

Colorado Main Street Loan Program

# Making THE Decision

# Five “C’s” of Credit

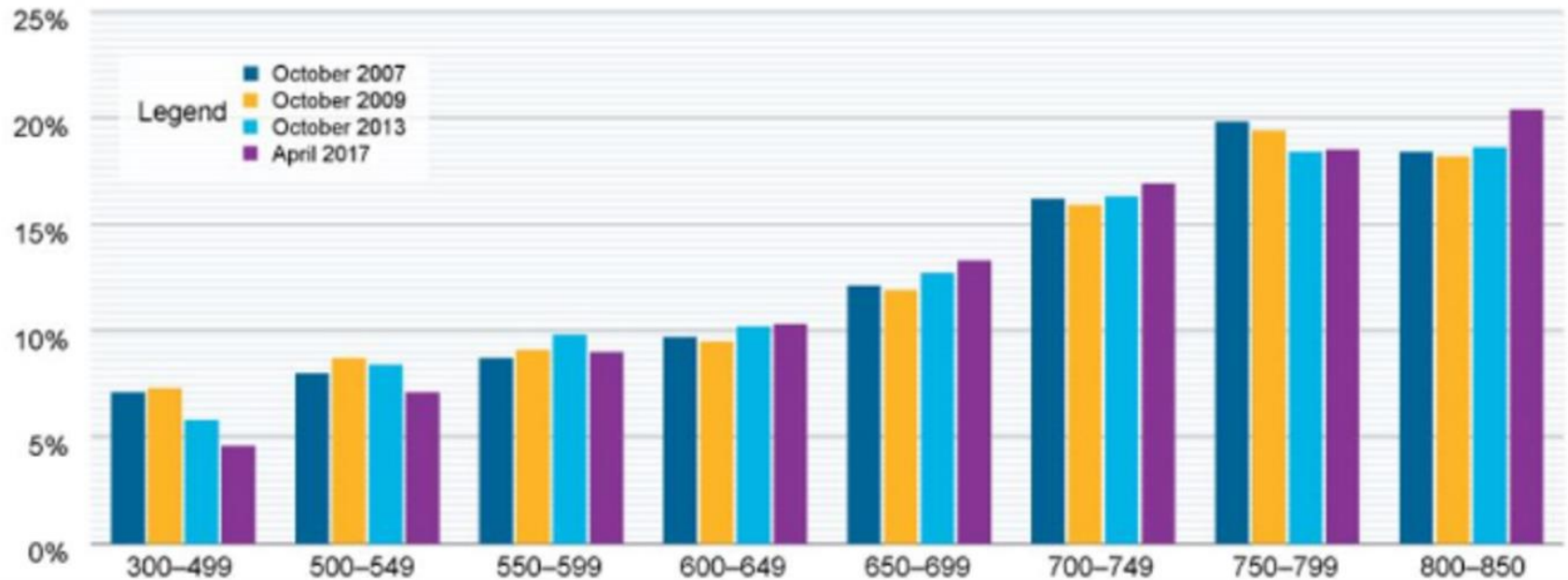
---

- 🌱 **Capacity:** amount needed to be borrowed vs. ability to pay back
- 🌱 **Capital:** owner’s equity
- 🌱 **Collateral:** quality of assets pledged
- 🌱 **Credit:** credit score matters
- 🌱 **Character:** integrity of the borrowers

# (1) Of (2) An Aside on Credit Scores ...

Figure 2 — Fewer People Score Low, More People Score High

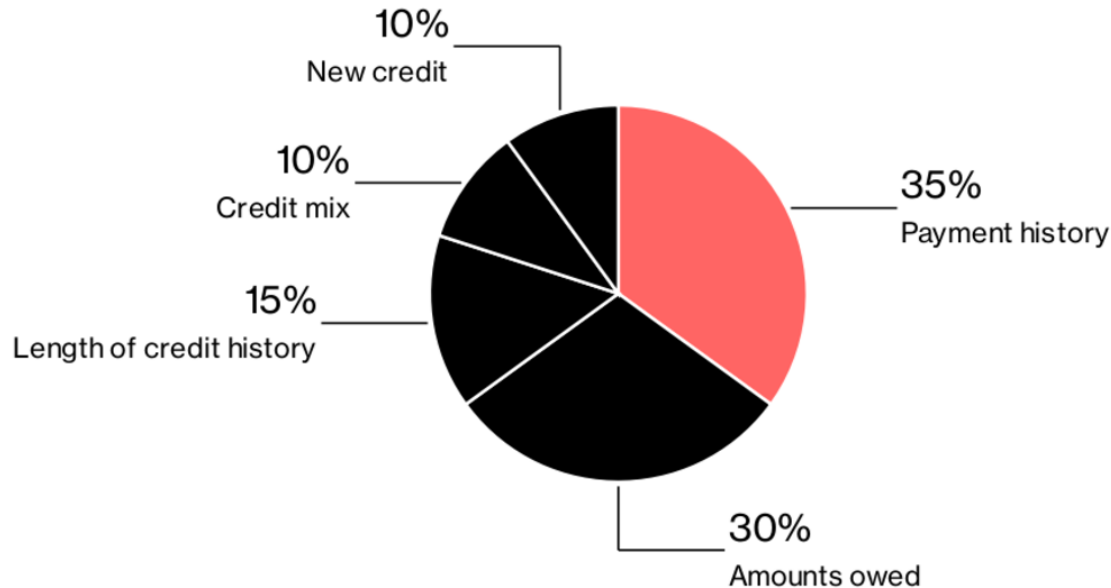
## FICO® Score Distribution



# (2) Of (2) An Aside on Credit Scores ...

## How the Credit Sausage Is Made

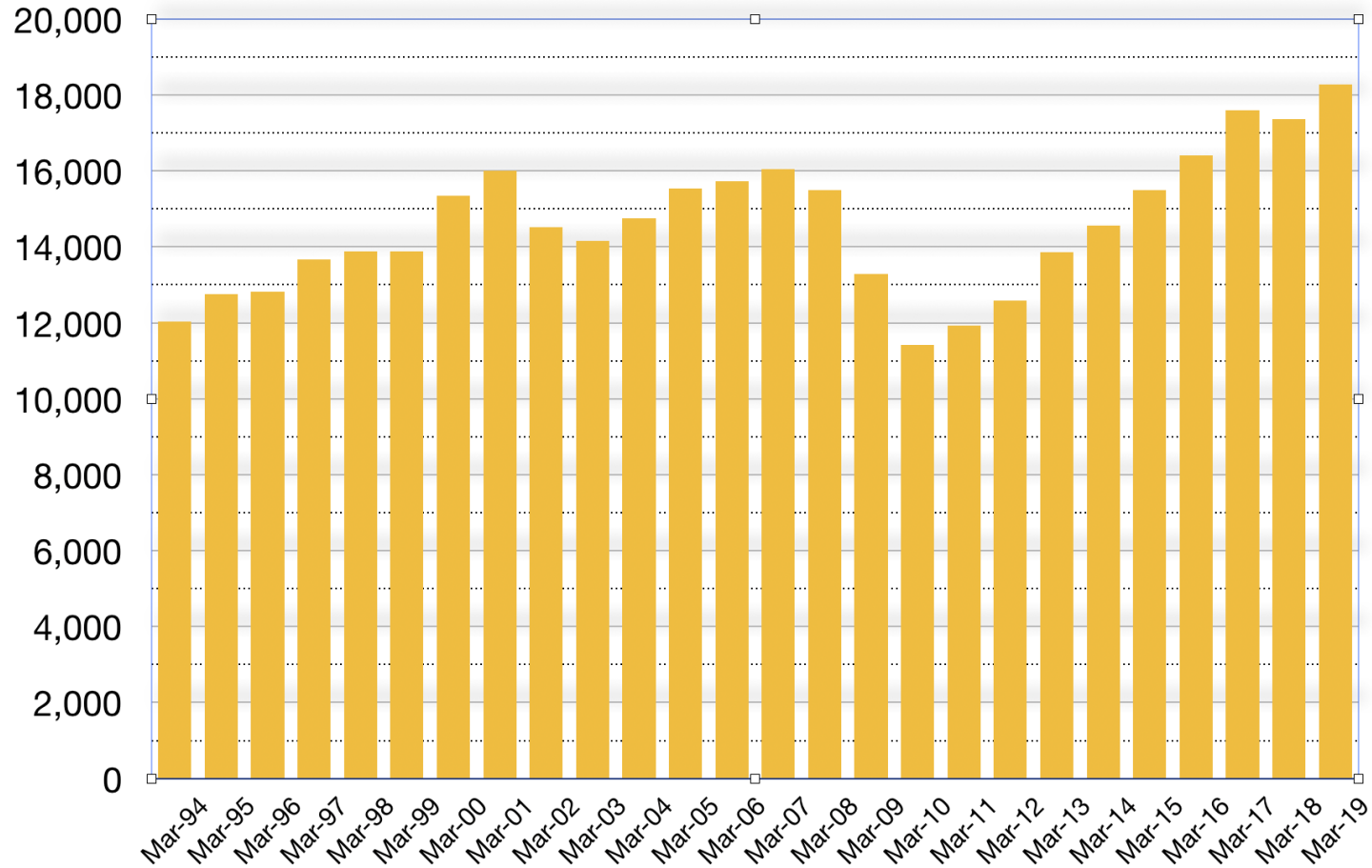
People with perfect 850 scores have never had a late payment. They use maybe 5 percent of a big credit limit, and have had a diverse mix of loans and card accounts over the years.



Source: Fair Isaac Corp.

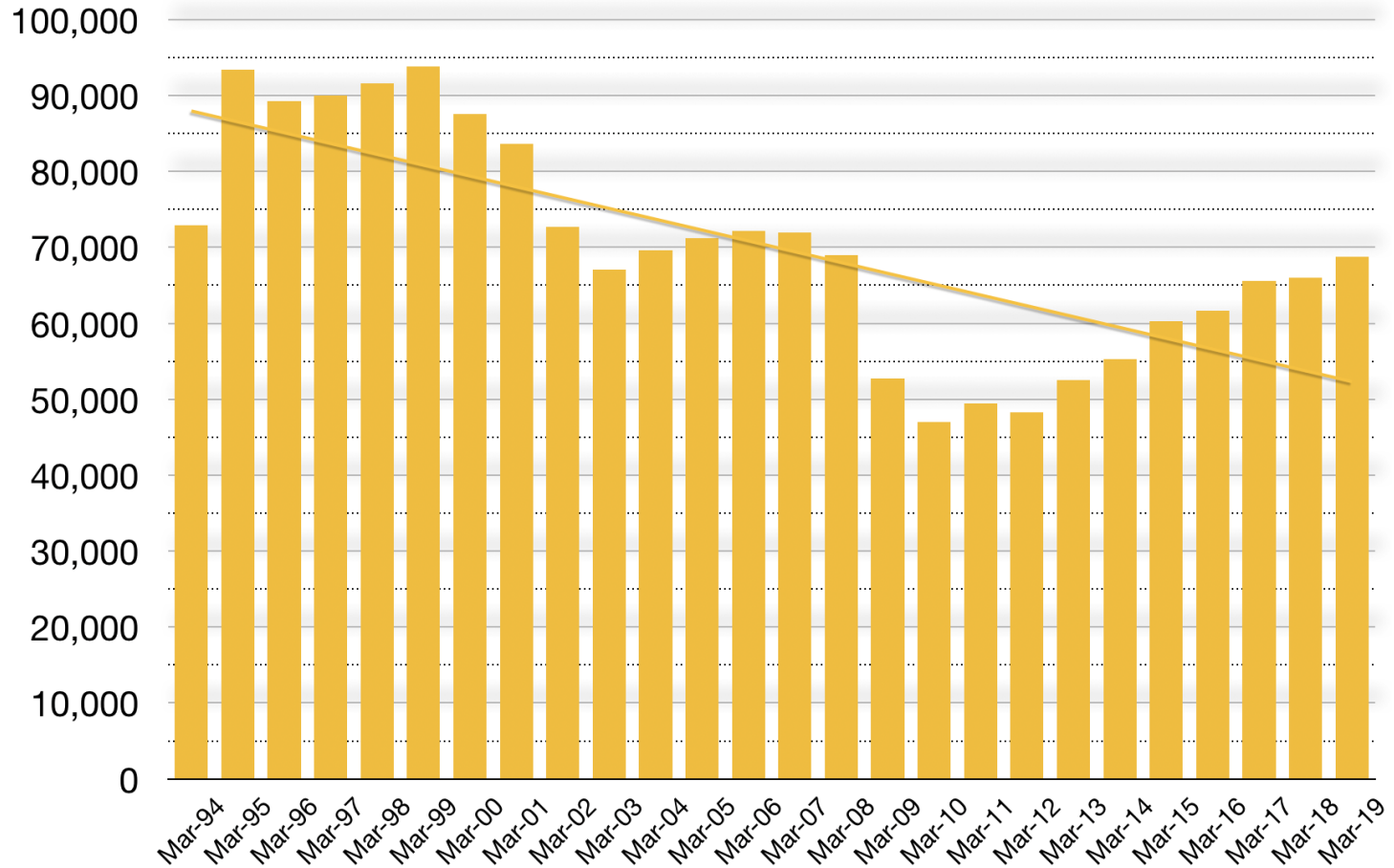
**Bloomberg**

# Small Business Startups in Colorado (#) with Employees by Startup Year



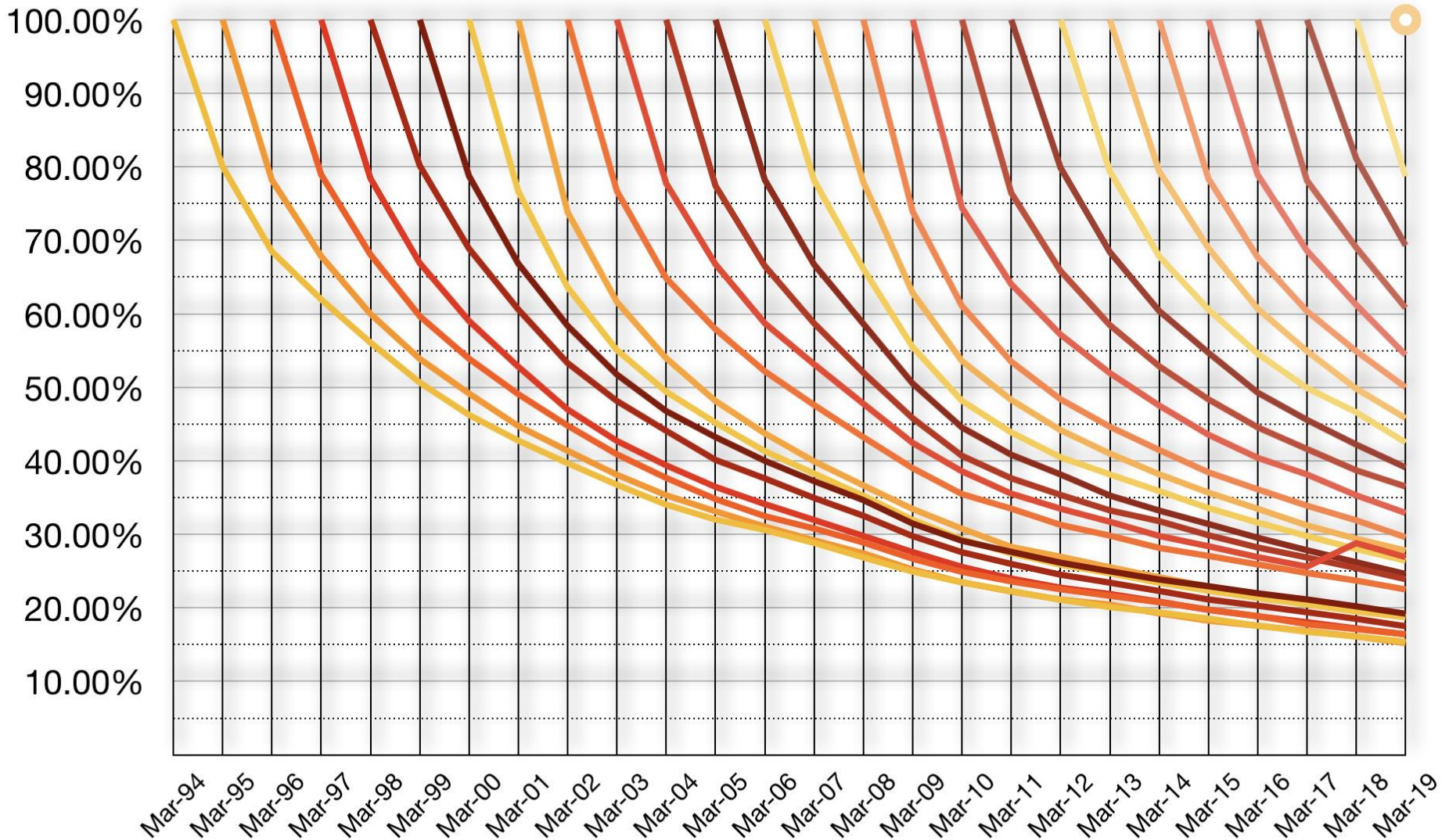
Source: Bureau of Labor Statistics

# JOBS created by Small Business Startups in Colorado (#) by Startup Year



Source: Bureau of Labor Statistics

# Survival Rates (%) of NEW Small Businesses (with employees) in Colorado Each Year: 1994 to 2019



# Colorado Main Street Program Process





# 1. Collect Information



# Colorado Main Street Loan Program

---

- Pre-application review (for startups and early stage businesses)
- Application:  
(Must have a mentor)  
(Must have a reference letter)
- Presentation / Pitch to the internal loan review committee (consisting of staff members)

# Application

In addition to completing and returning this application, please provide copies of ALL the following documents as well:

- **PERSONAL TAX RETURNS:** Full copies of the last THREE personal tax returns for everyone owning 20% or more of any business involved with this loan application -- please sign and date the bottom of the first page of each return.
- **COPIES OF DRIVERS LICENSES** or other acceptable government-issued form of identification for anyone owning 20% or more of any of the businesses involved with this loan application.
- **COPIES OF YOUR OPERATING AGREEMENT** (if you are an LLC) or **OTHER ORGANIZATIONAL DOCUMENTS** for any existing businesses -- e.g., bylaws, articles, partnership agreements, etc.
- **BUSINESS TAX RETURNS** [Only if your business is currently operating]: Full copies of the last THREE (or as many years as you have) returns for all businesses involved with this application -- please sign and date the bottom of the first page of each return.
- **BUSINESS YEAR-END FINANCIAL STATEMENTS** [Only if your business is currently operating]: Copy of the last year-end business financial statement (Profit & Loss statement plus a Balance Sheet) for all businesses involved with this loan application -- please sign and date the bottom of the first page of each statement.
- **BUSINESS INTERIM FINANCIAL STATEMENT** [Only if your business is currently operating]: Copy of an interim financial statement (dated within 90 days) for all businesses involved with this loan -- please sign and date the bottom of the first page.
- **COST DOCUMENTS:** Copies of quotes, estimates, invoices, print-outs, etc., for ALL items costing \$4,000 or more that have been included in your loan request. If you are looking for funds to help fix-up a space you will be leasing, please include at least two different construction bids on contractor's letterhead and a (draft) copy of your lease for that space.
- **COPY OF YOUR BUSINESS PLAN:** Your business plan must explain what your company is going to do, how it is going to accomplish its goals, and, most importantly, why the founders and the team they surround themselves with, are the right people to do the job. A typical business plan will include a company overview, information about your products and/or services, the marketing plan, a list of major company milestones, some information about each member of the management team and their role in the company, and, financial details. This financial section must include a cash flow projection for the business, showing month-by-month projected income and expenses for the business for the next 24 months.
- **COPY OF YOUR MONTHLY CASH FLOW PROJECTIONS FOR THE FIRST TWO YEARS:** The financial section of your business plan must include a financial section. If this isn't a cash flow projection for the business showing month-by-month projected income and expenses for the business for the next 24 months, please make sure you create and submit one separately. There are many template cash flow projections you can find and download for free from the Internet (don't pay for one), and the Small Business Development Centers, SCORE, MiCasa and other resources available to help you start and grow your business, can also provide you with sample templates.

Please show us how you will use the loan funds you are requesting and how you have used the funds you have already invested or will be investing in your business

|                                    | (1)<br>What will the funds you borrow under the Colorado Main Street loan program be used for? | (2)<br>What are the funds you are contributing to this project being used for? | (3)<br>What have the funds you have already contributed / spent been used for? | (1) + (2) + (3)<br>=<br>Total Project Cost |
|------------------------------------|--|--|--|--|
| Pre Start-Up Costs & Expenses      |  |  |  | \$ 0.00                                    |
| Working Capital for the Business   |  |  |  | \$ 0.00                                    |
| Marketing / Web / Internet Costs   |  |  |  | \$ 0.00                                    |
| Purchase Land Only                 |  |  |  | \$ 0.00                                    |
| Purchase Land & a Building         |  |  |  | \$ 0.00                                    |
| Purchase a Building on Leased Land |  |  |  | \$ 0.00                                    |
| Purchase a Commercial Condo        |  |  |  | \$ 0.00                                    |
| Fix-up Commercial Space - Owned    |  |  |  | \$ 0.00                                    |
| Fix-up Commercial Space - Leased   |  |  |  | \$ 0.00                                    |
| Purchase Furniture/Fixtures        |  |  |  | \$ 0.00                                    |
| Purchase Machinery / Equipment     |  |  |  | \$ 0.00                                    |
| Purchase a Van/Truck               |  |  |  | \$ 0.00                                    |
| Purchase Inventory and/or Supplies |  |  |  | \$ 0.00                                    |
| Pay Account Payables               |  |  |  | \$ 0.00                                    |
| Refinance Business Credit Cards    |  |  |  | \$ 0.00                                    |
| Refinance Existing Business Loans  |  |  |  | \$ 0.00                                    |
| Buy an Existing Business           |  |  |  | \$ 0.00                                    |
| Other: <input type="text"/>        |  |  |  | \$ 0.00                                    |
| <b>TOTALS</b>                      | \$ 0.00  | \$ 0.00  | \$ 0.00  | \$ 0.00                                    |

If you are requesting the maximum loan amount of \$50,000, why will this be enough for you?

What type of business culture have you created / will be creating for your employees?

Who is helping you with your business? Do you have a mentor or trusted advisor not involved in the day-to-day operations that you can talk to if you have questions about your business?

How can I find a Mentor? SCORE provides customized FREE mentoring to help small businesses in Colorado succeed. Volunteers will meet with you in person or visit your business to answer questions or help with issues. You can also talk to a mentor by phone or via email. Visit: <https://denver.score.org/mentors> for more information. The Colorado SBDC network (<http://www.coloradosbdc.org>) is also a wonderful resource to access too. Please tell us who your mentor(s) and/or advisor(s) is (are) below.

Please ask someone to write a letter of recommendation to Colorado Lending Source on your behalf in support of your loan application.

Why do you need to do this? Colorado Main Street loans are character-based loans. Most lenders rely on things you can measure like personal credit scores to determine whether or not they will lend to you. More qualitative measures, such as who you are and your local reputation, for example, are often of secondary importance, if considered at all by other lenders. This is not the case with Colorado Lending Source. As part of your application for a Colorado Main Street loan, please have at least one person write a character reference letter on your behalf. A character reference letter is a brief assessment of you as a person – your strengths and weaknesses, your attitude and experience and so on – based on the view of someone who knows you reasonably well. It could be a customer, a member of your community, a mentor, an associate, an employee, a former employer, an instructor, someone you volunteer with, a pastor, a small business counselor ... really anyone (other than an immediate family member) who knows you and is prepared to recommend you to us. Please tell us who you have asked to provide a letter of recommendation below.

How will you be handling your bookkeeping and record-keeping? What accounting system or pro-

**Where will the funds you are investing in this business be coming from?**

You will need to have at least 10% of the total project cost (see table on previous page) invested in the project. Please tell us where these funds are coming from. If you have already spent these funds, please separately provide copies of receipts, etc., evidencing how these funds were spent.

**If your business is just starting out OR it is less than two years old, and you have never owned your own business before, what have you done to help prepare to be a small business owner?**

For example, have you taken classes or attended workshops presented by Small Business Development Centers (SBDCs), SCORE, MiCasa or other organizations? Please list.

**Why are you in business / Why do you want to own your own small business?**

**What is the “Statement of Purpose” for your business AND what problem are you solving?**

A “Statement of Purpose” for a small business embodies the core philosophy, goals and values of the founder(s) while highlighting the way in which the business wants to become successful within the framework of the community. It can be a key part of the strategic operation plan for a small business because it encourages owners to think about what problem the business is solving for it’s customers.

## 2. Analyze Information



# Credit Memo

## 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:     | 3035 W 2nd                |    |            |
| Project City / State / Zip: | Denver                    | CO | 80221-4635 |
| 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

Bridget's 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 Bridget Molloy is the single owner, and will partner through affiliate programs with other herbalists or medical healthcare providers in the future.

That company is requesting \$35,000 from the Colorado Main Street loan program to assist with marketing, further website development (<http://www.bridgetbotanicalworld.com/>) 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 |
|--------|-----------------------|---------------|------|---------------|
|        |                       |               |      |               |



|                |        |          |        |          |         |          |           |          |           |          |         |
|----------------|--------|----------|--------|----------|---------|----------|-----------|----------|-----------|----------|---------|
| Sales (net)    | 41.035 | 100.00 % | 94.502 | 100.00 % | 802.444 | 100.00 % | 1,636.176 | 100.00 % | 2,566.893 | 100.00 % | 100.00% |
| COGS           | 11.530 | 28.10 %  | 54.474 | 57.64 %  | 220.116 | 27.43 %  | 447.623   | 27.36 %  | 781.640   | 30.45 %  | 53.70%  |
| Gross Profit = | 29.505 | 71.90 %  | 40.028 | 42.36 %  | 582.328 | 72.57 %  | 1,188.553 | 72.64 %  | 1,785.253 | 69.55 %  | 46.30%  |

|                  |        |         |         |          |         |         |           |         |           |         |        |
|------------------|--------|---------|---------|----------|---------|---------|-----------|---------|-----------|---------|--------|
| Officer Comp.    | 7.186  | 17.51 % | 23.062  | 24.40 %  | 0.000   | 0.00 %  | 0.000     | 0.00 %  | 0.000     | 0.00 %  | 0%     |
| Wages            | 0.000  | 0.00 %  | 37.292  | 39.46 %  | 307.651 | 38.34 % | 733.134   | 44.81 % | 798.125   | 31.09 % | 0%     |
| Rent             | 0.896  | 2.18 %  | 15.960  | 16.89 %  | 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 %  | 4.420   | 4.68 %   | 0.000   | 0.00 %  | 0.000     | 0.00 %  | 0.000     | 0.00 %  | 0%     |
| Other G&A Exp.   | 6.786  | 16.54 % | 75.391  | 79.78 %  | 238.741 | 29.75 % | 345.786   | 21.13 % | 727.570   | 28.34 % | 0%     |
| Total Expenses = | 14.868 | 36.23 % | 156.125 | 165.21 % | 546.392 | 68.09 % | 1,078.920 | 65.94 % | 1,525.695 | 59.44 % | 34.10% |

|                  |        |         |           |           |        |        |         |        |         |         |       |
|------------------|--------|---------|-----------|-----------|--------|--------|---------|--------|---------|---------|-------|
| 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 %  | 2.60% |
| Income (Loss)    | 14.637 | 35.67 % | (116.097) | -122.85 % | 35.936 | 4.48 % | 109.633 | 6.70 % | 259.558 | 10.11 % | 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 =     | 14.637 | 35.67 % | -116.097  | -122.85 % | 35.936 | 4.48 % | 109.633 | 6.70 % | 259.558 | 10.11 % | 9.60% |

| Date of Statement        | 12/31/2014 | 12/31/2015  | 12/31/2016 | 12/31/2017 | 12/31/2018 |
|--------------------------|------------|-------------|------------|------------|------------|
| Operational Cash         | 14.637     | -116.097    | 35.936     | 109.633    | 259.558    |
| + 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      | 4.420       | 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         | \$14.637   | (\$111.677) | \$35.936   | \$109.633  | \$259.558  |
| - Existing Business Debt | 38.364     | 38.364      | 38.364     | 38.364     | 38.364     |
| - New Debt (Lender)      | 7.601      | 7.601       | 7.601      | 7.601      | 7.601      |
| - 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   | (\$31.328) | (\$157.642) | (\$10.029) | \$63.668   | \$213.593  |
| = Coverage Ratio         | 0.318      | (2.430)     | 0.782      | 2.385      | 5.647      |

# 3. Make a Decision



# Decision Process / Time Frame

- **(If startup) Business plan + Projections + Assumptions reviewed**
- **Application Received**
- **Application Reviewed**
- **PRESENTATION / PITCH** (to INTERNAL loan review committee) confirmed for next available Tuesday or Thursday afternoon
- **INTERNAL LOAN COMMITTEE DISCUSSION** (immediately after presentation)
- **INTERNAL LOAN COMMITTEE VOTE** via Doodle poll (2/3rds majority required to approve)
- **CREDIT MEMO PREPARED** for the next Tuesday EXTERNAL loan review committee meeting (51% majority required to approve)
- **COMMITMENT / CLOSING LETTER PREPARED**
- Once ALL REQUIRED CLOSING ITEMS received, can **CLOSE / FUND in two days**

# 4. Close & Fund



A photograph of two men in a workshop or office setting. The man on the left is wearing a grey and maroon zip-up jacket and dark jeans. The man on the right is wearing a grey t-shirt, dark pants, a blue and white baseball cap, and glasses. They are both smiling and looking at a small object held by the man on the right. In the background, there are workbenches, a computer monitor, and a printer. In the foreground, there is a large roll of material on a table with some printed items.

# QUESTIONS?

Mike O'Donnell  
Colorado Lending Source  
[mike@coloradolending.org](mailto:mike@coloradolending.org)