

# Case Study

# Colorado Main Street Loan Program Credit Memorandum

## ACME LLC

Proposed Funding Source:	OEDIT		
Loan Officer:	Mike O'Donnell		
Date Prepared:	1/21/2018		
Loan Project Structure:	Borrower only		
Project Street Address:			
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 / 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

Acme is a high quality outdoor clothing business entering its fourth year of operations. Based in Telluride, CO, and founded by ABC and XYZ 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, Acme "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. Acme meets both these goals and the project is endorsed by the director of the governor's Colorado Outdoor Recreation Industry department.

Requested Loan Amount	Interest Rate	Term	Monthly P & I
\$50,000.00	6.500	8	\$669.31

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
5	2		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	\$ 205,400.00	\$ 205,400.00
Working Capital for the Business	\$ 0.00	\$ 0.00	\$ 150,000.00	\$ 150,000.00
Marketing / Web / Internet Costs	\$ 0.00	\$ 0.00	\$ 40,000.00	\$ 40,000.00
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	\$ 50,000.00	\$ 50,000.00	\$ 100,000.00	\$ 200,000.00
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	\$ 50,000.00	\$ 50,000.00	\$ 495,400.00	\$ 595,400.00

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

Borrower's equity is being contributed from business cash reserves.

## Description of Project Collateral

A junior blanket lien on all business assets, including all inventory being acquired with loan proceeds.

Type Of Collateral	Value	Liquidation %	Prior Liens	Lendable Equity	Lien Position
Residential Real Estate	\$0.00	85%	\$0.00	\$0.00	N/A
Commercial Real Estate	\$0.00	85%	\$0.00	\$0.00	N/A
Furniture & Fixtures	\$0.00	25%	\$0.00	\$0.00	N/A
Machinery & Equipment	\$0.00	50%	\$0.00	\$0.00	N/A
Other: Inventory	\$0.00	N/A	\$0.00	\$0.00	N/A
Other:	\$0.00	N/A	\$0.00	\$0.00	N/A
<b>TOTAL</b>	<b>\$0.00</b>			<b>\$0.00</b>	

## Pros and Cons of Project

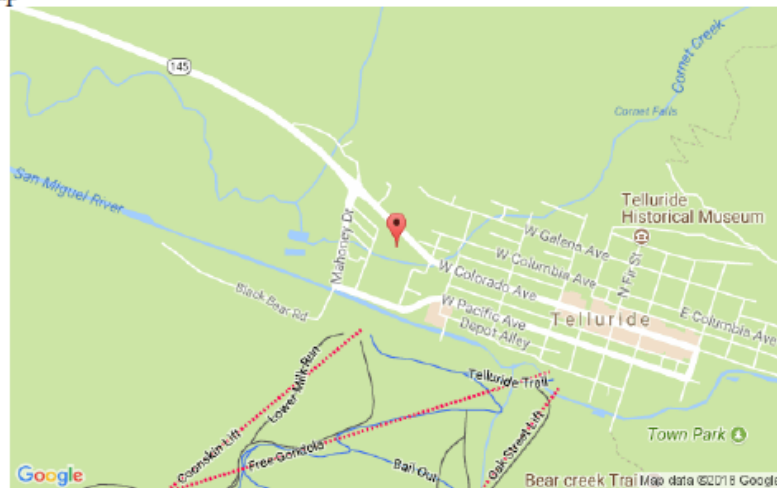
### PROS

Acme is solidifying its position of a supplier of high quality outdoor wear clothing for the specialized niche they have identified. They have an impressive advisory group, have successfully completed the Telluride accelerator program, have the support of the state of Colorado, and, are eminently qualified individuals.

### CONS

The company fails to scale, as planned, mitigated by the fact that if it continues to perform at 2017 projected full year sales revenues, it will be able to service the debt associated with the proposed new Colorado Main Street loan from either operations or personal cash resources.

## Location Map



## Entity Information

Entity is an: Primary OC (Borrower) ▼	Telephone: 555-5555
Entity Name: Acme LLC	Tax ID: XX-XXXXXXX
Entity Trade Name:	Guarantor: ✓
Mailing Address: City: Telluride	State: CO Zip: 81435
Entity Structure: LLC ▼	Year Founded: 2013
Nature of Business: Outdoor apparel manufacturer	NAICS Code: 315220
Name of Franchise:	Franchise Registry: N/A ▼

## Management

Name	% Owned	Title	Citizenship			SBA Codes			
			US	LPR	Other	Gender	Race	Ethnicity	Vet
ABC	100.00%		<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	M	5	N	1
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
			<input type="radio"/>	<input type="radio"/>	<input type="radio"/>				
TOTAL		<small>GENDER: M = Male, F = Female, N = Not Disclosed RACE: 1 = American Indian/Alaska Native 2 = Asian 3 = Black/African American 4 = Native Hawaiian/Pacific Islander 5 = White/Caucasian X = Not Disclosed ETHNICITY: H = Hispanic/Latino N = Non-Hispanic/Non-Latino Y = Not Disclosed VETERAN STATUS: 1 = Non-Veteran 2 = Veteran 3 = Service Disabled 4 = Not Disclosed</small>							

## Analysis of Management Ability

In addition to both being 3rd generation entrepreneurs, both ABC and XYZ completed the Telluride Venture Accelerator program in 2016 with Acme. They are involved in their regional SBDC and continue to take on-line courses to improve their skills.

ABC 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.

XYZ 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 AAAAAA, their mentor through the Telluride Venture Accelerator, and, BBBBBB, 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 Acme 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** - Acme 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** - Acme 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 Acme, 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** - Acme creates products with an Active Fit. Our core customer enjoys multiple outdoor sports, so our product is slightly tailored to fit an active body.

Acme has a board of advisors that consist of successful business men and women in the outdoor, apparel, and marketing industries. Our 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.

## Schedule of Existing Debt and Obligations

Lender	Original Amount \$	Funded Date	Present Balance	Interest Rate	Maturity Date	Monthly Payment	Collateral	
Wells Fargo Card		1/1/2015	7,964.03			350.00	personal	
Chase Card		1/1/2017	15,855.19			700.00	personal	
Region 10	50,000.00	7/1/2017	45,250.00	3.50%	6/1/2022	950.00	CHFA program	
TOTAL PRESENT BALANCE =			\$69,069.22	TOTAL MTHLY DUE =			\$2,000.00	
						TOTAL ANNUAL DUE =		\$24,000.00

Current / Previous Federal Government Debt

Agency	Loan #	Borrower	Date of Loan	Original Loan \$	Current Balance \$	Loan Status	Loss ?
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
						▼	<input type="checkbox"/>
TOTALS							

Guarantors

	Type	Name of Individual or Entity	Net Worth	Type of Guarantee	4506T
1	Business ▼	Acme LLC	(\$203,327)	Unsecured Full ▼	No ▼
2	Individual ▼	ABC	\$379,475	Unsecured Full ▼	No ▼
3	Individual ▼	XYZ	(\$57,805)	Unsecured Full ▼	No ▼
4	▼			▼	▼
5	▼			▼	▼
6	▼			▼	▼
7	▼			▼	▼
8	▼			▼	▼

Size Standards (list EPC, OC's and all affiliates)

Type	Entity Name	Tangible Net Worth	Average Net Income after taxes for preceding two years
OC ▼	Acme LLC	(\$203,327.00)	\$6,528.00
▼			
▼			
▼			
TOTALS		(\$203,327.00)	\$6,528.00

Schedule of Accounts Receivable and Accounts Payable

Aging	Accounts Receivable	Accounts Payable
Under 30 days		
30 - 59 Days		
60 - 89 Days		
90 - 119 Days		
120 Days and over		
Noncollectable		
TOTALS		



**BALANCE SHEET - SMALL BUSINESS CONCERN(S)**

Name: Acme LLC

Tax ID:

Accounting Basis: Accrual

*\*Note: All amounts are displayed in thousands.*

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

**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
<b>TOTAL ASSETS</b>	<b>\$0.000</b>	<b>0</b>	<b>\$0.000</b>	<b>0</b>	<b>\$0.000</b>	<b>0</b>	<b>\$337.897</b>	<b>100.00 %</b>	<b>50.000</b>	<b>0.000</b>	<b>\$387.897</b>

**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
<b>TOTAL L &amp; NW</b>	<b>\$0.000</b>	<b>0</b>	<b>\$0.000</b>	<b>0</b>	<b>\$0.000</b>	<b>0</b>	<b>\$337.897</b>	<b>100.00 %</b>	<b>(450.000)</b>	<b>500.000</b>	<b>\$387.897</b>

**BALANCE SHEET RATIOS**

Date of Statement	N/A	N/A	N/A	9/30/2017	RMA Industry Comparisons			PROFORMA
					High	Med.	Low	
Current Ratio	0.000	0.000	0.000	4.646	0	0	0	5.012
Debt/Worth	0.000	0.000	0.000	(2.467)	0	0	0	0.766
Quick Ratio	0.000	0.000	0.000	1.641	0	0	0	0.857
Days Receivable	0	0	0	8	0	0	0	0.000
Days Payable	0	0	0	20	0	0	0	0.000
Days Inventory	0	0	0	82	0	0	0	0.000
Working Capital	0	0	0	\$252.199	0	0	0	\$297.272

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

Name: **Acme LLC**

Tax ID:

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 %	11,023,994	100.00 %	29,871,000	100.00 %	0%
COGS	151,179	29.16 %	681,590	60.00 %	2,452,240	55.00 %	5,511,956	50.00 %	14,935,500	50.00 %	0%
Gross Profit =	367,253	70.84 %	454,395	40.00 %	2,006,377	45.00 %	5,511,956	50.00 %	14,935,500	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 %	1,758,508	15.95 %	6,602,774	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	1,758,508	6,602,774
+ 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:	0.000	0.000	0.000	0.000	0.000
+ Other:	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

## 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.
<b>TOTALS</b>	<b>3</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>5</b>

### 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

TOTAL SCORE THIS PROJECT	<b>17</b>
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