



Panel Checklist to Finance & Mitigate Risks

NORTH CAROLINA CRAFT BREWERS GUILD ANNUAL CONFERENCE

Winston-Salem, North Carolina | November 9, 2017

Be Aware Of Craft Beer Realities

- Taproom sales make or break your brewing venture (\$1200+ per bbl)
- Do not count distribution of draught and package beer as your path to success (\$300+ per bbl)
- Quality is essential, have commercial brewing experience
- Do not trust the folks who love your beer

U.S. Small Business Administration Loans

- Good for startups/credit-challenged
- Longer process
- A few landmines
- Need for experienced lender

Two Programs

7(a) – Can finance fixed assets, soft costs, working capital

- Terms to 25 years
- Equity requirement up to lender
- Can be projection-based
- Fully-secured

504 – For fixed assets only

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

Landmines

- 20%+ owners must guarantee
- \$5.5 million limit, including affiliates
- 51% must be owned by U.S. citizen or resident alien
- Personal history
- Life insurance
- Environmental

Operating agreements should be structured as true ownership—preferred returns seen as additional debt.

Documentary 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, SSNs and ownership percentage of 80% of company
- Three years cash flow projections with the first year monthly
- Narrative business history or business plan

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Prepare For Lender Presentation

- Have all documents
- Know your numbers
- Have a team
- Plan your funding
- Interview your lender
 - Have you done a brewery before?
 - Are you familiar with brewing equipment as collateral?
 - Do you have experience lending to manufacturing enterprises?
 - How long have you been doing SBA/USDA loans?
 - Who processes your SBA applications and approvals?

The Business Plan

- Don't get carried away
- Cover key points
 - Project costs
 - Capital structure
 - Market
 - Distribution
 - Competition
 - Team
 - Financials/projections
 - Some visuals are nice

Other Lending Sources

- USDA
- Development agencies
- Building reuse grant
- Community development lenders
- Local government incentives
- Leasing companies
- Conventional loans
- Private equity
- Crowdfunding

Legal Actions to Avoid Risks

- Plan to obtain federal, state and local ABC permitting
- Business entity formation
- Location documents (lease or deed)
- Prohibitions of ownership interests and tied house
- Distribution agreements

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