

**A RESOLUTION TO APPROVE A LOAN FROM THE CARRBORO REVOLVING
LOAN FUND FOR THE ORIGINAL ORNAMENT
Resolution No. 70/2008-09**

WHEREAS, the Town of Carrboro established a revolving loan fund in 1986 to provide incentives for individuals to start new businesses in the Town of Carrboro, create at least one job per \$10,000 borrowed from the fund and provide an incentive for people to do business in the Town of Carrboro ; and

WHEREAS, the fund now has \$349,868 available to be loaned to applicants with viable projects; and

WHEREAS, the applicant has completed the loan application and the loan application has been reviewed by the loan packager reviewer (SBTDC) and found this project to be an existing business expansion; and

WHEREAS, the Economic Sustainability Commission (ESC) and the SBTDC found the project to be eligible for the fund and will retain at least nine (9) jobs; and

WHEREAS, the applicant will provide \$25,000 in equity from her own resources for the project; and

WHEREAS, the applicant has requested a loan in the amount of \$70,000 and provided collateral in the existing inventory, inventory to be purchased, personal guarantee and a life insurance policy in the amount of the loan; and

WHEREAS, the unexpended reserve expenditure budget is reduced by \$70,000 to consummate the loan.

**NOW THEREFORE, THE CARRBORO MAYOR AND BOARD OF ALDERMEN
RESOLVES THAT:**

Based upon the review of the application by the SBTDC (Loan Packager) and the review and recommendation of the ESC the loan is approved in the amount of \$70,000 for six years at an interest rate of 3%.

**APPLICATION FOR
CARRBORO
REVOLVING LOAN
FUND (CRLF)**



Town of Carrboro
Post Office Box 829
301 W. Main Street
Carrboro, North Carolina 27510
919-942-8541

INSTRUCTIONS: Please read the Revolving Loan Description and Criteria before completing this application. It is important that you fill out all sections of this application completely. Questions regarding this application or the application process should be directed to the Town's Community and Economic Development Officer.

NAME OF APPLICANT: The Original Ornament, Inc. DATE: 10/28/08
(Legal name of firm)

NUMBER OF YEARS IN OPERATION: 16 CORPORATION PARTNERSHIP SOLE PROPRIETORSHIP

EMPLOYER ID# _____ PRIVILEGE LICENSE #: 700

ADDRESS OF APPLICANT: Carr Mill, Suite A-11, 200 N. Greensboro St., Carrboro

LOCATION OF PROJECT (IF DIFFERENT FROM ABOVE): _____

PHONE NUMBER: 919-933-3467 CONTACT PERSON: Casey Schlatter, president
Name and Position

AMOUNT OF LOAN REQUEST: 70,000.00 TERM REQUESTED: 6 years

BRIEFLY DESCRIBE THE FOLLOWING ASPECTS OF YOUR BUSINESS. (You may attach separate sheets or provide a written history and description of your business if you wish.)

- * A. WHAT TYPE OF BUSINESS DO YOU OWN OR ARE YOU PROPOSING? The Original Ornament is a retail bead shop established in 1992 and in Carr Mill since 1998. We sell beads, custom-made jewelry, and all the materials needed to make beaded jewelry.
- * B. WHAT ARE YOUR MARKETS? Our markets include middle-aged women with average and higher income levels, brides, college students, children, seniors, gift buyers, and hobbyists.
- * C. DESCRIBE SOME OF THE TRENDS AND THE DEVELOPMENT OF YOUR BUSINESS: The Original Ornament started as a crafter and hobbyists haven for beads, but has more recently created a reputation for professional, custom-made beaded jewelry. This change in focus has allowed us to attract anyone who appreciates & loves jewelry, not just beads.
- * D. WHAT EFFECT WILL THE PROPOSED PROJECT HAVE ON THE COMPANY? The proposed project's goal is to ultimately increase revenues of The Original Ornament! We plan to do this by increasing awareness of our custom-made jewelry lines with intensive programs and outreach.
- * E. WHAT SIZE FACILITY ARE YOU IN? WHERE IS IT LOCATED? DO YOU PLAN TO MOVE AS PART OF THE PROPOSED PROJECT? The Original Ornament is located in 1623 square feet of The Historic Carr Mill shopping center. We do not plan to move as part of the proposed project.

* see back for more detail

A.

The Original Ornament is a retail bead and jewelry shop established in 1992 on Franklin Street in Chapel Hill. In 1998, The Original Ornament moved into Carrboro's Historic Carr Mill. We sell beads, custom-made jewelry, and all the necessary materials to make beaded jewelry. We offer a wide variety of goods and services to our clientele: We restring and repair jewelry, offer parties and classes for children and adults; we offer individual and group assistance, and we provide artistic assistance and design consultation to customers. We are open 7 days a week, 10 am - 6 pm; Thursdays 10 am - 8 pm.

B.

The Original Ornament's largest market is middle-aged women with moderate to higher incomes that allow for an expendable income. We also cater particularly to brides and college students, as they seem to have and spend money consistently. We also attract large amounts of children and seniors, although, both on somewhat fixed incomes. We draw gift buyers from the community and hobbyists from all around the nation—beaders seek out bead shops wherever they visit. Our clients are mostly from Orange and Durham counties, and we have fewer but consistent clients from Alamance and Wake counties.

C.

The Original Ornament has worked with crafters and hobbyists interested in beads and beading since 1992. We started as the triangle's only full-service bead store and were that for almost 10 years. Now, we compete with bead shops and jewelry stores locally, with chain stores like Michaels, AC Moore, and Wal-Mart, with online purchasing, and traveling shows. In the last year this increased competition as well as difficult financial times, we have focused more on professional custom-made beaded jewelry. By catering to brides, women, men, and children from all ages and walks of life, we have begun a new chapter for The Original Ornament. This slight change in focus has brought about small but positive changes. We want to expand this market with the most effective displays and booths that are possible to increase sales and programs at The Original Ornament. We have continued to grow and change for 16 successful years, and we hope to continue the legacy we have created for ourselves.

D.

The proposed project's goal is to increase revenues for The Original Ornament by enlarging our established programs, increasing awareness of our custom-made jewelry lines, and by increasing inventory. We have planned to purchase booth supplies for every type of proven effective market and those that focus on women interested in custom jewelry. We plan to increase our attendance at bridal shows across the state where brides can purchase and/or create custom jewelry for their weddings. We will attend more fashion shows with local merchants, showcasing our custom jewelry lines paired with matching clothing. We also plan to purchase equipment to host more parties for college sororities and other college groups, for bridal parties, adult and children's parties, for quilters, country club members, service clubs, for invitation-only women's parties in Raleigh and Wilmington, for elderly women in local assisted living communities. We plan to take our products and services on the road as outreach to brides, students and all interested beaders. We plan to have seasonal and special event custom jewelry prepared and displayed well (e.g., holidays, UNC football) to take advantage of events and trends in the jewelry market. All of these plans have been established and proven successful by our refocus to offering custom jewelry in the last year. This success has been measured by actual customers being drawn to The Original Ornament by ads and marketing to the above mentioned markets.

IF YOU ARE LEASING, OR PLAN TO LEASE, DESCRIBE THE TERMS OF YOUR LEASE (RENT AND LENGTH OF LEASE):
The Original Ornament is currently in a continuation of a lease that began in February 2005. We modified and resigned this lease for May 2008 - April 2011 with a 3 year continuation of terms option at its expiration. Our current rent with CAM & fees is 3134.00

THE PROPOSED PROJECT

BRIEFLY DESCRIBE THE SCOPE OF THE PROPOSED PROJECT: We propose an intense show campaign: Custom-made jewelry to residents in Ckt, Carrboro, Durham, Raleigh, Cary; to brides, by attending bridal shows; to students at UNC & Duke; by participating in fashion shows; by "wrapping" an automobile. We also plan to replace display units, purchase a POS computer system, purchase more inventory. We will purchase 3/4 display units to take our products also from store location f to do so simultaneously with differ. Shows. We plan to build designated section of the store exclusively for custom bridal jewelry.

DOES THE PROJECT INVOLVE THE PURCHASE OF LAND AND/OR BUILDING? YES NO
PURCHASE PRICE: _____

DOES THE PROJECT INVOLVE THE CONSTRUCTION OF A NEW BUILDING? YES NO
CONSTRUCTION COST ESTIMATE: _____

DOES THE PROJECT INVOLVE THE EXPANSION, RENOVATION OF, OR ADDITION TO AN EXISTING BUILDING?: YES NO
CONSTRUCTION COST ESTIMATE: _____

PROJECTS INVOLVING LEASEHOLD IMPROVEMENTS:

COST ESTIMATES FOR LEASEHOLD IMPROVEMENTS: 0

PROJECTS INVOLVING PURCHASE OF FURNITURE, FIXTURES AND EQUIPMENT:

ESTIMATED TOTAL COST OF PURCHASES: ≥ \$25,000 (inventory, POS, cases, car wrap)

IMPACT AND CRLF OBJECTIVES:

HOW MANY PERMANENT JOBS WILL BE CREATED BY THIS PROJECT: _____
FULL TIME: _____ PART-TIME: _____
PROJECTED NUMBER OF THESE POSITIONS TO BE FILLED BY MINORITIES: 0
PROJECTED NUMBER OF THESE POSITIONS TO BE FILLED BY FEMALES: 0

WILL AT LEAST 51% OF THESE JOBS BE PROVIDED TO LOW AND MODERATE INCOME PERSONS? YES NO

HOW MANY PERMANENT JOBS WILL BE SAVED BY THIS PROJECT: FULL TIME: 3 PART-TIME: 6
NUMBER OF THESE POSITIONS FILLED BY MINORITIES: 0
NUMBER OF THESE POSITIONS FILLED BY FEMALES: 0

ARE AT LEAST 51% OF THESE JOBS PROVIDED TO LOW AND MODERATE INCOME PERSONS? YES NO

LOW AND MODERATE INCOME IS DEFINED AS GROSS INCOME FOR FAMILY NOT EXCEEDING 80% OF THE MEDIAN FOR THE RESPECTIVE FAMILY SIZE FOR THE RALEIGH-DURHAM MSA AS ESTABLISHED FROM TIME TO TIME BY HUD. PLEASE CONSULT THE TOWN TO OBTAIN THESE THRESHOLDS. HAVE YOU REVIEW THIS INFORMATION? YES NO

DO YOU AGREE TO COMPLY WITH TITLE I REQUIREMENTS (ENVIRONMENTAL AND DAVIS-BACON ACT) AND ALL CIVIL RIGHTS REQUIREMENTS? YES NO

*H

EXPLAIN WHY YOU ARE SEEKING THESE FUNDS FROM CARRBORO AND WHY THEY ARE NOT AVAILABLE THROUGH OTHER SOURCES; EXPLAIN WHY THE PROJECT WOULD NOT BE POSSIBLE WITHOUT CRLF PARTICIPATION:

With recent and intense competition and with a customer base that is still growing, but that is spending less (decreased revenue), we are forced to look to programs and outreach for sources of income. To do so, we need additional funds. We have been denied loans at Wells Fargo, Self-Help Credit Union, Fidelity Bank, and Wachovia

IS THE PROJECT WITHIN THE CITY LIMITS? YES NO

IS THE PROJECT WITHIN THE DOWNTOWN BUSINESS DISTRICT? YES NO

HOW IS THE SITE ZONED? retail, commercial

LOAN TERMS AND CONDITIONS

LIST OTHER SOURCES OF FINANCING TO BE INVOLVED, AND AMOUNT TO BE PROVIDED (INCLUDE EQUITY CONTRIBUTIONS FROM THE APPLICANT'S RESOURCES):

- 1) Family investment
- 2) Personal loan and equity loan from president.
- 3) _____

DESCRIBE YOUR NEEDED TERMS OF THE REVOLVING LOAN FUND LOAN: We consider the money from the Town of Carrboro a long-term investment to boost awareness of the business and boost sales immediately. We prefer to have the term of this loan to be 6 years at a rate of 3% to have as little impact on the monthly cash flow as possible.

DO YOU UNDERSTAND THAT THE CRLF LOAN WILL BE SECURED BY A NOTE AND DEED OF TRUST ON REAL ESTATE AND SECURITY AGREEMENT ON EQUIPMENT, AND THAT PERSONAL GUARANTEES WILL BE REQUIRED? YES NO

HAVE THE APPLICANT FIRM OR ANY OWNER OF MORE THAN 20% OF THE COMPANY, OR ANY GUARANTOR EVER BEEN ADJUDGED BANKRUPT, FILED FOR BANKRUPTCY, PROTECTION FROM CREDITORS, OR RE-ORGANIZED UNDER THE BANKRUPTCY LAWS? YES NO

AS President (TITLE) OF The Original Ornament, Inc.

I CERTIFY THAT THE INFORMATION PROVIDED IN THIS APPLICATION AND IN DOCUMENTS AND EXHIBITS PROVIDED IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE. I FURTHER COMMIT TO THE FOLLOWING ACTIONS, AS DESCRIBED MORE FULLY IN THE PROJECT APPLICATION:

- A) UNDERTAKE AND CARRY OUT THE PROJECT AS DESCRIBED IN THE PROJECT APPLICATION, AND DOCUMENTS AND EXHIBITS PROVIDED,
- B) CREATED A MINIMUM OF 3 JOBS WITH 3 FOR LOW AND MODERATE INCOME PERSONS AND OBTAIN THE LEVEL OF JOBS INDICATED ABOVE BY: 6-1-2009
- C) RETAIN A MINIMUM OF 9 JOBS WITH 9 FOR LOW AND MODERATE INCOME PERSONS,

* see back for more detail

H.

As a local Carrboro merchant for 10 of our last 16 years, we have been successful at maintaining our heading customers and growing to meet their needs. We have faced intense competition in the last few years and even though our customer base is still growing, each individual spends less and less. As a result, we have been forced to look at other markets as a source of income while also dealing with decreased revenues. In order to reach these markets we need additional funds. At this point, we have been denied loans from Wells Fargo, Self-Help Credit Union, Fidelity Bank, and Wachovia Bank. We are hoping that the Town of Carrboro will see our business as an important part of the community and help finance our growth.

- D) SUBMIT QUARTERLY EMPLOYMENT REPORTS TO THE TOWN SHOWING THE NUMBER OF JOBS CREATED OR RETAINED WHICH WOULD OTHERWISE HAVE BEEN LOST, AT LEAST 51% OF WHICH ARE LOW TO MODERATE INCOME POSITIONS,
- E) PROVIDE THE TOWN WITH NECESSARY INFORMATION FOR COMPLETING REQUIRED REPORTS,
- F) MAKE ALL RELEVANT RECORDS AVAILABLE TO THE TOWN AND STATE UPON REQUEST,
- G) BEGIN PROJECT ACTIVITIES ONLY FOLLOWING EXECUTION OF A LEGALLY BIDDING COMMITMENT BETWEEN THE TOWN AND THE APPLICANT AND THE RELEASE OF OTHER CONDITIONS, IF ANY, PLACED ON THE LOAN BY THE TOWN OF CARRBORO,
- H) COMPLETE PROJECT ACTIVITIES BY NO LATER THAN 18 months
- I) SECURE AND OBTAIN ADDITIONAL LOAN FUNDS IN THE AMOUNT OF \$ 70000.00 AS DESCRIBED IN THIS APPLICATION, AND
- J) PROVIDE \$ 25000.00 IN EQUITY FROM THE APPLICANT'S OWN RESOURCES FOR THE PROJECT AND COVER ANY COST OVERRUNS IN THE PROJECT FROM APPLICANTS OWN RESOURCES.

MY FIRM IS COMMITTED TO UNDERTAKE THIS PROJECT, AND BUT FOR THE PROVISION OF THE CDBG ASSISTANT, THIS PROJECT WILL NOT BE UNDERTAKEN:

<p>PARTNERSHIP AND SOLE PROPRIETORSHIPS</p> <p>SIGNED: _____</p> <p>TITLE: _____</p> <p>DATE: _____</p>		<p>CORPORATIONS</p> <p><u>The Original Ornament, Inc.</u> <small>Name</small></p> <p>BY: <u>[Signature]</u> <small>President</small></p> <p>ATTEST: _____ <small>Secretary</small></p> <p>(SEAL)</p> <p>DATE: <u>9.10.08</u></p>
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BELOW, PLEASE LIST ALL OF THE FOLLOWING: ANY OWNER OF 20% OR MORE OF A CORPORATION AND ALL OFFICERS OF THE CORPORATION; ALL PARTNERS; THE SOLE PROPRIETOR.

Print Name & Title	Signature	% owned

16 yrs

UNC-SBTDC LOAN PREPARATION PKG.# 02-08CLIENT NAME: Casey SchlatterBUSINESS NAME: The Original Ornament, IncCOUNSELOR: Ron Elmitch**CASE SUMMARY**

The Original Ornament, Inc. is a retail custom-made jewelry and bead shop and located within The Carr Mill Mall in downtown Carrboro. The company is owned and operated by Casey Schlatter. Ms. Schlatter has solely owned the business since buying out the founding owner.

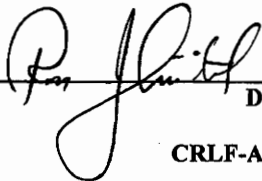
Ms. Schlatter has successfully run the business for the past several years, building the business on bead sales and expanding into custom-made jewelry in the past year. She has also increased the size of the store to include more floor selling space and the addition of a class and party room.

At this time, Ms. Schlatter is seeking a loan in the amount of \$70,000. Most of this amount will be used to purchase additional inventory. The inventory will consist of both store inventory and inventory to attend trade shows for jewelry and bridal shows. This will allow the store to focus on the existing market (beads) and allow them to expand sales in the new markets (bridal and custom jewelry). The rest of the loan will be used to expand the stores presence at trade shows- bridal, wedding, beads, etc. The new markets are expanding and will increase the number of customers shopping and spending money in Carrboro.

The Loan Committee should look carefully at several items in the loan package. Firstly, there is no real estate collateral to use to secure the loan. All collateral is the existing store inventory, which Ms. Schlatter owns outright. The committee must be willing to use the inventory as collateral. Ms. Schlatter has very little other assets and none to use as collateral. Secondly, Ms. Schlatter has significant debt in the business- both credit card and long term. She is making the payments on a timely basis.

The committee should also consider the fact that Ms. Schlatter has been in business for 16 years and has been a presence in Carrboro for most of the entire duration. She has worked closely with the SBTDC for the past two years and has been willing to listen to advice and make changes in her business to allow for continued success.

SBTDC Counselor Signature

 10/29/08
Date

CRLF-Attachment I of V

Memo

To: Mayor and Board of Aldermen
From: Peter Lee, Chair ESC
CC: James Harris, Director Economic and Community Development
Date: 2/5/2009
Re: ESC Recommendations for Loan Request from the RLF

On December 10th 2008 the ESC reviewed three Revolving Loan Fund applications. The action taken on the loan requests was as follows:

1. The Original Ornament, Inc. - Motion to recommend approval of the loan to the Board of Aldermen for the Original Ornament in the amount of \$70,000 for a term of six (6) years at 3% to expand the current business was made by Ellie Kinnaird and second by Alena Callimanis. Peter Lee, Jefferson Parker, Alena Callimanis, Ellie Kinnaird, voted yes, Nathan Milian, and Gary Kramling abstained, No -0-
2. Cycle 9, LLC- Motion to recommend approval of the loan to the Board of Aldermen was made by Nathan Milian, and seconded Alena Callimanis for a loan in the amount of \$68,540 for a term of seven (7) years at an interest rate of 3% to expand the current business. Ayes Ellie Kinnaird, Alena Callimanis, Peter Lee, Jefferson Parker, Nathan Milian, and Gary Kramling. Nays 0
3. The Fringe DBA/ The Beehive- Motion to recommend approval of the loan the Board of Aldermen was made by Ellie Kinnaird and seconded Nathan Milian for a loan in the amount of \$50,000 for a term of eight years at an interest rate of 3% to expand the business. Ayes Ellie Kinnaird, Alena Callimanis, Peter Lee, Jefferson Parker, Nathan Milian, Gary Kramling, Nays 0

Maturity Report for Loan Funds--ACTIVE ACCOUNTS

Loan ID	Borrower		Maturity Date	Loan Amount	Principal Balance
Revolving Loan Fund		Business Name			
<i>Subfund R1</i>					
113	Paul Finn	Acme Food & Beverage	6/1/2008	\$46,110.32	\$0.00
104	Sara Hammond	The Printery	2/1/2008	\$6,459.00	\$2,757.66
128	Arthur Ramsey	Blu Icon	1/10/2012	\$18,000.00	\$11,574.57
125	Gary Duncan	Science Technologies	3/1/2012	\$35,000.00	\$24,204.50
130	Laurin Stennis	Cycling Specifics	7/1/2012	\$45,000.00	\$13,338.89
127	Bryan Gibson	Bryan's Guitar & Music	8/1/2014	\$90,000.00	\$65,571.75
116	Ranova Pendegraft	Alphabet Soup	3/21/2021	\$48,000.00	\$31,412.55
Subtotal for 7 loans in Revolving Loan Fund				\$288,569.32	\$148,859.92