



Financing Risk Assessment - NC Craft Brewers Guild

11.13.2017

Keith Kapp and Jennifer Morgan of Williams Mullen, along with Ken Jernigan of Hannover Square and Sebastian Wolfrum of Bull Durham Beer Co. and Epiphany Craft Malt, gave a presentation on November 9, 2017 at the North Carolina Craft Brewers Guild annual conference on Financing Risk Assessment, which 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. A checklist on financing that breweries may find helpful is [attached](#).



NORTH CAROLINA CRAFT BREWERS GUILD ANNUAL CONFERENCE
WILMINGTON, NORTH CAROLINA | NOVEMBER 8, 2017

Be Aware Of Craft Beer Profiles

- 750ppm sales make or break your brewing venture (\$1200K per 600)
- Do not count distribution of draught and packaged beer as your path to success (\$300K per 600)
- Quality is essential; have commercial brewing experience
- Do not trade the bills who live your beer

U.S. Small Business Administration Loans

- Good for start-up/retail challenged
- Longer process
- A lot of red-tape
- Need for experienced broker

Two Programs

7(a) - Can finance fixed assets, off-cash, working capital

- Term: 6-25 years
- Equity requirement up to lender
- Can be project based
- Fully secured

504 - For fixed assets only

- Term: 10-20 years
- Equity requirement either 10% to 15% of project costs
- Usually fixed rate
- Pre-payment penalties
- Collateral security project assets only

Additional

- 20%+ owner/total guarantee
- \$5.5 million limit, including affiliates
- 57% must be owned by U.S. citizen or resident alien
- Personal history
- Life insurance
- Environmental

Operating agreements should be structured as first priority - preferred return, even 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
- Interim balance sheet and income statement
- Accounts receivable and payable report to coincide with balance sheet
- Names, 50% 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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