



Financing Risk Assessment - NC Craft Brewers Guild

11.09.2017

On Nov. 9, 2017, Keith Kapp and Jennifer Morgan attended and gave a presentation at the North Carolina Craft Brewers Guild's 4th annual NC Craft Brewers Conference and Trade Show. Their presentation was about Financing Risk Assessment and addressed financing for breweries in the evolving craft brewing industry. The presentation included information to help breweries obtain financing, including information on small business loans, traditional loans and advice from a legal and banking perspective. See below for a checklist financing that breweries may find helpful.



Panel Checklist to Finance & Mitigate Risks

NORTH CAROLINA CRAFT BREWERS GUILD ANNUAL CONFERENCE
Winston-Salem, North Carolina | November 8, 2017

Be Aware of Craft Beer Realities

- Taproom sales make or break your brewing venture (\$120k+ per day)
- Do not avoid distribution of draught and package beer as your path to success (\$500k per day)
- Quality is essential. Have commercial brewing experience
- Do not fund the likes who love your beer

U.S. Small Business Administration Loans

- Good for debt-financed challenges
- Longer process
- A few territories
- Need for experienced lender

Term Programs

- 7(a) - Cash flow-based assets, sufficient working capital
- Terms to 25 years
- Fully equipped up to lender
- Can be projection-based
- Fully secured

- 504 - For fixed assets only
- Term either 10 or 20 years
- Fully equipped either 10% or 15% of project costs
- Usually fixed rate
- Full payment penalties
- Confined to newly project assets only

Liquidity

- 20%+ owners must guarantee
- \$5.0 million limit, including affiliates
- 50% must be owned by U.S. citizen or resident alien
- Personal liability
- Life insurance
- Environmental

Operating agreements should be structured as true membership-prefixed returns seen as additional debt.

Documentation Requirements

- Personal financial statement
- Last three years personal tax returns
- Professional resumes of owners and management
- Application form
- Last three years business tax returns
- Colorful balance sheet and income statement
- Accounts receivable and payable report to correlate with balance sheet
- Names, titles and ownership percentage of 50% of company
- Three years cash flow projections with the first year monthly
- Narrative business history or business plan

Related People

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Related Services

- Alcoholic Beverage Control