



# 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  
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<b>Be Aware Of Craft Beer Realities</b> <ul style="list-style-type: none"><li>- Taproom sales make or break your brewing venture (\$1,000+ per keg)</li><li>- Do not count distribution of draft and package beer as your path to success (\$200+ per keg)</li><li>- Quality is essential. Have commercial brewing experience</li><li>- Do not trade the bills who live your beer</li></ul>	<b>Qualifications</b> <ul style="list-style-type: none"><li>- 22B+ commercial guarantees</li><li>- \$5.5 million limit, including affiliates</li><li>- 22B must be owned by U.S. citizen or resident alien</li><li>- Personal history</li><li>- 1-2 years prior</li><li>- Structured deal</li></ul>
<b>U.S. Small Business Administration Loans</b> <ul style="list-style-type: none"><li>- Good for start-ups with challenged</li><li>- Longer process</li><li>- A few limitations</li><li>- Need for experienced lender</li></ul>	<b>Operating agreements should be structured as first lien/priority—preferred returns seen as additional debt.</b>
<b>Two Prospects</b> <p><b>7(a) - Can finance fixed assets, off credit, working capital</b></p> <ul style="list-style-type: none"><li>- Term to 25 years</li><li>- Equity requirement up to 10%</li><li>- Can be pre-qualified</li><li>- Fully secured</li></ul> <p><b>504 - For fixed assets only</b></p> <ul style="list-style-type: none"><li>- Term often 10 to 20 years</li><li>- Equity requirement either 10% to 15% of project costs</li><li>- Usually fixed rate</li><li>- Pre payment penalties</li><li>- Collateral security project assets only</li></ul>	<b>Documentation Requirements</b> <ul style="list-style-type: none"><li>- Personal financial statement</li><li>- Last three years personal tax returns</li><li>- Professional sources of income and management</li><li>- Application form</li><li>- Last three years business tax returns</li><li>- Current balance sheet and income statement</li><li>- Accounts receivable and payable report to coincide with balance sheet</li><li>- Names, titles and ownership percentage of 80% of company</li><li>- Three year cash flow projections with the first year monthly</li><li>- Historical business history or business plan</li></ul>

## Related People

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