

BOARD OF ALDERMEN

ITEM NO. E(1)

AGENDA ITEM ABSTRACT

MEETING DATE: June 18, 2002

TITLE: PlacesMedia Inc. Revolving Loan Application

DEPARTMENT: Community and Economic Development	PUBLIC HEARING: NO
ATTACHMENTS: A. Resolution B. UNC SBTDC Case Summary and Recommendation C. DDC Recommendation D. RLF Summary	FOR INFORMATION CONTACT: James Harris, 918-7319

PURPOSE

The purpose of this item is to present to the Board of Aldermen the loan application from PlacesMedia, Inc. and the Downtown Development Commission's (the town's loan review board) recommendation for approval. The loan amount is \$50,000.

INFORMATION

PlacesMedia, Inc is a publishing company located in downtown Carrboro, at 304 Weaver Street, Suite 101. The business filed its incorporation papers on July 19, 2001. The company is responsible for publishing *Places*, an international travel, tourism, and cultural magazine. PlacesMedia, Inc. produces a high-end, full color publication targeting a segment of the population that has been overlooked by publishers of travel related magazines. The target population of readers is the age group between 18 and 39 years. The product is a very professional, quality publication comparable, if not superior to, many other magazines. *Places* has produced, on a shoestring budget, three complete magazines while maintaining their bi-monthly schedule and meeting their deadlines. According to industry professionals, most magazines struggle to meet deadlines for publishing. *Places* has consistently met their objective, according to the owners.

Advertising and distribution are two revenue sources for the magazine and have proven to be a significant source of revenue for PlacesMedia, Inc. Places has currently accumulated in excess of \$ 80,000 in revenue from the ad and distribution sales for this project (Places Spring 2002). These revenues are currently listed in an accounts receivables capacity with the payment terms at net 60 days, which is the industry standard. This stream of revenue, as well as the projected sales, is substantial, making the capacity to repay more attractive. Additional deals currently in the finalization process include an agreement with an automobile company to provide two automobiles valued at \$50,000, and the hiring of a top news consultant to further promote the publication in the market.

While personal credit histories for both owners show serious problems, and must and should be considered, this loan application is viable. Consideration should be, and has been given to the circumstances surrounding the reasons for the status of the credit histories and the changes that the

applicants are making to improve their situations. Owner Lindsay Bentz sustained much of her situation while dealing with her mother's grave illness.

The applicants will offer their accounts receivable, a life insurance policy on both applicants, personal signatures, and all equipment purchased with the loan proceeds as collateral for the loan. Notably since the inception of the business, there have been no late payments or credit-related issues for the company.

Places currently employs four (4) people and will hire one to two additional employees as the need arises to meet the loan criteria of one job per \$10,000 borrowed from the Revolving Loan Fund (RLF). Four of the employees will be retained. As stated by the loan packager, the applicants collateral and credit history appear to be factors that adds risk to the project, however, the immediate need for funds, and very strong financial trend of the business support the recommendation of the DDC to support the loan request.

Having an international magazine headquartered in Carrboro is great for the Town and fits well with the desire of the Town to recruit technology type businesses to locate here. The owners have been interviewed on national television which brought positive attention to the Town as a place where technology oriented businesses can relocate and thrive.

The revolving fund currently has \$375,150 available for loans to applicants.

ADMINISTRATION'S RECOMMENDATION

The administration supports the recommendations from the SBTDC (loan packager) and DDC (loan review board) for approval of the loan to *Places Magazine* in the amount of \$50,000 for three years at a rate of 6% with payments beginning six (6) months from the signing of the loan agreement.