

CONTESTANT CAPACITY – Organizational Background

[Community Enterprise Development Services, Inc. \(CEDS\)](#); [Rocky Mountain Microfinance Institute \(RMMFI\)](#) and [Second Chance Center, Inc. \(SCC\)](#) have partnered to establish a holistic entrepreneur training program that focuses on individuals' self-sufficiency. Marginalized entrepreneurs fail when derailed by personal struggles (e.g., addiction, self-worth) and basic needs (e.g., home, food). Collectively, we bring 21 years of experience serving underserved communities in the Denver metro area with personal growth, entrepreneur training & lending.

Lack of opportunity and recidivism rates positively correlate. In 2016 the Colorado incarcerated population was 20,000, and approximately 775 are released monthly (the majority of which return to the Denver metro area). In Colorado, 49% of those released return to custody within a three-year period either because of technical violations of their release terms or, less frequently, because they are convicted of new crimes.

CEDS is a nonprofit dedicated to supporting the financial self-sufficiency of low-to-moderate income Americans who seek to grow their businesses. Established in 2008, the organization is an SBA microfinance intermediary and a CDFI. Over the last 6 years, CEDS has placed **\$1.5 million of financing** into the local economy across **102 loans**. This has **created and/or retained 184 jobs** across **20 sectors** – from food trucks to clothing stores. CEDS has been incredibly effective and managing collections – at the end of FY2016, CEDS's Portfolio at Risk (PAR) of 61 days or greater was 2.8%. Of the 102 loans issued, CEDS has only written off one loan, which is a 99% repayment rate.

RMMFI has filled a gap in services to low-income entrepreneurs in Denver. Under-resourced individuals with an entrepreneurial spirit and a strong work-ethic can build a business creating needed income for the owner and the potential to create jobs and prosperity for the community. RMMFI is the only CDFI in Denver that serves low-income entrepreneurs with business development AND lending, helping first to launch businesses, then to sustain and grow businesses. Voted the **2016 Small Nonprofit of the Year** by the Denver Metro Chamber of Commerce.

In the five years since its founding SCC has grown to become the largest and most effective community re-entry program in Colorado. SCC serves returning citizens with an integrated and innovative program of mentoring, counseling, education, job training, and community engagement that includes concrete help in accessing jobs, housing and transportation. During the past year, **client visits to SCC has nearly doubled from 500 to 900 per month**. The national recidivism rate is 39%, but the rate for **SCC clients' is only 11%**, even though they have been classified as medium to high risk of returning to prison.

Background of Management Team

Alexandria Wise is the Executive Director of CEDS. She worked in strategy consulting, small business consulting and economic development globally (e.g., Afghanistan, Mongolia, South Sudan) and in emerging market finance. Most recently she was the Associate Director of a Somali impact investment brokerage, where she facilitated \$6 million of investment capital into the country. Alexandria Wise, 303-835-1836

Rob Smith is the Executive Director of RMMFI and brings a background of small business management, banking, and management consulting, on top of 10 years in the microenterprise industry. Rob is very involved in the Denver Metro region and sits on various Boards, including: Denver's SBDC program, a local neighborhood collective impact project, Denver Office of Strategic Partnerships, and Mile High Connects. Rob has a team with a strong social work background, and experience working with formerly incarcerated individuals. Rob Smith, 720-941-5037

Hassan A. Latif founded SCC in 2012 and directs daily activities pertaining to the delivery of client services and the achievement of agency objectives. He also conducts mentoring and reentry trainings for government and non-profit service providers nationally, facilitates transition planning sessions in CDOC facilities statewide; and authored the book "Never Going Back: 7 Steps to Staying Out of Prison" and the curriculum based on it. Hassan is the Chair of the Colorado Criminal Justice Reform Coalition's Board of Directors and on the Colorado Commission on Juvenile Justice Reentry Reform Task Force. Hassan Latif, 303-537-5838

ENTREPRENEURIAL EDUCATION DELIVERY SOLUTION – Participant Recruitment Plan

Outreach will be led by SCC with support by RMMFI. SCC has substantial community presence and trust already established within 900 returning citizen population they serve monthly. Six of the 10 staff members were themselves “criminal justice insiders”, which engenders immediate trust and credibility with clients. SCC begins their own recruitment with “in-reach” efforts. That is speaking with men and women who are still incarcerated and preparing them for release in all primary CDOC facilities. Once released SCC becomes a center for support for a successful transition through multiple service offerings. Men and women may access counseling; computers; internet; laundry facilities; clothing for interviews, weddings, funerals; work safety equipment for construction jobs; haircutting service; physical fitness equipment; bikes; free meals (currently serving over 300 meals per week). RMMFI provides additional outreach services through their current in-reach efforts at a local prison. By providing Exploring Business Ownership (EBO) classes in prison, individuals begin thinking seriously about entrepreneurship and what that might mean for them. By combining SCC’s and RMMFI’s outreach a surplus of individuals will be identified. While non-violent ex-offender will a principal audience, all will be welcomed into the partnership.

Classroom Instruction

RMMFI has developed programming with a deep focus on the entrepreneur in a three-step sequential approach – Idea, Launch and Thrive. The curriculum has been refined in its eight years of operations and has demonstrated results. It has allowed over 2,000 individuals to Explore Business Ownership and has graduated 17 classes of the Business **Launch** Boot Camp (with an 88% graduation rate) that resulted in the launch or expansion of 143 businesses in Denver.

RMMFI will lead the entrepreneurial education with the support of SCC. The RMMFI focuses on the personal success of the entrepreneur, but SCC provides specific mentoring and counseling for returning citizens. RMMFI’s first step is the Idea Program that would be offered at SCC (to leverage their trust and outreach and to eliminate transportation barrier) to lay the groundwork for entrepreneurs to understand the personal impacts of business ownership, the feasibility of an idea, and to begin to define a basic startup strategy. The goal of the Idea program to ensure entrepreneurs are ready to advance to the Launch stage by having a solid idea that is feasible and aligns to their personal ability and capacity to be successful. The Idea phase will identify returning citizens who are ready and willing to enter the Business Launch Boot Camp (BLBC or Boot Camp), which is the second phase.

RMMFI has experience working with the incarcerated population with a pilot Idea Program in partnership with the CDOC Pre-release Program at the Camp George West facility in mid-2016. Approximately 20-35 individuals participated in EBO courses delivered over the course of several months. During the workshop series, incarcerated individuals begin the process of formulating a business plan and startup strategy. They also link the importance of a strong personal foundation, including financial literacy, to owning a successful business. Two individuals have approached RMMFI post-release to access additional assistance, which has surpassed early expectations.

RMMFI is best known for its flagship program, the Business Launch Boot Camp, which is a 12 week intensive program delivered three times year that supports 10-12 low-income entrepreneurs as they turn a good idea into an income generating business. Since May 2011, RMMFI has graduated 17 classes, launched 143 businesses (70% are still in business and earning revenue) and utilized the business expertise of over 150 volunteers. Returning citizens ready for this step, will be integrated into the BLBC with other entrepreneurs, including those who have had no exposure to the criminal justice system. Integration will develop self-esteem and confidence of formerly incarcerated individuals and help them adapt to a professional setting.

Each entrepreneur selected, through a competitive application process, for the Boot Camp receives: 8 Weeks of intensive hands on learning to complete a business plan based on the ‘4 Pillars of Business’ (Marketing, Operations, Management, and Financials), 1-on-1 Accountability Coaching to keep on track & 1-on-1 Business Mentorship (meet weekly), Access to business experts for help on planning specifics, 4 Weeks of coaching and

mentorship focused on actually launching the business, and access to business loan funds to launch or expand the business concept. Each entrepreneur selected for the Boot Camp is expected to launch the business, make good use of resources, attend group workshops/events, attend weekly meetings with a Business Coach and Mentor Team, and to doing the required work. RMMFI has proven that multiple touch points with entrepreneurs yields more successful businesses.

The final step is the Thrive, which provides entrepreneurs with resources focused on helping Graduates grow and sustain business operations. Graduates who are now operating a business need additional structured assistance to navigate the first years of business operations as they work to find success. Generally, Thrive will provide structured peer-to-peer support, one-on-one mentorship, access to experts to address specific issues related to growth, referrals to trusted business services, accountability, and a point of contact within RMMFI to refer to with issues. A key element of the Thrive phase is its peer-led program, where RMMFI Entrepreneurs take a volunteer leadership role in ongoing program development and delivery. Lending capital is strategically incorporated throughout the Thrive program to ensure successful launch and growth of the business.

RMMFI will lead in the Thrive phase and CEDS will support. CEDS provides lending capital coupled with customized technical assistance throughout the life of the loan (from one to five years). While RMMFI will have a deep relationship with and understanding of the entrepreneur and would be their primary contact; CEDS is a secondary source of free business advisory to support the entrepreneur throughout the life loan to ensure success.

Mentoring

Our approach focuses on the Whole Entrepreneur, as such joint mentoring will focus on the professional and personal side of entrepreneurs. Returning citizens in the Boot Camp will receive 1-on-1 Business Coaching as well as weekly 1-on-1 Business Mentorship (of which attendance is expected). Furthermore, the last four weeks of the Boot Camp is solely dedicated to coaching and mentoring with a focus on launching businesses.

The SCC will take the lead on personal mentoring. SCC's core beliefs are that each client is a person of worth and value, they've made serious mistakes that they need to acknowledge, but they have the capacity to transition into successful and fulfilled lives. SCC also believes that each client is more than the product of their choices; effective transition requires the hard work of sustained intention, self-examination, addressing problematic life-patterns. The staff of SCC is committed to doing everything in its power to facilitate their full transition and to accompany returning citizens on their journey into new lives. Inspired by these core commitments, SCC offers individual and group life-mentoring, which is counseling and education designed to help clients reorient their thinking and their behaviors; as well as support in accessing housing, transportation.

Community Connections

As discussed above, SCC provides wrap around social services that promote successful transitions & the economic well-being of its clients. Wrap around social services include job training and placement, assistance in accessing housing and transportation (e.g., free bikes), access to computers, laundry facilities, clothing for important life events (e.g., interviews), equipment for construction jobs, haircutting services, a gym, and free meals.

RMMFI's will provide connections to the local business community through its volunteer network and established business network the improve clients' financial literacy and economic well-being. In a year's period, RMMFI sees the support of ~130 unique volunteers in the Launch Program with an additional 20 engaged in the Thrive Program. RMMFI has made significant efforts to include "graduated" RMMFI Entrepreneurs, in roles that have more influence and provide opportunities for leadership, which would include returning citizens. In addition, RMMFI places graduated entrepreneurs as Accountability Coaches within new classes of the Boot Camp. This arrangement creates a leadership opportunity for the Graduate and enhances the impact of the current Boot Camper as each Entrepreneur can easily connect with the life and business realities of each other.

ACCESS TO CAPITAL – Access to micro-lending

CEDS will take the lead in micro-lending with RMMFI supporting. Upon completion of the Boot Camp, returning citizens will approach a financial institution for financing. CEDS provides microfinance loans (including SBA micro-financed loans) to businesses within the Denver metro region for entrepreneurs to start-up, grow or acquire an existing business. Loans range from \$500 to \$50,000 and are coupled with technical assistance to ensure the businesses' success. For this partnership CEDS will work in coordination with RMMFI to best support the entrepreneurs' business advisory needs.

CEDS has established the infrastructure to process an increasingly growing number of loans approvals per year. CEDS receives an average of 11 inquiries per month (i.e., those expressing interest in a loan). Of those who move to the application stage, CEDS's historical approval rate is 16%¹. The vast majority self-select out of the process because they're not ready, but the returning citizens who graduated from the Boot Camp will be prepared and immediately ready for lending. All approved applicants receive post-loan TA, which includes personalized coaching around topics such as marketing, cash flow management as well as how to interact with financial institutions. For most clients this is their first opportunity to learn about topics such as credit, loans, banks or financial statements. The post-loan TA serves both the client – improving their abilities and know-how – as well as CEDS – mitigating repayment risk. Success for CEDS is when move beyond a nonprofit, CDFI lender and are able to access capital from traditional banks. For the FY 2017, CEDS has \$470,000 to ready to mobilize, and will dedicate funds to the returning citizens who are accepted into the Boot Camp, thus ensuring access to capital and a fully integrated entrepreneur support system.

Connection to capital and funding opportunities

CEDS was founded to assist low to moderate income individuals who face two problems in attempting to secure small business financing. First is weak to no credit and second is individuals with either a high business acumen or a compelling business idea, but with little understanding or knowledge of bank lending. CEDS aims to help entrepreneurs overcome these two obstacles, which are the same challenges returning citizens face if they choose entrepreneurship. CEDS is well positioned to consider and service returning citizens' loans because it has a depth of experience in managing riskier microfinance loans and in early issue identification for businesses that face problems. CEDS loans range from \$500-\$50,000 and may extend from 1-5 years in duration. Loan size approvals ensure the business owner have sufficient capital for growth, but not excessive capital that can harm the entrepreneur – thus practicing the motto “right capital, right time”. In addition to CEDS, RMMFI has a lending program and collectively they offer entrepreneurs two choices ranging in loan sizes and term lengths.

In RMMFI's loan program, loans are available only to Boot Camp Graduates and range from \$250-\$5,000, with an interest rate of 8%, and term lengths of 6-12 months. RMMFI's model offers small loans over short timeframes to provide manageable capital to the business and to limit the risk to the individual and to the lender. Boot Camp Graduates, who demonstrate positive repayment practices, are eligible to receive a larger loan once the initial loan is paid in full. As a business grows out of RMMFI's funding range, it will be prepared to access traditional forms of capital (from larger microfinance organizations and eventually banks) as a result of the business owner's increased credit score, proven payment history, and business success. This model has proved successful, as RMMFI has issued 151 loans totaling \$350,000 and has successfully managed a 95% repayment rate.

¹ CEDS believes this number is unusually low as there have been significant staffing changes over the last 12 months. With a new, full-time Executive Director & Loan Manager staffed, we anticipate the applicant approval rate to increase.