

04/10/2019

A Case Study

Project City / State / Zip:	Aspen	CO	81611-4705
City Population:	6871		
Project County:	Pitkin		
Congressional District:	District 3		
State Districts:	House: 61	Senate: 5	

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 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"/>

Overview of Project

XYZ Clothing was created with a \$40,000 [IndieGoGo](#) launch four years ago. The company produces base layer clothing (worn next to the skin) made from polyester fabric created from recycled plastic bottles. Unlike many versions of such apparel, XYZ fabrics are soft on the skin, don't feel like plastic, nor are they treated with chemicals and thus don't smell skanky. Unlike all competitive products, which are manufactured off-shore, ALL of the bright-colored XYZ clothing is manufactured at facilities in either MN or Colorado (50/50). Colorado companies are utilized for packaging and printing. Nothing is sourced off-shore.

The company was started by the husband/wife team who have been professional skiers in the Vail area for the last 12 years. Neither are able to wear woolen fabrics against their skin and, unable to find anything else to use as a suitable base layer apparel, created their own line which was carried and sold by 13 retailers last year, will be carried by 30 retailers this year, and, 50 retailers in 2019. Their winter line is also being considered by Backcountry and REI, and XYZ will be launching its new Amazon on-line store in September 2018.

A \$50,000 loan is requested from the Colorado Main Street loan program to assist with growth and marketing and some inventory for a second main line of products -- all-around athletic apparel that broadens their appeal from purely the ski and snowboard set.

	(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	\$ 300,000.00	\$ 300,000.00
Working Capital for the Business	\$ 18,000.00	\$ 0.00	\$ 100,000.00	\$ 118,000.00
Marketing / Web / Internet Costs	\$ 8,000.00	\$ 0.00	\$ 0.00	\$ 8,000.00
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	\$ 24,000.00	\$ 0.00	\$ 200,000.00	\$ 224,000.00
	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Analysis of Management Ability

XYZ makes stylish athletic apparel from eco-friendly materials right here in the USA. All XYZ layers are designed by athletes, with customer feedback in mind. All fabrics, trims and packaging are made from recycled materials and whenever possible, sourced from the US. All pieces are sewn in Colorado or Minnesota.

Pure passion has driven XYZ from the start. A and D have been in the outdoor industry for over 12 years as athletes and love the outdoor industry, but feel there is room for improvement in the niche of base layers and athletic apparel. And the couple want to help re-shore American manufacturing in their industry, which is currently almost non-existent.

The large brands have lost touch with their customers and are all making the same gear. As a small brand, XYZ can listen to customer feedback and provide what customers want instead of telling them what they want. Having tested so much gear for bigger brands as athletes, the couple knew what small changes needed to be made. Being professional sponsored athletes taught them the value of hard work, innovation, determination, teamwork and risk tolerance.

D holds a BA in Sociology and Psychology from Middelbury College and worked as a marketing manager for Warren Miller Entertainment, the general manager of Brex Brasserie, and, as a self employed athlete and model prior to assuming the reins of CEO at XYZ Clothing. She was a sponsored ski mountaineer with FlyLow, Oakley, Kaestle, Aspen Snowmass. She has submitted all CO 14ers & 93 of CO's Centennial Peaks. She has summited Mt. Kilimanjaro. She was 10th in age group in Grand Traverse, 2013, is a Level 1 Sommelier - Master Court of Sommeliers.

A Moszynski was born in Connecticut, lived in France and Switzerland and holds a BA in International Affairs from CU Boulder and aside from also being a sponsored ski mountaineer, is a qualified Sommelier and has worked at Campo De Fiori, Steakhouse 316, and, L'Hostaria.

Mentors include M, their current sales consultant who has been in the outdoor industry for over 20 years as Global Sales Director for DPS Skis. The couple speak monthly with two of their investors from New York. The first is a hedge fund manager who helps with the financial questions. The second has been in the fashion industry for over 35 years, working for companies like Theory, Rag & Bone, Coach, GAP and Bloomingdales.

Friends Dan and Greg who started the hugely successful outerwear company, FlyLow, over ten years ago, have also helped the couple though a lot of industry specific and manufacturing questions, as well as general encouragement.

History of Applicant Business / Businesses

XYZ was initially launched with a crowd sourcing campaign that raised \$40,000. The couple then raised \$500,000 from private investors and has been in business for almost 4 years now. Sales are currently sourced 50% from wholesale and 50% direct-to-consumer although funding requested under the Colorado Main Street program will help grow this to 70% wholesale and 30% direct.

The initial outside investment in the firm valued the company at \$2mm. With the growth experienced over the last year, the addition of three new reps this year (bring the total of sales reps to five), interest from both Backcountry and REI, their new web site, the on-line Amazon store they will launch in September 2018, and the expansion into a second main product grouping of general athletic apparel (not just ski and snowboard focused apparel), the company anticipates reaching profitability in 2019, at which time US Bank has indicated they will be willing to provide the firm with a line of credit.

With the state of Colorado's focus on helping outdoor recreation companies, the impressive quality of recommendation letters provided, and, the character of D and A, Colorado Lending Source recommends this project for consideration by the external Colorado Main Street loan review committee.

Comments on Debt and Receivables/Payables

Equity, crowdfunding and more equity was used to establish XYZ and keep it operational for the last four years. The only obligation the firm has is a Bank credit card with a balance of \$23,800 and a monthly payment of \$400.

All the stock ordered for the upcoming winter season has been purchased by XYZ. And as this stock is shipped out to retailers, which is occurring currently, payments will be received over the next 30 to 60 days. The requested Colorado Main Street loan is purely to assist with growth and not to manage cash flow peaks and troughs.

Type of Statement	Tax Return		Interim		Projection		Projection		Projection		RMA
Number of Months	12		6		12		12		12		
Date of Statement	12/31/2017		6/30/2018		12/31/2018		12/31/2019		12/31/2020		
Sales (net)	85.246	100.00 %	29.268	100.00 %	150.483	100.00 %	279.250	100.00 %	512.000	100.00 %	0%
COGS	55.354	64.93 %	25.249	86.27 %	60.185	39.99 %	76.000	27.22 %	91.000	17.77 %	0%
Gross Profit =	29.892	35.07 %	4.019	13.73 %	90.298	60.01 %	203.250	72.78 %	421.000	82.23 %	0%

Officer Comp.	71.662	84.06 %	38.254	130.70 %	69.997	46.51 %	70.000	25.07 %	80.000	15.63 %	0%
Wages	0.000	0.00 %	0.000	0.00 %	6.279	4.17 %	7.200	2.58 %	7.200	1.41 %	0%
Rent	7.200	8.45 %	3.600	12.30 %	7.200	4.78 %	7.200	2.58 %	8.000	1.56 %	0%
Depreciation	3.888	4.56 %	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	1.534	1.80 %	2.162	7.39 %	5.000	3.32 %	5.000	1.79 %	5.000	0.98 %	0%
Other G&A Exp.	77.121	90.47 %	44.237	151.14 %	90.299	60.01 %	108.400	38.82 %	139.620	27.27 %	0%
Total Expenses =	161.405	189.34 %	88.253	301.53 %	178.775	118.80 %	197.800	70.83 %	239.820	46.84 %	0%

Other Income	4.112	4.82 %	0.163	0.56 %	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)	(127.401)	-149.45 %	(84.071)	-287.25 %	(88.477)	-58.80 %	5.450	1.95 %	181.180	35.39 %	0%

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.

Although XYZ has only just begun to market and sell summer products, the bulk of their income still comes from Fall/Winter sales. They start collecting wholesale pre-orders from retailers for the coming winter in January after the trade shows. For example, in January 2017 they started accepting orders for Fall/Winter 2018. D and A attend the SIA/OR tradeshow and have sales reps that attend the regional shows. For FW 18/19 they had two sales reps covering the Rocky Mountains and Pacific Northwest respectively. For FW 19/20, they have brought on three additional sales reps to cover Northern California, the Midwest and New England. For FW19/20 sales, they have also joined two buying groups that host their own tradeshows. These groups are collectives of very prestigious retailers that place large buys together. This should open many more doors for XYZ!

The business currently has \$49,000 in retail orders for this Fall, and, based on experience from previous years, they anticipate a few last minute orders coming in the next few weeks/ months. These orders will ship August 20 - November 10. The payment terms for these orders are 60-90 days. From past experience, XYZ will receive a few reorders in December from retailers that need to fill holes for the holiday shoppers. Then, XYZ will receive re-orders after the holidays and throughout the winter season.

In addition, the couple will launch with Amazon in September 2018. Amazon will be placing wholesale buys just like a brick & mortar retailer. The original buy will be around \$5,000 and then automatic Amazon algorithms place weekly buys based on what sold.

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	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

TOTAL SCORE THIS PROJECT	18
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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 red 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 poster on the wall. In the foreground, there is a large roll of material on a table with some printed items.

QUESTIONS?

Marie Peters

Mike O'Donnell