

Case Study

Colorado Main Street Loan Program Credit Memorandum

XYZ Botanicals

Proposed Funding Source:	Kenneth King Foundation ▼		
Loan Officer:	Mike O'Donnell		
Date Prepared:	4/6/2018		
Loan Project Structure:	Borrower Only ▼		
Project Street Address:	XXXXXX W 25th Ave		
Project City / State / Zip:	Denver	CO	80211-4635
City Population:	682,545 (2015)		
Project County:	Denver		
Congressional District:	District 1 ▼		
State Districts:	House:	4	Senate: 34

Economic Development Objective(s):

Brand New (not yet open) <input type="checkbox"/>	In Business (< 2 years) <input checked="" type="checkbox"/>	Buying Existing Business <input type="checkbox"/>	Manufacturer / Maker <input checked="" type="checkbox"/>	Based in Rural Colorado <input type="checkbox"/>
Woman Owned (51% or more) <input checked="" 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 type="checkbox"/>
HUB Zone Area <input checked="" type="checkbox"/>	Low to Moderate Income Tract <input type="checkbox"/>	50%+ Workforce in LMI Tract <input type="checkbox"/>	NMTC Area <input checked="" type="checkbox"/>	Strike Force / Promise 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"/>



Effective: March 2017

Overview of Project

XYZ Botanicals aims to ignite people's interest in preventative health and wellness through the integration of botanicals into their lives in a fun and educational way, for two distinct product lines and an educational complementary component:

Phase 1: Bitters, packaged with fun ecosystem-themed labels that are blended with aromatic herbs that speak to their traditional uses and backed up by science for promoting wellness. While all made with bitter herbs, these will have different flavor profiles as well as different uses. Awaken (stimulating; cocoa), Frolic (aphrodisiac; floral), Primal (digestive; classic bitter).

Phase 2: Herbal women's health & wellbeing sets. a) Emotional Healing b) General women's health c) Menstruation d) Fertility e) Menopause f) Aphrodisiac & libido set. Each set will include between 5-7 products such as herbal teas, spritzers, yoni steams, salves, in addition to several optional add on items such as chocolate and yoni eggs.

The company is registered as a limited-liability corporation that is also working towards a B Corp Certification. Founder ABC ABC is the single owner, and will partner through affiliate programs with other herbalists or medical healthcare providers in the future.

The company is requesting \$35,000 from the Colorado Main Street loan program to assist with marketing, further website development | ethnobotany and startup expenses.

Project Eligibility

This project is eligible for consideration as a Colorado Main Street loan.

Requested Loan Amount	Interest Rate	Term	Monthly P & I
\$35,000.00	8.750	8	\$508.23

Pre Project Count of FTE Employees (#)	Jobs to be Created within two years of Funding (#)	Jobs to be Retained because of project	TOTAL Jobs to be Created and Retained
1	1		2

Is any other financing being provided in addition to the requested Colorado Main Street loan? YES NO

Lender	Requested Loan Amount	Interest Rate	Term	Monthly P & I

Proposed Project Uses

	(1) REQUESTED Colorado Main Street loan program funds	(2) Funds NEWLY being contributed by the applicant	(3) Funds RECENTLY contributed by the applicant	(1) + (2) + (3) = TOTAL Project Cost
Pre Start-Up Costs & Expenses	\$ 0.00	\$ 0.00	\$ 4,300.00	\$ 4,300.00
Working Capital for the Business	\$ 12,000.00	\$ 0.00	\$ 0.00	\$ 12,000.00
Marketing / Web / Internet Costs	\$ 23,000.00	\$ 0.00	\$ 3,000.00	\$ 26,000.00
Purchase Land Only	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase Land & a Building	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase a Building on Leased Land	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase a Commercial Condo	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fix-up Commercial Space - Owned	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Fix-up Commercial Space - Leased	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase Furniture/Fixtures	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase Machinery / Equipment	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase a Vehicle/Van/Truck	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Purchase Inventory and/or Supplies	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Pay Account Payables	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Refinance Business Credit Cards	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Refinance Existing Business Loans	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Buy an Existing Business	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
Other:	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
TOTALS	\$ 35,000.00	\$ 0.00	\$ 7,300.00	\$ 42,300.00

Comments Related to Use of Proceeds and Sources of Borrower's Equity

Personal cash already contributed to the business and documented for Bridget's application for a Colorado Main Street loan.

Analysis of Management Ability

After graduating from CU Boulder with a degree in molecular biology & ecology and evolution, ABC studied botanical medicine in Italy, moved to the east coast, studied herbalism with the Vermont School of Integrative Herbalism, and took a trip to Mexico to learn about Mayan medicine. A year later, she landed a job at Harvard in a world renowned stem cell lab, and took graduate courses in chemistry. It was during that year that the question of molecular physiological actions of plants worked within the body captured her interest. In order to further explore this, she started a Masters in Pharmacology in Natural Products at Georgetown University. She soon left, realizing she couldn't do animal research, returned to Boston, and became a Procurement Coordinator for 19 labs at MIT. Becoming hungry to teach about all of the science she had been learning, she began a Masters in Teaching for Science Education & Graduate Certificate in Global Ecology Education at Boston University so that she could develop strong techniques in communicating and coordinating educational activities and curriculum. All the while, she continued studying herbalism.

In Fall of 2013 ABC moved home to Denver, and began to weave together her background in herbalism, ecology, human health, procurement/budgets of top science laboratories, and her passion for science education. While teaching and directing the science program at an inner city school, in the late night hours after grading, she began devising her plans for helping people access health products and return to the traditional practices of plant medicine. In Spring of 2014, Bridget's Botanicals at last reached fruition, and truly has now a focus on organic herbal women's health products and herbal cocktail bitters.

Bitters have been shown through multiple scientific studies to improve and diversify gut bacteria, thereby improving a variety of health ailments connected to the gut.

ABC completed the Leading Edge Program in 2016, a 10 week course with the Small Business Development Center so that she could formalize her business plan and get a deeper sense of how I want to run my business. Over the last 2.5 years since beginning to meet with the SBDC consultants and becoming more serious about my business, she seen has begun to grow sales through events, and exposure. This Spring ABC is taking a Sales Course at the SBDC.

A letter of recommendation was provided by XXX and ABC meets frequently with Denver SBDC staff. The internal Colorado Main Street loan review committee recommends this project for consideration by the external Colorado Main Street loan review committee.

History of Applicant Business / Businesses

XYZ Botanicals LLC is registered as a limited-liability corporation. Founder, ABC, grew up gardening, camping in the Rocky Mountains, drinking tea, and churning up kitchen experiments in Littleton, Colorado. These experiences set her on the path to become an herbalist and science guru. Her educational studies have created the foundation of her business, and being able to turn using botanical medicine and herbal products into an educational experience.

Scientific advisors include ABC graduate advisor Dr. XXX of Boston University, and her undergraduate thesis advisor Dr. XXX of CU Boulder. They are both excellent resources in global ecology, evolution, and molecular biology. Dr. XXX developed the Global Ecology Education Initiative at BU and is a global expert in symbiosis. Herbal advisors include XXX and XXX. XXX is the owner and founder of XXX Botanicals, who has been a practicing herbalist for over 25 years, and business owner for 10 years. XXX was one of ABC first herbal teachers, and is currently Chief Herbalist at XXX, a bitters company based out of Vermont who was recently acquired by Traditional Medicinals. He has been practicing herbalism for 20 years, and also founded the Vermont School of Integrative Herbalism.

Presently, key metrics for ABC firm are based on sales of products, and sales of tickets for workshops. Additionally, ABC is anticipating having:

1. Full classes (about 12 people), teaching at least 1x per month, holding classes that run at about \$30 per person = \$360 before expenses. These workshops would lead to product sales and potential short term health clients.
2. Work with 10 clients/month for 3 month health programs at \$997/person.
3. Meet with 10 prospective B2B clients for bitters sales/month.
4. Generate at least 15 online sales/month of different product lines
5. Provide 1 monthly webinar or FB live event to 2 different women's groups.
6. Consistently have a newsletter every month with a 50% opening rate for my newsletters, and see subscriber interaction within the newsletter driving them to click on stories or links.
7. Secure 7 annual events for Pop-Up shops at different events around Colorado, and attend 3 national or international conferences.
8. Post on social media consistently by providing SoCap with content and pictures.
9. Launch Women's Sexual Health & Wellbeing Product Line.

Comments on Debt and Receivables/Payables

ABC has bootstrapped the company thus far. There are no existing obligations or debts outstanding.

Personal Credit

	Name	PFS Dated	Liquid Assets/ RE Assets	Total Assets/ Total Liabilities	CR Date/ CR Source	History/ CR Score
1	ABC	3/18/2018	\$2,000	\$8,000	4/6/2018	Good ▼
			\$0	\$32,000	Equifax	720
2						▼

PROFIT AND LOSS + CASH FLOW ANALYSIS - SMALL BUSINESS CONCERN(S)

Name: ABC Botanicals

Tax ID:

Type of Statement							Projection		Projection		RMA
Number of Months							12		12		
Date of Statement	N/A		N/A		N/A		6/30/2019		6/30/2020		
Sales (net)	0.000	0	0.000	0	0.000	0	106.410	100.00 %	331.270	100.00 %	0%
COGS	0.000	0	0.000	0	0.000	0	21.200	19.92 %	71.500	21.58 %	0%
Gross Profit =	0.000	0	0.000	0	0.000	0	85.210	80.08 %	259.770	78.42 %	0%

Officer Comp.	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Wages	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Rent	0.000	0	0.000	0	0.000	0	1.620	1.52 %	1.910	0.58 %	0%
Depreciation	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Amortization	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Interest Expense	0.000	0	0.000	0	0.000	0	2.668	2.51 %	1.984	0.60 %	0%
Other G&A Exp.	0.000	0	0.000	0	0.000	0	54.877	51.57 %	52.016	15.70 %	0%
Total Expenses =	0.000	0	0.000	0	0.000	0	59.165	55.60 %	55.910	16.88 %	0%

Other Income	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Other Expenses =	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Income (Loss)	0.000	0	0.000	0	0.000	0	26.045	24.48 %	203.860	61.54 %	0%
Income Taxes	0.000	0	0.000	0	0.000	0	0.000	0.00 %	0.000	0.00 %	0%
Net Income =	0	0	0	0	0	0	26.045	24.48 %	203.860	61.54 %	0%

Date of Statement	N/A	N/A	N/A	6/30/2019	6/30/2020
Operational Cash	0	0	0	26.045	203.860
+ 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	2.668	1.984
+ Rent Savings	0.000	0.000	0.000	0.000	0.000
+ Other:	0.000	0.000	0.000	0.000	0.000
+ Other:	0.000	0.000	0.000	0.000	0.000
= Available Cash	\$0.000	\$0.000	\$0.000	\$28.713	\$205.844
- Existing Business Debt	0.000	0.000	0.000	0.000	0.000
- New Debt (Lender)	0.000	0.000	0.000	6.099	6.099
- 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	\$0.000	\$0.000	\$0.000	\$22.614	\$199.745
= Coverage Ratio	0.000	0.000	0.000	4.708	33.750

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	4	3	2	1	4

Economic Impact

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

Job Creation Impact
 Rural Colorado Impact
 1 Manufacturer Impact
 Community Impact

TOTAL SCORE THIS PROJECT	15
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