



Considerations for Financing Your Brewery

by Rick Wehner, Brewery Finance

Starting a new business, especially one that is as capital intensive as a brewery, can be an exhilarating yet stressful endeavor. The saying “you don’t know what you don’t know” certainly comes to mind. However, every successful brewery owner has been in this same position before and there are a lot of people and resources out there to help ease some of the anxiety. With proper planning, you can eliminate a lot of the time-sucking and money-wasting pitfalls that have discouraged many before you.

Unless you are one of the lucky few that can bankroll an entire startup operation on your own, you’ll need to research some funding options for your operation and it is important to remember that all options may not be right for you and, depending on your credit, assets, experience, etc...not all options will be available to you. However, brewery owners have proven to me to be the most creative business owners out there and have proven time and again that “where there is a will, there is a way”.

Most breweries get funded through one or several of the following ways:

- Bank Debt: Traditional loan, SBA loan, etc..
- Real Estate Debt (using your equity)
- Equipment Lease/Finance: True Lease, Capital Lease, Equipment Finance Agreement
- Public Options: Economic Development Funds, Municipal Incentives
- Private Subordinated Debt: Friends, family, private investors, etc..
- Equity: Selling shares in the brewery
- Out of the box: Bootstrapping, crowdfunding, P2P Lenders, brewery incubators, borrowing from self (401k, life insurance policy, etc....and while I’d be uncomfortable with it myself, I’ve even seen breweries successfully use the “max out all of your credit cards” method to get open).

In order to get funded, you’ll need to do some work prior to applying for credit, loans, or hitting up investors. This will include:

- Write a business plan complete with capitalization needs and projections
- Register your business with the Secretary of State and get your Federal Tax ID Number (most states make this process very easy, but be sure to research your name thoroughly. Lawsuits disputing trademarks, etc...can be costly in time, money, frustration, etc
- Gather your personal financial records and keep them organized. You (and any partners with 15-20% or more ownership), will need to gather:
 - Last two complete personal tax returns (not just the first few pages)
 - Signed and dated Personal Financial Statement (these are widely available online). Be prepared to offer evidence of anything you claim on you PFS. If you are claiming you have a \$250,000 in an IRA, be ready to show the most recent statements proving this.
 - Last three months of personal bank statements

As you are working on your business plan and gathering personal financial records, etc...keep in mind that most lenders will require the personal guaranty of any owner that has 15-20% or greater of the

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business and I would advise that you and your partner(s) have a frank conversation about your individual financial situations and personal credit before you get too far along.

Getting funded as a startup is tough enough. Getting funded when one or more partners doesn't have a good track record of paying back debt is asking a lot of any lender and those that are willing to finance you will likely be charging you a premium on top of the already higher startup rates.

Your lender will also need to know about what the financing will be used for. This should be covered in your business plan, but you'll also want to provide your lender with equipment quotes from your vendor(s).

Lastly, in classic "chicken or egg" fashion, most lenders will require that you have a signed landlord lease agreement (or proof you own the location) prior to funding your project. Naturally, you'll likely be reluctant to sign a lease prior to knowing that you are approved for funding so this will be a bit of a juggling act. However, most lenders will approve your financing "subject to" review of your signed lease agreement, so there are ways to make it work.



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