

Advice About Applying for Financing

by Rick Wehner, Brewery Finance

Congratulations on getting through the Planning stage of your brewery! Now, all you have left to do is....everything? It probably feels like it, but you've built a nice foundation by putting together a well-thought through and realistic business plan, researched your finance options and figured out what finance options are likely a good fit for your specific needs. Now it is time to take action!

To apply for financing, especially as a startup, you'll need to provide your lender with:

- Application (typically available on the lenders website as both an online application and a PDF)
- Personal Financial Statements from all owners with 15-20% or greater ownership (your lender can provide you with a blank PFS or you can find any number of them online)
- Last two complete personal tax returns for all major owners (all pages...not just the first few)
- Business plan: If your plan does not include your work history or resume, be sure to include that information and highlight any experience you have that relates to your new venture such as professional brewing experience, entrepreneurial experience, hospitality experience, etc...)
- Evidence that you have opened a business checking account

While most lenders will be more than happy to take your application without any previous relationship, it is a good idea to have a conversation with your lender before filling out an application and sending in all of your information. This helps to build rapport as well as gives you and the lender the opportunity to set expectations in terms of timing and what they can realistically help you with. I like to remind people to treat their banker like they do their doctor; always be honest with them. Discuss your credit and financial well-being. They'll find out when they pull credit and look at tax returns anyway....so be up front with them and they'll have a much better chance of helping you.

Along those lines, do not apply for financing until you are ready and able to provide a full and complete financial package and application that you are prepared to discuss at length. You may need to answer questions about your business plan or address concerns over the a derogatory mark on your personal credit.

Keep in mind that not all lenders are the same. Banks typically have the best rates, but they have a pretty narrow credit window and can take a long time to come to a conclusion about their willingness to take a risk on your brewery project. It may be worth the wait if you have the time and you get approved, but a long, drawn-out decline can put your entire project in jeopardy in terms of losing lease space, delays in equipment manufacturing, construction delays, etc... So, if you are bankable, make sure you apply early and stay in constant communication with your banker.

On the other hand, equipment lease/finance companies are notoriously speedy with regards to these sort of requests and they typically have a much broader credit window. However, their cost of money will be higher and since they will pay the vendor directly on your behalf, you'll need to make sure that the vendor you plan on purchasing equipment from is one they can work with. For example, most

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equipment lessors will not pay a foreign vendor prior to delivery of equipment. Most vendors will not ship equipment without first being paid in full....you can see where that will get dicey.

Once you are approved, be cognizant of how long your approval is good for. There are a lot of issues that can surprise you and cause delays when you are at this stage. The space you had your heart set on could get leased out, a key investor could get cold feet, your contractor has trouble working with the city, etc....all of these can cause frustrating delays and the last thing you want is to finally clear all the hurdles only to learn that your finance approval has expired. In most cases, approvals are typically good for 60-90 days and if you can't close before they expire, it is usually just a matter of updating credit and supplying updated financials (if necessary) to get re-approved.



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Rick Wehner founded Brewery Finance in 2005 and has since provided nearly 1500 startup and established brewers with vital equipment funding to help them launch, grow and flourish.