



Donald L. Carcieri
Governor

NEWS

Office of the Governor

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Governor Launches Small Business Stimulus Package

\$200 million in new sources of capital for Rhode Island small businesses

Governor Donald L. Carcieri joined members of the local banking community, the Small Business Administration and the Rhode Island Economic Development Corporation at a press conference to unveil the details of the Governor's Small Business Stimulus Package. The six point package included an infusion of capital into the State's Small Business Loan Fund (SBLF), a state-backed loan guarantee program to encourage lending to small business, and a pledge from the local banking community to invest more than \$165,000,000 into small and mid-sized Rhode Island businesses over the next two years, and an additional pledge of \$5,000,000 in gap financing from the Business Development Company of Rhode Island.

The Small Business Stimulus Package is the result of meetings Governor Carcieri initiated with small business owners, the Small Business Administration, the lending community, and the Rhode Island Economic Development Corporation.

"Small and mid-sized businesses in Rhode Island are the foundation of our economy," said Governor Carcieri. "Our small business community represents 90 percent of the businesses in Rhode Island, and employs 25 percent of our workforce. The economic downturn, especially the tightening credit market, has made it difficult for our small businesses to access the capital they need to keep Rhode Islanders working. My small business stimulus package seeks to leverage the talent and support of our local banking community to get credit flowing to businesses so they can retain and create jobs in every community across our state."

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“Getting capital into the marketplace and helping strong companies grow is one of the most important things we can do to turn the tide and get Rhode Islanders back to work,” continued Governor Carcieri. “We know the need is urgent and we are prepared to work aggressively to put the stimulus package plan into action and get this new capital flowing into the marketplace.”

“Access to capital is the lifeline of small business and the steps that are being taken today will provide an additional mechanism needed to prime our economic engine,” said Mark S. Hayward, Rhode Island SBA District Director. “The added guarantee from the State of Rhode Island will enhance the likelihood that our participating lenders will provide much needed short and long term credit to the small business community. I commend Governor Carcieri for reintroducing the SBA Guarantee Fee Tax Credit and applaud him, RIEDC and our lenders for showing leadership that will help us forge ahead during these difficult economic times.”

Components of the Small Business Stimulus Package are as follows:

Component 1: \$165,000,000 Bank Pledge

Rhode Island banks have pledged \$165,000,000 to make new loans to small and mid-sized Rhode Island businesses over the next two years. As part of the pledge, the banks have agreed to report loan activity to the RIEDC, which will monitor lending levels and report to the business community on progress. The bank pledge will take effect immediately and the RIEDC will begin monitoring lending activity effective January 1, 2009.

Individual bank contributions are as follows:

Bank Newport	\$25,000,000
Citizens	\$25,000,000
Coastway Credit Union	\$25,000,000
Bank RI	\$25,000,000
Navigant Credit Union	\$ 5,000,000
Randolph Savings	\$15,000,000
Washington Trust	\$20,000,000
Webster Bank	\$25,000,000

“The commitment from the lending community to increase loan activities to our small businesses provides accountability and innovation in this new program that increases access to capital to our small businesses,” continued Governor Carcieri.

Component 2: Recapitalization of Rhode Island's Small Business Loan Fund

In 2008, RIEDC's Small Business Loan Fund (SBLF) issued 16 loans totaling \$4.4 million to small and mid-sized businesses located in communities throughout the state, directly supporting the creation of more than 500 jobs. The program provides loans to Rhode Island small businesses at competitive rates with flexible terms.

As a result, fund managers have found significant demand for SBLF products in the marketplace, but the fund now lacks sufficient liquidity to expand the program. Working with local banks, the Governor has crafted a plan to put approximately \$7 million dollars into Rhode Island's Small Business Loan Fund, restoring the program's ability to make new loans.

Funds for the SBLF recapitalization have been secured through contributions from several local banks. Approximately \$2.4 million has been committed to date, with additional funds expected to be committed as the SBLF team works through agreements with additional banks.

Confirmed individual bank contributions are as follows:

Bank Newport	\$250,000
Citizens	\$500,000
Coastway Credit Union	\$200,000
Bank RI	\$250,000
Navigant Credit Union	\$200,000
Randolph Savings	\$250,000
Washington Trust	\$250,000
Webster Bank	\$500,000

The Governor has also asked the US Economic Development Administration (EDA), an arm of the US Department of Commerce that helps communities retain existing jobs and stimulate industrial and commercial growth, for a \$5 million grant to further capitalize the fund. The EDA request is still pending, although a decision is expected in early 2009. Rhode Island taxpayers assume no liability for unpaid loans.

"The Small Business Loan Fund has been one of our most successful economic programs, providing working capital for local companies who might not have access to more traditional lending programs," said Mike Saul, Interim Executive Director for the RI Economic Development Corporation. "In addition to the \$4.4 million already approved in loans this year, the SBLF Board is meeting this morning to consider loans totaling \$800,000 to four small businesses, including AVTECH Software, Inc., Divon Furniture Supply, Inc., Colonial Printing Company, Inc., and New England Woodworking, Inc. Access to this capital allows these companies to retain and expand their workforce."

Component 3: Expansion of Micro Loan Program

Ten percent of new money directed to the SBLF program will be earmarked for micro loans of less than \$50,000. These funds are instrumental in helping entrepreneurs and very small businesses to grow and create jobs. The SBLF program currently includes a micro loan program. The infusion of new capital will be used to recapitalize the current program.

Component 4: Small Business Growth Capital Guarantee Program

As part of the stimulus package, the Governor will ask the state legislature to authorize a Kushner approval to support the creation of a \$25,000,000 loan guarantee program. The loan guarantee program will be used primarily to augment guarantees currently offered by the federal SBA program. It may also provide guarantees for qualifying direct small business bank loans for those businesses not eligible for SBA backed loans.

The program will provide an additional 15 percent guarantee on SBA 7a loans (SBA currently guarantees 75 percent) and 40 percent on SBA Express loans (SBA currently guarantees 50 percent), thereby providing up to a 90 percent guarantee for a business seeking either type of loan. Guarantees issued on SBA loans are not to exceed \$200,000. The program will provide up to a 90 percent guarantee on direct bank loans. Direct loan guarantees are not to exceed \$500,000.

Component 5: Small Business Tax Credit on Guarantee Loan Fees

The Governor will seek to reinstate a tax credit that enables qualifying small businesses to take a tax credit against their Rhode Island state filing for guarantee fees paid to the US Small Business Administration. This will eliminate another boundary that has kept many worthy businesses from taking advantage of the federal SBA program.

Component 6: Business Development Company of Rhode Island (BDCRI)

The Business Development Company of Rhode Island (BDCRI) is prepared to commit up to \$5,000,000 in gap financing to Rhode Island businesses that may need more funding than their senior lenders are willing to extend. This BDCRI financing will be subordinated debt, and is considered "capital" by senior lenders.

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The Business Development Company of Rhode Island is a non-bank lender which provides debt and equity financing to help promising, but often undercapitalized, companies in Rhode Island, Connecticut and Massachusetts grow and expand employment. The portfolio of the BDCRI include manufacturers and distributors, as well as service providers in a variety of industries, including software, medical technology, and other high-tech businesses.

Member banks of the BDCRI have invested the majority share of the \$10.5 million that BDCRI has available to lend. Member banks include Bank of America, BankNewport, Bank RI, Centreville Bank, Citizens Bank, Coastway, Home Loan and Investment Bank, FSB, Sovereign Bank New England, The Washington Trust Company, and Webster Bank, NA.

“Each component of this stimulus package is designed to help our small businesses get access to much-needed capital, keep people working and remain competitive in this challenging economy. We will continue to work with our Congressional delegation, the General Assembly, and federal partners to implement and support these programs,” concluded the Governor.

The Governor and the RIEDC team will begin immediately to activate components of the stimulus plan. The team will continue with ongoing conversations with additional banks with which agreements are not yet final and the EDA to maximize efforts to recapitalize the SBLF program. The team is also working with the legislature to craft the Kushner approval and pass the tax credit for qualifying loan fees.

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