



Project

Peoria Journal Star

Project Goal - Purchase and restructure the ***Peoria Journal Star*** as a locally based independent newspaper with a focus on community service and news targeted specifically toward the local market. The emphasis includes the recognition that newspapers are the only business specifically recognized in the U.S. Constitution and the information provided is vital to the proper function of a democracy. The newspaper is also an important engine of the economy of the area and is a vital source, through both news and advertising, of information significant to the commerce of the area. Additionally, many of the cultural and nonprofit venues depend on a healthy vibrant newspaper for dissemination of information regarding their services. Lastly, government at all levels needs newspapers for the same dissemination of necessary information.

Source of Project - Jennifer Towery, Local Newspaper Guild President.

L3C Advantage - The operation can be a profitable, self-sustaining venture by expanding its role and restoring many services that have been reduced or cut. It will be profitable enough to maintain and purchase equipment as needed and to explore and develop ways to use and integrate new media with the newspaper model. But as an L3C it will not be under pressure to generate an unreasonable level of profits or diminish services in order to increase profits or service highly leveraged debt. The L3C structure will permit the paper to direct its effort to providing the kind of community service the subscribers, advertisers and other stakeholders have a right to expect. It can operate as a public service vehicle rather than emphasize the maximization of return on investment model that has become so common in the industry and is ruining newspapers all over America. As an L3C, it will, by law, be charged with placing community service ahead of profit.

Amount of Investment Required - To Be Determined

Possible Members of L3C -

Equity or First risk tranche - Foundations through PRIs and tax deductible donations by individuals to Community Foundations turned into PRI investments by Community Foundations. Community Foundations in particular have a stake in the successful operation of a local community newspaper since in many ways it is vital to the basic spirit and health of the community served by the Community Foundation.

Mezzanine tranches- Employees, local businesses such as auto dealers or restaurants, local merchants and banks, supermarkets and other national chain retailers and theater chains all of whom depend on the viability of the paper for delivery of their message to local customers. Local individuals and investors who see the value in a viable local community even if the return on investment is not spectacular. An example might be a large local employer such as Caterpillar that needs a strong, prosperous, cohesive, vibrant local community in order to enhance their ability to attract the best employees to come to Peoria to work for Caterpillar. The community often makes a difference as to the level of compensation a large corporation has to pay since prospective hires may demand higher pay if they perceive the need to leave a community for some of the services they will desire or to compensate for a lower quality of life.

Senior tranche - Foundations through Mission Related Investments of endowment, State and local Pension Funds, insurance companies, foreign sovereign wealth funds and other very large scale institutional investors who are looking for very secure long term income paying investments with a return compatible

with the risk.

Members not making cash investments - to be determined

Management Structure - A hired professional staff reporting to a management board which may include members of the present management structure.

Structure of investment - Stability of the project for the long run indicates an all equity transaction. It is obvious that certain groups such as the local members of the Newspaper Guild will have a relatively small financial stake in relation to their role in say over the quality of the product. Other investors such as local businesses will put in more dollars for substantially less day to day control. Others such as pension funds will be far more passive investors.

Projected Sales, Expenses, and Gross Profit - tbd

Projected investment and Return per Tranche- tbd

Unique socially beneficial aspects of this project - The newspaper means many different things to many different stakeholders. The key to the success of the newspaper as an L³C will be the drafting of an operating agreement that assures all the stakeholders that the paper will live up to their expectations and yet permits those in charge to be able to make the needed business decisions on a day to day basis without having to clear each and every decision with the various stakeholders. It is going to require new thinking to some extent on all sides. The advertisers, for example, will have to understand that they are investing to be sure of the success of a tool necessary to the marketing of their products. The management will have to understand that the employees are the most valuable asset, while the employees will have to make tough decisions sometimes that are important to the viability of the paper and think like the owners they will be. But once an operating agreement has been crafted a newspaper as a pillar of the community will finally be a reality.