Please use this information to decide whether a Microenterprise loan is right for you.

MICROENTERPRISE LOAN USES
- Operating Capital for staff salaries or lease/rent of business space
- Purchase inventory; supplies; computer programs for accounting and inventory controls; or furniture, fixtures and equipment (FF&E)
- Rehab owner occupied or leased space, including engineering, architectural, and local permits or fees
- Purchase Equipment (with or without installation costs)
- Refinance existing business debt as part of total loan financing, except credit cards
- Marketing materials and advertising, website development and servicing

INELIGIBLE USES
- Non-business debt repayment
- Personal expenses
- Support of another business

ELIGIBILITY, TERMS, APPLICATION, COLLATERAL AND OTHER REQUIREMENTS

Eligibility for Loan Review

<table>
<thead>
<tr>
<th>Location</th>
<th>Business located within Arcata City limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>No more than 5 employees, including the owner(s)</td>
</tr>
<tr>
<td>Income</td>
<td>Document number of employees by payroll records, EDD reports, business financials</td>
</tr>
<tr>
<td>Business License</td>
<td>Business license or proof of application</td>
</tr>
<tr>
<td>Plan</td>
<td>Provide business and marketing plans</td>
</tr>
<tr>
<td>Education</td>
<td>Complete participation in an assistance program from approved agency (such as the SBDC)</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Provide letter of recommendation from an approved agency</td>
</tr>
<tr>
<td>Business Goals</td>
<td>Goals for business must be clearly defined</td>
</tr>
<tr>
<td>Market</td>
<td>Demonstrate understanding of market for business products or services</td>
</tr>
<tr>
<td>Documentation</td>
<td>Provide documentation of income and assets</td>
</tr>
</tbody>
</table>

Loan Terms

<table>
<thead>
<tr>
<th>Maximum Loan</th>
<th>$50,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>Ranges from three to eight years (depends on use of funds and collateral)</td>
</tr>
<tr>
<td>Interest Rate</td>
<td>Between 3.9% and 6.9% - influenced by ability to service debt; credit history; collateral; borrower equity and investment; job creation; amount of sales or transient occupancy</td>
</tr>
<tr>
<td>Fees</td>
<td>No direct fees; a loan servicing fee may be charged at loan closing</td>
</tr>
<tr>
<td>Prepayment</td>
<td>No prepayment penalty</td>
</tr>
</tbody>
</table>

Full Application Requirements

<table>
<thead>
<tr>
<th>Tax Returns</th>
<th>Business and personal tax returns for the last 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Financials</td>
<td>Business balance sheet &amp; income statement for current and last 3 years</td>
</tr>
<tr>
<td>Personal Financials</td>
<td>Personal financial statement and credit history</td>
</tr>
<tr>
<td>Project Info</td>
<td>Proposed project summary, including specific use of funds</td>
</tr>
<tr>
<td>Start-Ups</td>
<td>Pro-forma financial statements for the first 3 years</td>
</tr>
</tbody>
</table>
Financial Underwriting – Underwriting performed by Arcata Economic Development Corporation (AEDC)

| Credit Score | 620 or below requires satisfactory explanation, and loan committee approval  
|             | 621 to 680 may require explanation  
|             | 680 is satisfactory  
| Management  | Experience in operating a business successfully  
| Capacity    | Ability to operate with loan payment costs  
| Leverage    | How much private funding supports the proposed loan  
| Viability   | Past and future viability  
| Need for Funds | Demonstration of need for Microenterprise financing  
| Owner Strength | Personal financial statements showing ability to meet household requirements  
| Debt Service ** | Must show loan payment can be covered by at least 1.10:1  
|              | Debt Service is calculated on both personal and business financial information  

Collateral Underwriting

| Maximum LTV *** | Up to 150% of loan amount  
| Types of Collateral | Real estate (deed of trust; may be in 2nd or 3rd loan position)  
|                    | Machinery, equipment, or fixtures (UCC filing; may be in 2nd or 3rd position)  
|                    | Lease assignment where appropriate  
|                    | City named beneficiary on life insurance policy  
|                    | Other collateral  
|                    | Personal and corporate guaranties  

Other Requirements

| Construction | Prevailing Wage and Davis-Bacon regulations are triggered  
| Procurement  | 3 bids or cost estimates for purchases are required (unless waived by the City)  
| DUNS Number  | Business must obtain a Dun and Broadstreet DUNS number  
| Debarred List | No applicant may be on the Federal Debarred list  
| Other Regulations | All other City, State, and Federal laws and regulations must be followed  

* Income Eligibility is based on 80% or less of HUD guidelines  
** Debt Service is defined as total cash available to service debt divided by total loan payments  
*** LTV is the ratio of Loan to Value, defined as the loan amount divided by total collateral value

AFTER A LOAN IS APPROVED

| Loan Documents | Prepared by AEDC  
| Disbursements  | Borrower may be reimbursed for documented eligible project costs or payment may be made directly to third party vendors  
|                | Working capital is reimbursed based on documented monthly costs  
| Insurance      | Appropriate insurance is required at loan closing  
| Site Visits    | Site visits may be made by AEDC annually or more frequently  
| Financial Reports | Regular submission of financial statements is required (usually quarterly and annually)  
|                | Reports are reviewed, and AEDC may offer assistance in reviewing the business model  
|                | Certified payroll reports are required on request  
| Employees      | Advance notice of all new permanent employees is required on hiring