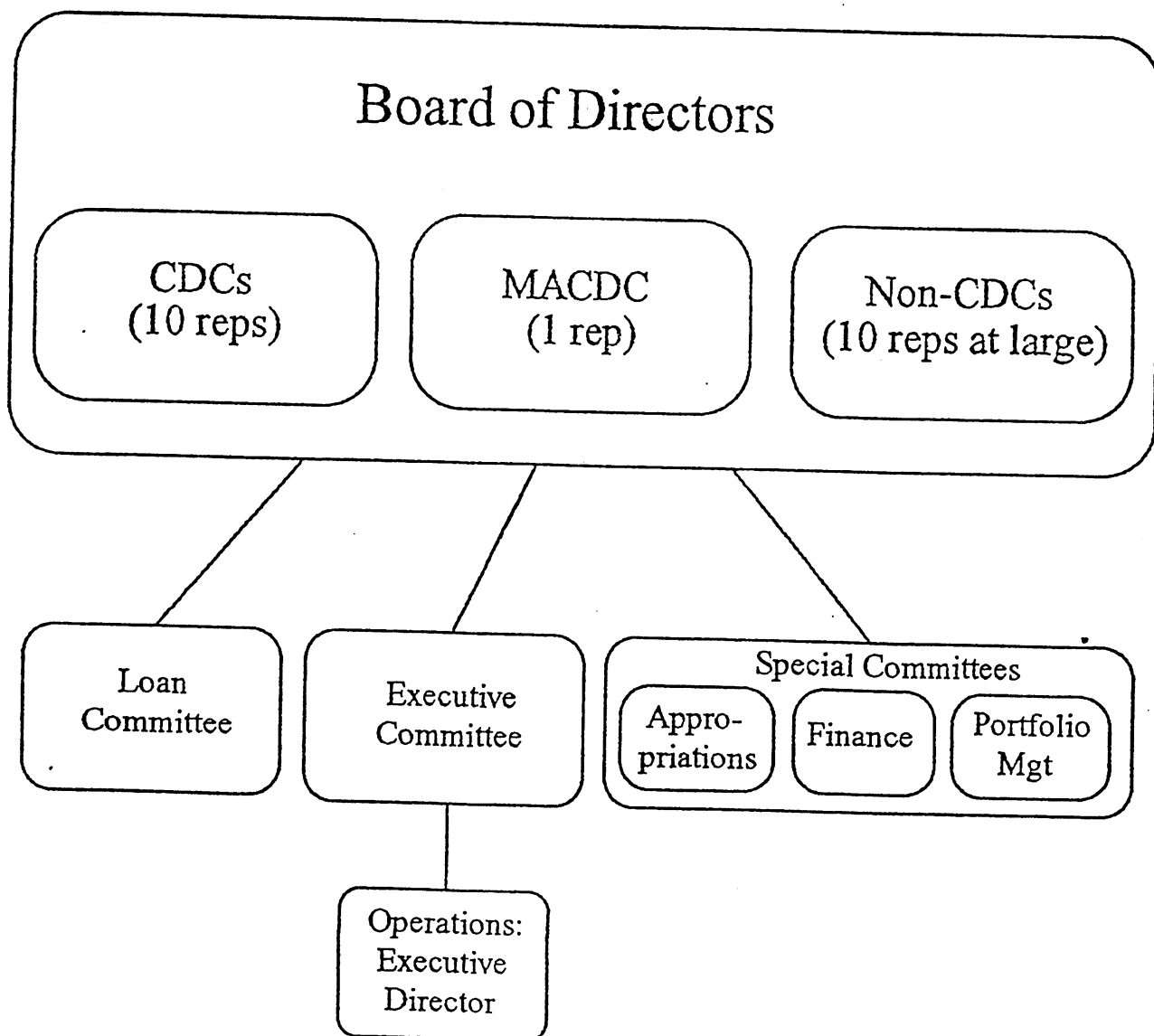


WESTERN MASSACHUSETTS ENTERPRISE FUND

Creating a climate of opportunity for small businesses and entrepreneurs in the milltowns and cities of Western Massachusetts.



Western Mass. Enterprise Fund, Inc.
Organizational Chart



Findings from Impact Assessment of the Western Massachusetts Enterprise Fund

Zoe Neuberger 1966

Financial Impact on Individuals

- Entrepreneurs' mean income increased significantly, with 54% of respondents, and 74% of loan recipients, reporting an increase in income level since entering the program.
- Since participating in the Fund's programs, respondents are more likely to rely on their businesses for income and less likely to rely on an outside job, but they are not less likely to rely on government benefits.

Quality-of-Life Impact on Individuals

- 91% of respondents report higher overall self-confidence as a result of participation.
- 18% of respondents have continued their education since entering the program.

Impact on Microenterprises

- 66% of respondents made record keeping changes, 38% made management changes, and 80% made strategy changes as a result of business assistance.
- With the exception of owners of existing businesses, most entrepreneurs do not report increased business profitability since participating in the Fund's programs, but a majority of entrepreneurs does report making substantial progress toward business goals.
- 47% of respondents believe their businesses would not have survived without the Fund's assistance.
- Entrepreneurs who rely only on their businesses for income are more likely than other entrepreneurs to make progress toward their business goals and to make changes in business practices.
- Respondents are not more likely to get bank loans or less likely to rely on credit card debt since entering the program.
- Although 56% of respondents report decreases in their sense of isolation as small business owners, peer lending group participants are significantly more likely than other entrepreneurs to report increases.

Impact on Local Communities

- 41% of respondents made at least one full- or part-time hire and each business hired for an average of 1.1 full-time equivalent positions.
- 59% of respondents have opened new bank accounts and 39% rely heavily on local services.
- 61% of respondents serve local customers.

ISSUES WMEF HAS ENCOUNTERED

Who should WMEF serve?

What kinds of loans do we make?

Who should be a member of the Fund?

What geography should it cover?

What should be the structure of the Fund?

What is the role of President?

What is the role of Executive Director?

Who sits on the Board?

Who is on the Loan Committee?

What are the portfolio management policies?

How are technical assistance funds allocated?

What is the responsibility of the central fund? What is the responsibility of the CDC?

How can WMEF obtain long term funding which reflects the commitment of the term of the loan?

What should be the role of WMEF in "turf" issues between the CDCs? between WMEF and CDCs.

What is a good mix of private and public funds?

How hard should WMEF press the banks on CRA? which issues?

The Western Massachusetts Enterprise Fund, Inc
Goals and Effectiveness of Loan Fund Program

Program Features	Method Used	Primary Goal	Outcome
<u>Individual Assistance</u>			
Targets	Low Income Communities served by CDCs	Local Accessibility to Client Develop Local Capacity within community	Excellent Mixed
	Low & moderate Income residents operating or establishing a business or any resident providing a needed business service in a very low income community	Increase Personal Income Improve Local Economy Increase in local services Improve Client self-esteem	Good (Over 50%) Modest Impact Excellent Excellent
<u>CDC Determines Community Need</u>	CDCs created WMEF after determining community need for program. Other CDCs join after local needs assessment	Program targeted where need exists. CDC motivated to make program success	Mixed
Access to Technical Assistance	CDC Staff pre-Screen and determine need Arrange one-on-one T.A., Referrals, Trainings and/or Classes to clients with worthwhile projects Assist in preparing application with ready projects	Improve Chance of Success of business and loan Best presentation of request	Good Excellent
Access to Loan Capital	Central Loan Fund has capital obtained from, public & private funds for lending to clients in 1st & 2nd Congressional District. CDCs obtain capital from loan pool for clients	Makes available loans to business filling gap where banks find lending unprofitable Joint fundraising	Excellent Excellent
	CDC sponsors loan, WMEF provides capital	\$500-\$20,000 loans available	Mixed

The Western Massachusetts Enterprise Fund, Inc
Goals and Effectiveness of Loan Fund Program

Program Features	Method Used	Primary Goal	Outcome
Post Loan Follow-up	Monitoring by Community Development Corp. and WMEF in collaboration	Enhance Business Success Minimize Default & Collection	Good Good
<u>Decision Making</u>	CDC is represented on WMEF Board determining program policy	Program meets community and low income client needs	Mixed
	CDC staff pre-screens client, determines eligibility	Determine readiness for loan	Mixed
	CDC staff (or local loan committee) decides to sponsor loan	Local endorsement of viability, and community benefit	Excellent
	WMEF Loan Analyst reviews submission, makes assessment and perfects application	Second tier of review, added professional assistance	Excellent
	WMEF Loan Analyst presents developed proposal to WMEF Loan Committee	Complete presentation of appropriate information	Excellent
	WMEF Loan Committee decides on Approval	Thorough scrutiny by knowledgeable business owners, professionals and community members	Mixed
	Loan closed within one week	Rapid response	Excellent

The Western Massachusetts Enterprise Fund, Inc
Goals and Effectiveness of Loan Fund Program

Program Features	Method Used	Primary Goal	Outcome
<u>Staff role</u>	CDC Staff works directly with client in local area	Accessibility for T.A. and Information Gathering	Excellent
	WMEF Loan Analyst works with CDC Staff and client after package submitted by CDC to WMEF Analyst assists and perfects application	Improves incomplete application Works with client to improve operations where needed to enhance application	Excellent Excellent
		Negotiates with CDC, if Application does not meet WMEF standards	Good
<u>Service Area</u>	All of communities served by 11 member CDCs (Most of 1st and 2nd Congressional District)	Provide seamless coverage Keep program local targeting local needs	Good Excellent
<u>LOAN PROGRAM DETAILS</u>			
Loan Size	\$500-\$20,000 based on project need, business viability, individual character and collateral	Fill credit gap Assist those unable to qualify for traditional credit	Excellent Good
Loan Terms	One to seven years depending on loan size and ability to repay	Flexibility to assist business	Excellent
Underwriting Criteria	Business use, credit check showing recent responsible use of credit (character), complete loan application, business plan, other documents	Meet need, reduce risk	Good

The Western Massachusetts Enterprise Fund, Inc
Goals and Effectiveness of Loan Fund Program

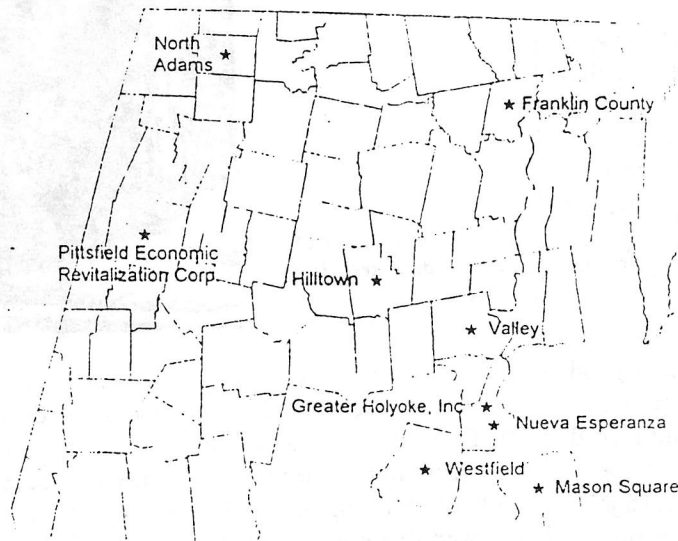
Program Features	Method Used	Primary Goal	Outcome
<u>LOAN PROGRAM DETAILS (Con't)</u>			
Collateral	All business assets, personal guarantee. Co-signer or specific item(s) identified as collateral on large loans or if credit history problem.	Reduce Risk, establish commitment	Mixed
Loan Fund Guarantee	Grant funds and matching funds used to protect borrowed capital	Match required to meet lenders requirements/ enabling greater risk taking	Good
Applicant Contribution	Minimum 10% of project costs in cash contribution or "sweat equity"	Reduce Risk, establish applicant as stakeholder	Excellent
Loan Review Process	Inquiry at CDC. Loan Request Pre-screened and application given if meets basic requirements.	Meet Client/Client meets friendly local representative	Excellent
	Application returned to CDC. Documents gathered Technical Assistance Provided	As much done at local level where client is known	Good.
	WMEF Analyst reviews application, brings forward to committee	Second level of scrutiny	Excellent
	Loan Committee CDC Staff and WMEF Analyst present loan to committee. Decision Made on loan	Applicant's project is well presented with due diligence	Good
Loan Fees	12% interest, UCC filing, local CDC fee (varies)	Access to credit primary goal Fee does not cover operations cost -Sustainability issues	Excellent Fair

The Western Massachusetts ENTERPRISER

The quarterly newsletter of the Western Massachusetts Enterprise Fund.

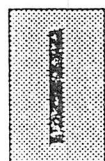
Serving the Towns of: Adams, Alford, Amherst, Ashfield, Athol, Becket, Bernardston, Charlemont, Cheshire, Chester, Chesterfield, Clarksburg, Colrain, Conway, Cummington, Dalton, Deerfield, Easthampton, Egremont, Erving, Florida, Gill, Goshen, Great Barrington, Greenfield, Hadley, Hancock, Hawley, Heath, Hinsdale, Huntington, Lanesboro, Lee, Lenox, Leverett, Leyden, Middlefield, Monroe, Montague, Monterey, Mount Washington, New Ashford, New Marlborough, New Salem, Northfield, Northampton, Orange, Otis, Peru, Petersham, Philipston, Plainfield, Richmond, Royalston, Rowe, Sandisfield, Savoy, Sheffield, Shelburne, Shutesbury, Stockbridge, Sunderland, Tyrington, Washington, Wendell, West Stockbridge, Westhampton, Whately, Williamsburg, Williamstown, Windsor, Worthington

Serving the Cities of: Fitchburg, Holyoke, North Adams, Northampton, Pittsfield, Springfield, Westfield



Offering loans in partnership with area community development corporations in Franklin, Berkshire, Hampshire and Hampden counties.

Dear Friends of the Western Mass. Enterprise Fund (WMEF),



It is always exciting to talk about the growth in the capacity of the WMEF and its member community development corporations (CDCs). However, the real stories lie with the micro-enterprise owners themselves. Once a year we focus an entire issue on a few people who use WMEF funds to make their businesses come alive.

Eddie Rivera's store in Holyoke began with a dream followed by tremendous effort to put his talents into his business. Carol Gordan discovered an opportunity in the welcoming service business. Marline Crooks used her training as a registered nurse to open up a rest home. Robert Britt responded to changing circumstances to build his quality wood products business.

In retail, service and small manufacturing, each of these business owners fills a local need for products or services. They are men and women with low to moderate incomes from diverse cultures. They are people who have gone into business to do something they love. They had to build their businesses from the ground up with limited resources. However, using funds borrowed from WMEF, they have been successful.

We salute these people and people like them throughout Western Massachusetts. They are a boon to and, increasingly, a driver of the local economies in our region.

Ann Burke

— Ann Burke, WMEF Executive Committee and Executive Director, Greater Holyoke, Inc.



Eddie Rivera in his store in Holyoke.



A resident of Bethel House Rest Home owned and operated by Marline Crooks.

Bringing Businesses to Life Profiles of WMEF Borrowers

Luigi's Store

At the northern end of High Street in Holyoke, there's a storefront that catches both the eye and the ear. A bright yellow facade, big red letters and an Hispanic music serenade attract pedestrians passing Luigi's Store. Inside, the store displays an astonishing variety of goods that reflect the passions of owner Eddie Rivera.

Arriving in Holyoke from Puerto Rico in 1981, Eddie's hard work and good intentions went unrewarded for many years. Efforts to create a credit record were limited by his inability to speak fluent English. He worked menial jobs during the day and played percussion in a band at night. In addition, Eddie spent evenings casting, firing and painting ceramic pieces that he peddled door to door. The pieces were heavy, the flights of stairs were long, and the results were slow in coming.

Opportunity came in 1992 when Eddie subletted a retail space. With \$2100 from his tax refund and two shabby show cases which the previous owner left behind, Eddie nurtured a gift shop business which he improved over time by adding Hispanic musical instruments, audio cassettes, and higher quality gift items. Soon he moved into a larger adjacent store front.

In March, 1995, Eddie borrowed \$10,000 from Western Massachusetts

The spanky exterior of Bethel House Rest Home in Fitchburg.



Enterprise Fund in order to purchase a new line of inventory, Christian books. An Evangelical Christian in the Hispanic community, he recognized a need for books for religious studies. Success followed this move. Since then, Eddie has exceeded his business plan projections twofold.

WMEF has just invested another \$3000 in Luigi's Store to supplement Eddie's \$7000 personal investment. With these funds Eddie will add a line of modest and ethnic clothing for women and children and expand his space again.

Eddie Rivera smiles saying he may refurbish the back room so that he can give music lessons. He's probably not kidding, but considering yet another way to bring his passions into his business.

Welcome Home

Carol Kerrigan Gordan of Welcome Home was one WMEF's first borrowers and now, as she makes her last payments, we can examine her business success.

In 1990, Carol left Boston and a position in marketing and sales to move to Northampton. Moving gave her an opportunity to research the market for her future business. Interviews with realtors identified an unserved niche, the welcoming service. With only ten initial accounts, Carol put together bags

of gifts, information and coupons to distribute to new homeowners.

These *Welcome Home* bags were so successful that Carol decided to develop the business and borrowed \$4000 from WMEF in March, 1993. Carol now distributes several additional products, including *Welcome Baby Bags*, *Student Bags* — for freshmen at area colleges, *Wedding Bags* — for radio station WHMP's Bridal Show, *Vacation Bags* — for 2000 long-term tourists on Cape Cod, and *Alumni Bags* — a new offering for Smith College alumni. Welcome Home employs many home workers who fill and decorate the bags. Her service has expanded from Hampshire to Franklin County, and today the gift packages have 20 to 25 sponsors each month.

Carol is planning to move this growing business from her home to a commercial site. She is looking forward to developing more accounts with the schools and universities of New England. "Many new schools are getting ready to sign up, and we think this will be our best program." With all this expansion, Carol may need to borrow again, and this time her established business will be very bankable.

Bethel House Rest Home

Marline Crooks left Roxbury and purchased the 17-bed Bethel House Rest

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Home from its former owner in January of 1994. Even though the home was run down with years of neglect, Marline, a registered nurse with over 25 years of experience, could see its potential. She wanted to restore the Victorian home and offer a place where "residents are comfortable and safe, enjoy privacy, make choices, and receive quality residential care to meet their individual needs."

Marline first made significant improvements to the operations of the home and its physical plant. She repaired and upgraded bathrooms and replaced the front porch, two fire escapes and a boiler. To finance her project she continued to work full time in Boston for over a year and used all her personal resources for the down payment and improvements.

Marline's priority was on improving internal facilities to serve residents better, not the cosmetics of the exterior. However, to fill the home Marline needed to make the outside attractive and inviting, but she had used up all her resources.

Local banks turned down her request for funding. She felt she was short-changing herself and her clients by con-

tinuing to work full-time in Boston to fund improvements. She turned to the CDC of Fitchburg for help. She joined a Working Capital group, and Betsy Hannula encouraged her to apply for financing from WMEF. Her successful loan application resulted in funds for siding, new windows, and a new canopied entrance to the home.

Every patient is enjoying the new facilities and the improved care at Bethel House. Marline recently produced a marketing brochure with photos of the outstanding home. She has a right to be proud.

Quality Woodcrafts

In May 1994, Robert Britt, Jr. took the entrepreneurial leap by opening a retail outlet store for the Shaker-style furniture produced by his employer. With 32 years of experience in the wood-working business, Robert had lots of business contacts and friends in the community.

Quality Woodcrafts was not Robert's first business venture, so he was not daunted when everything did not go according to his plan. In the spring of 1995 his employer died, and he lost his job when new owners took over. He also



Robert Britt at Quality Woodcrafts.

lost his supplier. Now that Quality Woodcrafts was his livelihood, he had to count on his personal network of contacts to stay in business.

Being resourceful, Robert found small manufacturers and cottage industry producers who would make Shaker-style furniture for his store. Located within the Gardner-Athol area these suppliers also provided him with small wooden items such as clothes drying racks and shelving to add to his product line. In fact, Robert lowered his purchase costs

continued on back page

WMEF Loan Report: October 1, 1995 — January 31, 1996

Loans Approved

Name of Business	Description	Sponsoring CDC	Purpose	Approved
Total Decadence	Nail and tanning salon	Greater Holyoke, Inc.	Inventory, working capital	10/4/95
Bear Care	Child care facility	PERC*	Equipment, working capital	10/18/95
Daily Grind	Coffee shop	Millers River (Athol)	Inventory, working capital	11/1/95
Integrity Home Services	Home care	Fitchburg	Working capital	11/22/95
Los Amigos	Hispanic grocery	PERC	Inventory, equip., working cap.	11/22/95
Hot Mamas	Food manufacturer	Valley (Northampton)	Equipment	11/22/95
Creative Temp Services	Temp. employment	Westfield	Equipment, working capital	12/6/95
Quality Woodworking	Furniture sales	Millers River	Inventory	1/10/96
Generations	Hair and tanning salon	Millers River	Equipment, working capital	1/17/96
Luigi's Store	Bibles, gifts and clothing	Greater Holyoke	Inventory	1/17/96

*PERC: Pittsfield Economic Revitalization Corporation

TOTALS: Amount Loaned: \$103,000 # of Loans: 10 Average Loan Size: \$10,300 Not approved: 3 applications

WMEF NEWS

Welcome Mason Square!

Mason Square CDC located in Springfield joined WMEF in November. Under the direction of Cornell Lewis, Mason Square's program emphasizes economic and housing development. WMEF resources will help Mason Square serve micro-enterprises in this urban community.

Annual Meeting

WMEF held its seventh annual meeting at the pressroom overlooking the #1 ranked UMass. Minutemen basketball. (Go U! Go U. Mass.!) Over 125 people attended. Congressman John Olver gave the opening address. The highlights were the displays and presentations of the business owners themselves. Overall, it was a time for all the hard working staff, contributors, businesses to meet one another and to realize how important this collaborative effort is.

Training Programs Expand

The major training programs sponsored by WMEF are expanding this year. The Job Training Partnership Act (JTPA) trainings will be longer and provide more business counseling. The Downtown Holyoke Entrepreneurial Training Programs will now include an Explorers Course as well as advanced workshops. These programs both help keep the portfolio strong and set up an ongoing system of support for micro-enterprise owners.

Mass. Micro-enterprise Coalition (MMEC)

WMEF is an active member of a statewide coalition whose purpose is to educate the state legislature and agencies on micro-enterprise development and its impact on the local economies in the state. It is also working to set standards for practitioners throughout the state. The coalition recently received a \$10,000

organizational grant from the Corporation for Enterprise Opportunity. MMEC gave a legislative briefing on January 23rd at the State House. It was well attended by legislators, legislative aides, and agency representatives. The Coalition will be seeking \$2 million in state funds to go into micro-enterprise development in the coming year.

Kennedy to Host Economic Summit

On Friday afternoon, April 19, 1996, Senator Edward M. Kennedy will be hosting the "Western Massachusetts Economic Summit". The session is a continuation of efforts to promote job creation and economic growth in our state. Senator Kennedy expects a variety of wide-ranging discussions between experts from Washington and representatives of business and labor in Western Massachusetts. All are welcome. For information contact (617) 565-3170.

Micro-enterprise is on-line!

Through the efforts of WMEF and the Millers River CDC, we now have a national on-line micro-enterprise mailing list. This is a big deal!

Called MICROENTERPRISE, this list allows you to both write to and receive

announcements from micro-enterprise practitioners all over the country.

To subscribe, send e-mail to LISTSERV@listserv.aol.com. In the body of the message, type SUBSCRIBE MICROENTERPRISE followed by your real name. ■

Profiles from page 3

and his prices while improving his profits. He located furniture finishers and painters to do custom work allowing him to offer just about any type of furniture, finish and paint job his clients wanted.

Robert went to the Millers River CDC for help in expanding his business. Working with Dave Damery, Robert explored the idea of a loan to increase advertising and to begin wholesaling his products. Dave analyzed Robert's business and decided to support his loan application to WMEF.

On January 17, Robert received a check to place ads on cable TV and build his inventory to market to stores in Western Mass, the Cape, New York, New Jersey and Pennsylvania. We expect our loan to bring more business to Robert and to his locally based producers. We wish Robert great success in his new endeavor. ■

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The Western Massachusetts ENTERPRISER

An Anatomy of a Loan

THE PROCESS THROUGH WHICH AN APPLICANT pursues a loan from Western Massachusetts Enterprise Fund is often difficult to delineate. Each small business brings to the process its own unique problems and conditions which must be

adapted and quantified in order for a coherent discussion and equitable decision to come from the Loan Committee.

There are, however, certain "steps" through which each application passes and, in order to illustrate this, WMEF profiles a recently completed loan, one made to Janice Fama of Queen Janisa's Old-Fashioned Ice Cream of Greenfield.

The First Contact

WMEF administers the funds for the ten CDCs which comprise its membership, but an applicant seeking a micro-enterprise loan must first be sponsored by one of the community development corporations. In August of 1994 Janice Fama first contacted Elaine Dimase, the Senior Loan Officer at the Franklin County CDC, providing preliminary information from which Elaine could pre-screen the candidate and recommend a referral to WMEF.

Elaine: I was extremely impressed with the amount of research and book work Janice

continued on page 2

Janice Fama, owner of Queen Janisa's.



Lorraine Heidemann, WMEF Loan Analyst and Elaine Dimase, Economic Development Staff Franklin County CDC.

Anatomy of a Loan continued from page 1

had done before calling me and I was struck by her determination to open this business.

Janice: Elaine was so helpful and encouraging. She caught my enthusiasm and really validated my experiences.

Loan Application Process

Janice was given the Loan Application package which contains an outline for the business plan and a personal financial statement as well as the formal application. After working with Elaine and completing the Loan Application, Janice was scheduled for a work session with Elaine and Lorraine Heidemann, the WMEF Loan Analyst.

Lorraine: Janice came fully prepared to disclose her prior experience and we worked hard for a couple hours. She had such energy for the future prospects of her project.

Janice: One of my greatest worries was that lenders would not appreciate the difficulties that a disadvantaged female has in finding resources, but I sensed, from the beginning, that Lorraine understood my struggles. She's very supportive of women in business.

It is at this point that the small business person must detail the uses for which the money is needed. Documentation is required

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90 James Street
Greenfield, MA 01301



for such expenditures as contract labor, equipment prices, lease terms, utility costs and any other expense for which the loan is being requested. If the borrower needs to buy inventory, a wholesale price list and discount schedule is valuable.

When the balance sheet, income statement and cash flow are prepared it is with information provided by the applicant and worked into the format which is proscribed by the Loan Committee. To accompany Janice's application, Lorraine wrote a summary report which was attached to the completed package and sent out to the members of the Committee who meet every other week for reviews.

Barbara Smith of the Loan Committee: Janice's past credit history during hard times brought up some questions of how future debt might be treated. I gained assurance in the fact that she promptly attacked this problem, uncovering errors in the report and making contact with past lenders to set up payments schedules. I really wanted this loan to go through. And I was so glad when she made this effort and cleared the way for us to O.K. it.

Lorraine: Janice was coming to us with very little to collateralize, so the Committee felt obligated to make her go through the process of putting a market value to each item which would be regarded as a "business asset."

When a loan is approved a commitment letter stating all the terms and conditions of the loan is sent immediately to the loan applicant. It takes approximately one week for a loan to be closed once it has been approved by the Loan Committee. The standard closing documents consists of a demand promissory note with a personal guarantee, security agreement, UCC filings, and, if Federal funds are involved, notice that they are using Federal funds and the responsibilities entailed. Often other security attachments are used, such as a lien on a vehicle or a second mortgage on a home.

Lorraine closed Janice's Loan on September 29th. Approximately six weeks from the date Janice first contacted the Franklin County CDC the check was deposited in her business account and

Janice Fama became Queen Janisa. Investment in her vision of a food vending establishment on the Main Street of Greenfield could begin.



Franklin County CDC entrepreneurial training course.

After the Loan

Coincidentally, Franklin County CDC was offering its second round of its eight week entrepreneurial training course, "Managing Your Own Business" (see WMEF Briefs on back page). Janice attended this course.

Janice: The class was great — if grueling! It helped put my ideas into perspective, sharing with others in the class. Of course, we had to endure other peoples criticisms, but it was good to hear new ideas and to build enthusiasm just when tasks seemed impossible.

Problems

Once Janice received the loan she went ahead with her store renovations, but she ran into problems which she did not anticipate including code violations which had to be remedied before she could open up her business. The extra time and repairs cost Janice money in lost revenue and in actual bills. She approached Lorraine who brought up the issue with Elaine and the Loan Committee.

Elaine: As soon as Janice started to hit obstacles she visited me often. I was able to help by calling town officials on her behalf and by advising

her about terms she needed to include in her lease, but mostly it was the CDC's accessibility that kept her going during these difficult times.

Lorraine: No matter how sound an idea is on paper, there can be glitches. Janice was so close to opening the business, and she had gained so

much from the entrepreneurial course, but the cash flow had been damaged. This is where WMEF differs from other lenders. Technical assistance was offered to Janice as well as additional financing and she could tap the considerable expertise of teachers and committee members as well as staff and administration of WMEF and Franklin County CDC.

Janice: Despite my vision, skills and energy, I would not have gotten this business off the ground if it had not been for the network of people I met through the lending program. Now all I have to do is concentrate on turning out my great homemade products and following up on the good business practices I have been taught. Come on by and judge for yourself. I think you'll be surprised and delighted. ■

■ **The Short-Term Loan Fund** helps your small business with a loan when cash flow is temporarily low. These loans, with terms of up to one year, provide businesses with working capital until receivables are in hand.

■ **The Town of Athol Ready Resource Fund** is a revolving loan program for businesses located in Athol. Loans can be used for start-up or expansion and for buying equipment, leasehold improvements, or working capital. Loans range up to \$50,000 with interest rates fixed at three points above prime, for up to seven years. Once you meet eligibility guidelines, staff help you prepare the loan application which is appraised by a committee of business leaders.

■ **The Western Massachusetts Enterprise Fund** finances businesses, with five or fewer workers, that look promising but are not eligible for a traditional loan. If you need capital to expand, to purchase equipment or to advertise your business, you may qualify for a loan ranging from \$2,000 to \$20,000.

■ **The Working Capital Peer Lending Program** enables you to join small groups made up of other business owners for mutual support and financing. Groups approve loans, ranging from \$500 to \$5,000, for fellow members who also advise one another in improving the operation of their small business.

Self-help for a
stronger local economy

Millers River Community
Development Corporation

Serving

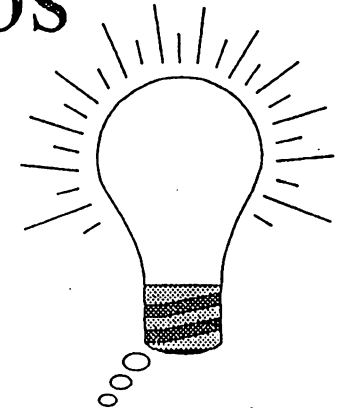
- ATHOL
- NEW SALEM
- PETERSHAM
- ROYALSTON
- WENDELL
- ERVING
- ORANGE
- PHILLIPSTON
- WARWICK

Millers River
Community
Development
Corporation

134 Chestnut Hill Avenue
Athol, MA 01331

phone (508) 249-9295
fax (508) 249-8459
email MRCDC@AOL.COM

Building Businesses to Create Jobs



Millers River
Community
Development
Corporation

Helping people help themselves

The philosophy of self help is a powerful tool. At Millers River Community Development Corporation (MRCDC), we believe that fostering the many talents of residents ensures the revitalization of our region. MRCDC applies this philosophy of self-help by assisting new and existing small businesses. In doing so, jobs are created, strengthening the local economy. We work with any person who wishes to locate a business in our nine-town service area that encompasses Athol, Erving, Orange, New Salem, Petersham, Phillipston, Royalston, Warwick, and Wendell.

"MRCDC's staff helped get us off the ground. Their help was extremely important."

Steve Verney
New Salem Bakery

Using a step-by-step process, staff help you develop your idea and solidify your business in the critical start-up phase. As businesses grow, we assist owner-operators in addressing the new challenges that emerge.

Programs to help your business grow

■ Athol Enterprise Center

MRCDC operates the Athol Enterprise Center that helps new businesses get established by providing office or manufacturing space, and secretarial and bookkeeping services, all at low rates. The AEC houses new or start-up businesses and established businesses that are planning to expand.

■ Small Business Consulting

Staff provide free information on how to write a business plan, get a business loan, establish an accounting system, and hire and supervise employees. Business operators can also get assistance with feasibility studies and budget projections, and general business advice.

■ Loan Programs

Millers River CDC refers businesses to traditional financing sources such as area banks. We also operate lending programs for small businesses to help them start, expand, purchase equipment, and advertise. For example, a loan from the CDC made it possible for Mario Caputo of Impressive Promotions in Orange to fill a large order for t-shirts from a New York radio station. Caputo says, *"Thank you for your assistance. Our client was extremely satisfied."*

■ Classes and Seminars

Free seminars and classes are offered to the public on bookkeeping, taxes, marketing, and other business topics. Classes and seminars are usually held in the CDC's offices at 134 Chestnut Hill Avenue, Athol. Call to be placed on the mailing list for class announcements.

"I could call the CDC with questions, and they got right back to me. An Enterprise Fund loan helped us get going. The CDC was right there." —Mike Doyle of MDM Transportation, a growing trucking firm in Athol

For more information on any of these services, contact Derek Zanga, Business Director, at

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THE BUSINESS INCUBATOR

A business incubator is a facility providing low cost flexible space to multiple businesses and shared support services. Generally businesses are in a start-up phase, and grow out of the incubator after a period of one or two years. Support services provided to incubator businesses include shared office services, access to technical assistance and bookkeeping, access to financing, marketing assistance and businesses networking.

Businesses can grow and succeed as a result of the support services provided. As they become self-sufficient, they move to space of their own.

These businesses provide new employment, additional taxes, spawn more economic development activity and help diversify the local economy.

Vacant or underutilized real estate (ie unused factories) is put to productive use and real estate taxes are returned to fund government activity.

SHARED SERVICES OFFERED BY INCUBATOR

OFFICE SERVICES

Secretarial Services
Receptionist/Phone Answering
Meeting Rooms
Computer Services
Photocopying
Bookkeeping
Typing/Word processing
Fax and Networking services
Shipping and Receiving

BUILDING MAINTENANCE

Building Repair
Janitorial
Infrastructure

NETWORKING

Communication Among Incubator Tenants
Meetings to Exchange Ideas
Meetings to Solve Common Business Problems
Speakers to Address Common Issues

SHARED PROFESSIONAL SERVICES

Accountants
Lawyers
Business Consultants

RESOURCE LIBRARY

Videos
Tax Materials
Government Regulations
Business Publications /Books
Trade Magazines

FINANCIAL ASSISTANCE

Access to Banks/Loan Funds
Access to Government Assistance

GROUP PURCHASING

Office Products and Furniture
Group Insurance
Supplies

TECHNICAL ASSISTANCE ACCESS

Relationships to Academic Institutions
Referral Services
Business Development Center Access
Access to Industry Consultants