

A Case Study

by Mike O'Donnell
Colorado Lending Source

Colorado Main Street Loan Program Credit Memorandum

Big Rise LLC

Proposed Funding Source:	OEDIT		
Loan Officer:	Mike O'Donnell		
Date Prepared:	1/21/2018		
Loan Project Structure:	Borrower only		
Project Street Address:	123 Main Street		
Project City / State / Zip:	Telluride	CO	81435-9168
City Population:	2444		
Project County:	San Miguel		
Congressional District:	District 3		
State Districts:	House:	58	Senate: 6

Economic Development Objective(s):

Brand New (not yet open) <input type="checkbox"/>	In Business (< 2 years) <input type="checkbox"/>	Buying Existing Business <input type="checkbox"/>	Manufacturer / Maker <input checked="" type="checkbox"/>	Based in Rural Colorado <input checked="" type="checkbox"/>
Woman Owned (51% or more) <input type="checkbox"/>	Minority Owned (51% or more) <input type="checkbox"/>	Veteran Owned (51% or more) <input type="checkbox"/>	Disabled Owned (51% or more) <input type="checkbox"/>	Millennial Owned (51% or more) <input checked="" type="checkbox"/>
LGBT Owned (51% or more) <input type="checkbox"/>	Exporter (sales > 10%) <input type="checkbox"/>	Impacted by Restructuring <input type="checkbox"/>	Impacted by Fed Cutbacks <input type="checkbox"/>	Enterprise Zone Area <input checked="" type="checkbox"/>
HUB Zone Area <input type="checkbox"/>	Low to Moderate Income Tract <input type="checkbox"/>	50%+ Workforce in LMI Tract <input type="checkbox"/>	NMTC Area <input type="checkbox"/>	Strike Force / Opportunity Zone <input type="checkbox"/>
Underserved / Distressed (FFIEC) <input type="checkbox"/>	Population Loss Area (CDFI) <input type="checkbox"/>	Empowerment Zone (CDFI) <input type="checkbox"/>	Investment Area (CDFI) <input type="checkbox"/>	Unemployment Area (CDFI) <input type="checkbox"/>



Overview of Project

Big Rise is a high quality outdoor clothing business entering its fourth year of operations. Based in Telluride, CO, and founded by XX and YY all sales are direct-to-consumer and they have more than 6,000 active customers (who typically spend \$115 each time they visit their web site) in their system along with 70,000+ Facebook followers. Before creating a new clothing line, Big Rise "crowd funds" interest on line and secures pre-orders before going to production.

They are seeking a \$50,000 Colorado Main Street loan to invest in inventory and support growing sales. The loan will allow the firm to continue to scale.

Project Eligibility

This project is eligible for the Colorado Main Street loan program, per policy. It is proposed that OEDIT funds be used to make this loan because the OEDIT-provided grant funds have a dual focus on rural-based businesses and businesses involved in Colorado's growing outdoor recreation industry. Big Rise meets both these goals and the project is endorsed by the director of the governor's Colorado Outdoor Recreation Industry department.

Analysis of Management Ability

In addition to both being 3rd generation entrepreneurs, both XX and YY completed the Telluride Venture Accelerator program in 2016 with Big Rise. They are involved in their regional SBDC and continue to take online courses to improve their skills.

XX graduated with a degree in Business Management from the University of Georgia Terry College of Business, and has six years of previous work history in product sales and textile development.

YY has a Masters degree in Non-profit Management from the University of the Arts in Philadelphia and over 10 years of experience in team management and operations in both for-profit and non-profit organizations.

Letters of recommendation for this project were received from Len Metheny, their mentor through the Telluride Venture Accelerator, and, Luis Benitez, the Director of the Colorado Outdoor Recreation Office, who commented that: "They are without a doubt one of the more exceptional and fiscally responsible emerging brands in the outdoor industry that I know of here in Colorado."

History of Applicant Business / Businesses

The idea for Big Rise came while working in Vail, Colorado as a ski instructor and fly fishing guide. A typical day in Vail could involve hiking, biking, climbing, fishing, work, and dinner with the next day's clients. This typically meant 3-4 clothing changes. When we examined the clothing on the market we discovered that there was no offering that was able to accommodate all activities. To address this gap in the market, we paired our knowledge of outdoor life, the textile industry, and business to create a minimal set of performance clothing that works for any outdoor activity. This vision of creating one versatile set of clothing has expanded beyond just the outdoor market, to applying functional, technical fabrics to everyday clothing. We now make a focused set of highly versatile, highly technical clothing that performs everyday in the broadest possible wear spectrum, no matter if you are outdoors, traveling, or just commuting to the office.

Product - Big Rise creates simple, versatile mountain apparel blending functional technology and relevant outdoor style. Our products are truly multi-functional and allow the user to do more with less.

Materials – Big Rise utilizes the most advanced and applicable fibers, fabrics, and trims available for each specific piece. If they do not exist, we create them. We are a company built of innovation and that begins with the materials.

Style – For Big Rise, form is driven by function. Our pieces are simple, and classically styled to outlast trends. We study the way the body moves, and build each piece around what a typical multi-sport day might look like in that piece. We then combine that with the perfect materials for those applications.

Fit – Big Rise creates products with an Active Fit. Our core customer enjoys multiple outdoor sports, so our product is slightly tailored to fit an active body.

Big Rise has a board of advisors that consist of successful business men and women in the outdoor, apparel, and marketing industries. The advisors assist the business with major growth, financial and operational decisions. We update and get feedback from our advisors, investors, and mentors on a monthly basis via business reports and schedule one-on-one calls whenever necessary. We truly see our advisors, investors, and mentors as part of our team and utilize their knowledge and skills as frequently as possible.

Comments on Debt and Receivables/Payables

The company has an outstanding loan with Colorado's Region X economic development group, backed by the CHFA cash collateral program, and two active credit cards used for the business.

Date of Statement	N/A	N/A	N/A	9/30/2017	Adjustments Debits Credits		PROFORMA	
Type of Statement				Interim				

ASSETS

Cash	0.000	0	0.000	0	0.000	0	80.196	23.73 %	(50.000)		30.196
A/R	0.000	0	0.000	0	0.000	0	33.303	9.86 %			33.303
Inventory	0.000	0	0.000	0	0.000	0	207.394	61.38 %	100.000		307.394
Other	0.000	0	0.000	0	0.000	0	0.478	0.14 %			0.478
Total Current A.	\$0.000	0	\$0.000	0	\$0.000	0	\$321.371	95.11 %	50.000	0.000	\$371.371
Fixed Assets	0.000	0	0.000	0	0.000	0	16.526	4.89 %			\$16.526
Other Assets	0.000	0	0.000	0	0.000	0	0.000	0.00 %			\$0.000
TOTAL ASSETS	\$0.000	0	\$0.000	0	\$0.000	0	\$337.897	100.00 %	50.000	0.000	\$387.897

LIABILITIES AND NET WORTH

A/P	0.000	0	0.000	0	0.000	0	50.714	15.01 %			50.714
Notes (ST)	0.000	0	0.000	0	0.000	0	17.969	5.32 %			17.969
Accruals	0.000	0	0.000	0	0.000	0	0.489	0.14 %			0.489
CP LTD (Lender)	0.000	0	0.000	0	0.000	0	0.000	0.00 %			0.000
CP LTD (Deben.)	0.000	0	0.000	0	0.000	0	0.000	0.00 %		4.927	4.927
CP LTD (Other)	0.000	0	0.000	0	0.000	0	0.000	0.00 %			0.000
Other	0.000	0	0.000	0	0.000	0	0.000	0.00 %			0.000
Total Current L.	\$0.000	0	\$0.000	0	\$0.000	0	\$69.172	20.47 %	0.000	4.927	\$74.099
Notes (LT)	0.000	0	0.000	0	0.000	0	0.000	0.00 %			0.000
LTD (Lender)	0.000	0	0.000	0	0.000	0	49.052	14.52 %		0.000	49.052
LTD (Debenture)	0.000	0	0.000	0	0.000	0	0.000	0.00 %		45.073	45.073
LTD (Other)	0.000	0	0.000	0	0.000	0	0.000	0.00 %		0.000	0.000
Other	0.000	0	0.000	0	0.000	0	450.000	133.18 %	(450.000)		0.000
Total Liabilities	\$0.000	0	\$0.000	0	\$0.000	0	\$568.224	168.16 %	(450.000)	50.000	\$168.224
Net Worth	0.000	0	0.000	0	0.000	0	(230.327)	-68.16 %		450.000	\$219.673
TOTAL L & NW	\$0.000	0	\$0.000	0	\$0.000	0	\$337.897	100.00 %	(450.000)	500.000	\$387.897

BALANCE SHEET RATIOS

Type of Statement	Compiled		Interim		Projection		Projection		Projection		RMA
Number of Months	12		9		12		12		12		
Date of Statement	12/31/2016		9/30/2017		12/31/2018		12/31/2019		12/31/2020		
Sales (net)	518.432	100.00 %	1,135.985	100.00 %	4,458.617	100.00 %	11,023.915	100.00 %	29,871.005	100.00 %	0%
COGS	151.179	29.16 %	681.590	60.00 %	2,452.240	55.00 %	5,511.956	50.00 %	14,935.501	50.00 %	0%
Gross Profit =	367.253	70.84 %	454.395	40.00 %	2,006.377	45.00 %	5,511.956	50.00 %	14,935.502	50.00 %	0%

Officer Comp.	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Wages	68.266	13.17 %	262.349	23.09 %	660.449	14.81 %	1,007.717	9.14 %	1,190.370	3.99 %	0%
Rent	11.280	2.18 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Depreciation	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Amortization	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Interest Expense	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Other G&A Exp.	264.295	50.98 %	433.287	38.14 %	1,404.792	31.51 %	2,745.731	24.91 %	7,142.358	23.91 %	0%
Total Expenses =	343.841	66.32 %	695.636	61.24 %	2,065.241	46.32 %	3,753.448	34.05 %	8,332.728	27.90 %	0%

Other Income	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Other Expenses =	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Income (Loss)	23.412	4.52 %	(241.241)	-21.24 %	(58.864)	-1.32 %	1,758.508	15.95 %	6,602.774	22.10 %	0%
Income Taxes	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0.000	0.00 %	0%
Net Income =	23.412	4.52 %	-241.241	-21.24 %	-58.864	-1.32 %	1758.508	15.95 %	6602.774	22.10 %	0%

Date of Statement	12/31/2016	9/30/2017	12/31/2018	12/31/2019	12/31/2020
Operational Cash	23.412	-241.241	-58.864	1758.508	6602.774
+ Depreciation	0.000	0.000	0.000	0.000	0.000
+ Amortization	0.000	0.000	0.000	0.000	0.000
+ Interest Exp.	0.000	0.000	0.000	0.000	0.000
+ Rent Savings	0.000	0.000	0.000	0.000	0.000
+ Other: <input type="text"/>	0.000	0.000	0.000	0.000	0.000
+ Other: <input type="text"/>	0.000	0.000	0.000	0.000	0.000
= Available Cash	\$23.412	(\$241.241)	(\$58.864)	\$1,758.508	\$6,602.774
- Existing Business Debt	24.000	18.000	24.000	24.000	24.000
- New Debt (Lender)	8.032	6.024	8.032	8.032	8.032
- New Debt (Debenture)	0.000	0.000	0.000	0.000	0.000
- New Debt (Other)	0.000	0.000	0.000	0.000	0.000
= Cash Surplus/Deficit	(\$8.620)	(\$265.265)	(\$90.896)	\$1,726.476	\$6,570.742
= Coverage Ratio	0.731	(10.042)	(1.838)	54.898	206.131

Profit & Loss/Cash Flow Analysis- if projections are utilized, describe the basis for the assumptions including who performed the analysis and how the conclusions were reached.

The company secured a \$400,000 convertible note in 2017 and is working towards its Series A round in the near term as the firm continues to scale operations. The trajectory seems ambitious at first glance although given their specialized market niche and their traction in the major markets of Denver, San Francisco, Austin, Los Angeles, and other key demographic population centers targeted through their social media outreach, the numbers are potentially very achievable.

Colorado Main Street Decision Scoring Matrix

Score	Personal Credit	Management	Collateral	Repayment Ability	Capital / Equity
5	Clean personal credit for guarantors. No present derogatory items and no past derogatory items within the last five years	Three years experience / ownership running this business or a similar one profitably.	The project is fully collateralized with at least one first lien position.	Debt service coverage ratio (DSCR) of at least 1.30:1 or better in each of the last Financial Year Ends (FYE) AND interim statements, AND positive or stable trends.	More than the required equity being contributed AND maximum proforma debt-to-net-worth of 3:1.
4	Minor delinquencies current or within the last five years - no more than one item reported per guarantor.	At least one years worth of experience / ownership running this business or a similar one profitably.	The project is fully collateralized with junior lien positions.	Two-to-three years with a DSCR of at least 1.10:1 or better AND a DSCR of at least 1.30:1 or better in the last FYE or most recent interim period.	More than the required equity being contributed AND maximum proforma debt-to-net-worth of 4.5:1 OR required equity being contributed and maximum proforma debt-to-net-worth of 3:1.
3	Minor delinquencies current or within the last five years - no more than three items reported per guarantor.	Minimum of two years experience in this industry and two years applicable management experience but has not owned this type of business before.	The project is not fully collateralized but business and personal assets are pledged.	DSCR of at least 1.15:1 or better in the last FYE or most recent interim period.	Required equity being contributed AND maximum proforma debt-to-net-worth of 6:1.
2	More serious delinquencies current or within the last five years - four or more items reported per guarantor.	Minimum of one years worth of experience in this industry or minimum of one years applicable management experience.	The project is not fully collateralized but business assets are pledged.	DSCR of at least 1.10:1 or better in the last FYE or most recent interim period.	Required equity being contributed AND maximum proforma debt-to-net-worth of between 6:1 and 12:1.
1	Collections, charge-offs, tax liens or bankruptcy current or within the last five years with acceptable explanations.	No experience in this industry and no applicable management experience.	The project is not fully collateralized and no business and personal assets are pledged.	Start-up or purely projection-based project. No historical cash flow support.	Required equity being contributed AND maximum proforma debt-to-net-worth of more than 12:1 OR one hundred percent financing project.
TOTALS	3	4	2	1	5

Economic Impact

One point can be added to the above scores for each of the following project impacts.



Job Creation Impact



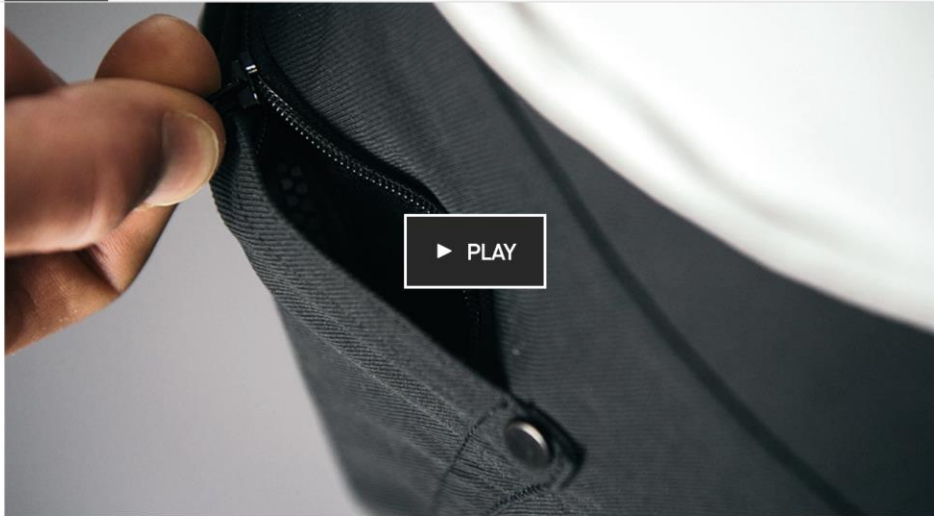
Rural Colorado Impact



Manufacturer Impact



Community Impact



The Evolution Pant | One Pant, Unlimited Potential.

[Project We Love](#) [Telluride, CO](#) [Product Design](#)

\$599,395

pledged of \$20,000 goal

3,718

backers

INTRODUCING THE EVOLUTION PANT

THE ULTIMATE PANT FOR TRAVEL, OUTDOOR, & EVERY DAY.

After three years of searching for the perfect fabric, we are finally ready to present to you our finest, most versatile product yet - The Evolution Pant. A highly-functional pair of pants designed to be the only pants you need for travel, outdoors and everyday. Built with a unique stretch nylon Supplex® fabric, The Evolution Pant is stronger, softer, stain-proof and packed full of travel features to allow you to do more with less!

The Evolution Pant is the only pair of pants you need. A pair of pants that can be worn multiple days in a row without washing. A pair of pants that packs small than a t-shirt,

Pledge \$1 or more

Virtual High Five

Pledge \$1 or more to let us know you like what we do. Get access to updates, deals and more.

INCLUDES:

- Thank you note from the Western Rise team

ESTIMATED DELIVERY

Jun 2018

58 backers

Pledge \$25 or more

Western Rise Camp Hat + pin

Get one Western Rise Camp Hat. Five-panel hat made from ripstop cotton with a removable elevation pin.

Save \$5 (\$30 MSRP)

INCLUDES:

- Western Rise Camp Hat

ESTIMATED DELIVERY

Nov 2018

SHIPS TO

Anywhere in the world

Reward no longer available

4 backers

Pledge \$99 or more

Super Early Bird - Evolution Pant

Get 1 pair of the revolutionary Evolution Pants (you'll choose size and color later).