FINANCING OPTIONS FOR YOUR NANO LAUNCH

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Brewed For Her Ledger, LLC

Brew Your Own NanoCon 2020

MY BACKGROUND

- Live in Asheville, NC
- BA in Accounting, Biz Mgmt Loras College (1997)
- MBA in Global Business Admin, University of North Carolina at Chapel Hill (KFBS) (2008)
- 1997-2009 Public Accounting, Small Businesses, Not for Profits, Caterpillar Accounting and Pricing Manager
- 2009-2010 Dogfish Head Controller
- 2011-2014 Mother Earth Brewing CFO
- 2013-today Brewed For Her Ledger Owner
- 2016-2020 Bhramari Brewing Company CEO
- Teach through U of Vermont, UNCC, AB-Tech
- Write for The New Brewer and BYO
- Serve on the Brewers Association Finance Committee

WHY DO I NEED A BUSINESS PLAN?

- It's a marketing tool to obtain investment and financing.
- Objective: prove the viability of the business; not a data dump.
- To educate and positively influence:
  - Investors
  - Lenders
  - Government Agencies
  - Landlords
  - Yourself

FINANCIAL PLAN & PRO FORMA

- Initial Capitalization (Sources and Uses, Project Cost)
- Cash Flow Statement, focus on positivity
- Break Even Range
- Return on Investment
- Pro Forma Financial Statements – 36 months
  - Cash Flow
  - Profit & Loss
  - Balance Sheet at Inception

WHAT DOES IT MEAN TO BREAK EVEN?

- When will your Initial Capitalization be matched in terms of your (pick one of the following):
  - Cash on hand
  - Total assets
  - Accumulated total revenue
  - Accumulated earnings (profit) – *most common*
  - When Owner's Equity = Paid In Capital (Balance Sheet)

INITIAL CAPITALIZATION (PROJECT COST)

How much money will it take to:

- Establish the business & obtain permits
- Buy equipment and build out a site
- Hire, train, and continue to employ staff
- Buy materials (malt, hops, yeast, water, bottles, labels, kegs, pkgs)
- Brew, ferment, package, distribute product
- Conduct marketing activities to: create awareness of your brand and product among consumers, create a demand from retailers to carry your product
- Pay your bills
- Sufficient that at some point you will get paid for your beer and can then start to pay your bills with the money from sales (working capital)

- Let's take a look at a Sources and Uses Statement…..

WHERE WILL THE MONEY COME FROM?

- Debt
  - Traditional loans (interview the bank for small business experience)
  - SBA loan (7a most common; 504 also available if real estate is involved)
    - Pros and cons to consider
    - Current rates during the pandemic
  - State or local economic stimulus programs
  - Personal loans, friends and family
  - Line of credit
  - Business credit cards
  - Equipment financing (lease)

STEPS FOR AN SBA LOAN

- 1. Small Business Owner prepares business plan
- 2. Small Business Owner meets with a lender
- 3. Small Business Owner completes loan application
- 4. Lender reviews loan application and performs credit analysis
- 5. Lender makes a decision on whether to approve the loan
- 6. If an SBA loan guaranty is desired (and Lender is not a delegated lender), Lender submits application to the SBA. (Delegated lenders may approve loans without SBA reviewing the loan application.)
- 7. SBA determines eligibility for an SBA guaranty, pulls credit report and analyzes the loan application to determine, among other things, the ability of the small business to repay the loan.
- 8. SBA indicates guaranty decision to the Lender
- 9. An SBA loan authorization is prepared which is an agreement between the SBA and the Lender as to the terms and conditions under which SBA will guaranty the loan.
- 10. Lender completes loan underwriting such as obtaining and reviewing appraisals, title work, environmental reports, etc.
- 11. Loan documents are prepared such as the note, collateral documents, personal guarantees, etc.
- 12. Upon satisfaction of all terms and conditions of the loan authorization, the loan is closed.

BANKS OFTEN LOOK FOR THE FOLLOWING WHEN EVALUATING A STARTUP

- Clearly defined business plan
- Cash flow to support debt service (may include outside income from guarantors)
- Collateral offered
- Credit histories of borrower and guarantors
- Capacity to service new debt (liquidity)

ON RISK (FROM THE BANK'S POV)

- Are the principals experienced in this line of work? In owning/managing a small business?
- What type of equity is being offered?
- Effect on bank if startup fails (collateral or guaranty)?
- Can the risk be spread out (phased-in collateral, equity injections)?

COSTS TO INCLUDE WITHIN YOUR PLAN IN RELATION TO BANK FINANCING

- Loan payments and interest rates based on level of risk
- Origination fees/guaranty fees paid to the bank and partner
  - < or = $150,000 is 2%
  - > $150,000 - $750,000 is 3%
  - > $750,000 is 3.5%
- Attorney fees
- Vendor fees (environmental reports, appraisals, accounting)

WHERE WILL THE MONEY COME FROM?

- Paid In Capital
  - Founders (General partners)
  - Investors (stockholders or limited partners)
  - Angel investors
  - Convertible debt
  - Crowdfunding (beware of tax implications!)

QUESTIONS?

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